

The background of the cover is a detailed, blue-tinted image of a microchip. The intricate circuitry, including various traces, pads, and components, is visible throughout the entire frame. A dark, semi-transparent rectangular box is centered horizontally and positioned in the upper half of the page, serving as a backdrop for the title text.

# HALMA

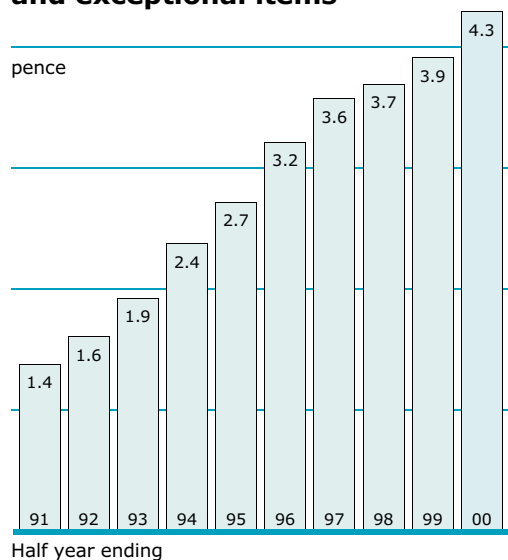
INTERIM REPORT 2000

## Financial Highlights

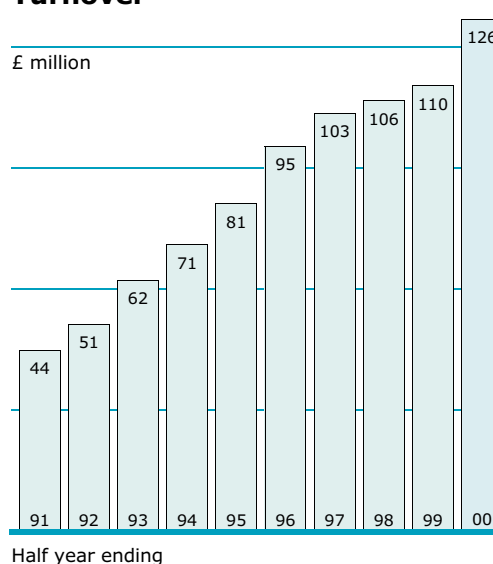
	Change	2000 £000	1999 £000
<b>Turnover</b>	<b>+15%</b>	126,274	109,991
<b>Overseas sales</b>	<b>+21%</b>	84,383	69,658
<b>Profit before taxation, goodwill amortisation and exceptional items</b>	<b>+11%</b>	22,376	20,225
<b>Ordinary dividends</b>	<b>+15%</b>	6,519	5,681
<b>Earnings per ordinary share before goodwill amortisation and exceptional items</b>	<b>+10%</b>	4.28p	3.90p
<b>Profit before taxation, goodwill amortisation and exceptional items as a % of turnover</b>		17.7%	18.4%
<b>Return on capital employed* (annualised)</b>		45.3%	42.8%

\*Return on capital employed is defined as profit before taxation, goodwill amortisation and exceptional items expressed as a % of net tangible assets

**Earnings per share before goodwill amortisation and exceptional items**



**Turnover**



**Results**

In the Chairman's Statement in the 2000 Annual Report I predicted that the current year would demonstrate very real progress towards our long term goals. I am pleased, therefore, to report that interim profits have increased by 11%. This is the twenty-fifth consecutive year in which the Group has announced record interim profits.

Pre-tax profits increased to £22.4 million and earnings per share increased by 10% to 4.28p. Both figures are expressed before goodwill amortisation and exceptional items. Turnover increased by 15% to £126.3 million. Overseas sales increased by 21% to £84.4 million and it is noteworthy that this is the first time that over two-thirds of total Group sales have been outside the UK. All of the preceding absolute figures are new records for the Group.

After spending £4.3 million on acquisitions in the first half, the Group's net cash balance as at the end of the half year increased to £8.6 million.

**Dividends**

For many years the Group has had an enviable record of increasing its dividend consistently by 20% per annum. It has been widely anticipated that this rate of increase would be adjusted as inflation rates have declined over recent years. The interim dividend per share has therefore been increased by 15% and this interim dividend, which will amount to 1.806p per share, will be paid on 5 February 2001 to shareholders on the register at the close of business on 3 January 2001.

**People**

Michael Arthur, who has been Deputy Chairman of Halma since 1978, retired in August this year. His service with Halma has been both long and distinguished and I look forward to paying tribute to him in my statement in the Annual Accounts. Meanwhile I am sure that shareholders will join us in wishing him well in his retirement.

I am very pleased that Richard Stone, who has been a senior partner for many years at Coopers & Lybrand and PricewaterhouseCoopers, has agreed to join the Halma p.l.c. Board from 2 January 2001 as a non-executive Director.

**Prospects**

It is encouraging that the predicted benefits of the active and focused acquisition programme carried out over the past few years are impacting positively on the operating results. This, together with the benefits which continue to arise from this year's organisational changes, support my ongoing confidence in the Group's future prospects.



5 December 2000

David S Barber

## Summary

It is pleasing to report that the first benefits from our increased focus on building world market-leading businesses are showing in these record results, with sales increasing by 15% and profits by 11% compared with the same period last year.

The Group is highly cash generative and is succeeding both in making targeted acquisitions and also in investing in the development of unique new products. This is improving balance sheet efficiency and generating new opportunities. Maximising self-funded growth is in the best interests of shareholders and our decision to increase the interim dividend by 15% allows us to continue our record of high dividend growth at the same time as increasing our investment in the organic development of our businesses.

## Product groups

To assist in the understanding of the Group we have declared, for the first time at the interim stage, the sales of each of our six business groups. Each of these groups reported organic sales growth. Particularly strong growth was achieved in the Resistor, Elevator, Process Safety and Water business groups, supplemented in each case by successful acquisitions made during the past 15 months.

The resistor business of Eaton Cutler-Hammer acquired in March 2000 has been integrated rapidly into our Resistors business group and is already contributing significantly to the profitability of this operation.

## New developments

Important product innovations include the development and marketing of NuVision, a new technology which improves the vision of certain people with failing eyesight, and a range of leading edge products for the fuel cell market which offers considerable growth potential.

In March and September 2000, we acquired two additional companies which manufacture products for the detection and reduction of underground water leakage. In October 2000, we purchased Fire Fighting Enterprises, increasing the range of specialist fire and gas detection devices offered by the Group and strengthening our position in this important industrial sector.

## Business environment

Despite adverse currency movements, sales into Europe rose by 8% and direct exports from the UK rose by 10%. The American market remains strong and sales to this area grew by 32% with a commensurate increase in profitability.

### Outlook

The Group is becoming stronger and more focused, finding new opportunities from geographical expansion and from new product development. The Group consistently produces an exceptionally high return on capital employed, in this period at an annual rate of 45%, and commands substantial market share in each of its operating groups. We have moved forward significantly during this period.



*5 December 2000*

Stephen R O'Shea

## Consolidated Profit and Loss Account

£000

	Notes	Unaudited 26 weeks to 30 September 2000 Before goodwill amortisation	Unaudited Goodwill amortisation	Total	Unaudited 26 weeks to 2 October 1999	Audited 52 weeks to 1 April 2000
<b>Turnover</b>		126,274	–	126,274	109,991	233,485
<b>Operating profit before goodwill amortisation</b>		22,339	–	22,339	19,907	43,419
Goodwill amortisation	2	–	(876)	(876)	(481)	(1,283)
<b>Operating profit</b>		22,339	(876)	21,463	19,426	42,136
<b>Exceptional items</b>						
Costs of closure and sale of businesses		–	–	–	(3,302)	(3,036)
Related goodwill adjustment		–	–	–	(4,732)	(4,732)
Loss on closure and sale of businesses		–	–	–	(8,034)	(7,768)
		22,339	(876)	21,463	11,392	34,368
Interest		37	–	37	318	332
<b>Profit on ordinary activities before taxation</b>		22,376	(876)	21,500	11,710	34,700
Taxation	3	(6,959)	–	(6,959)	(5,237)	(12,693)
<b>Profit for the financial period</b>		15,417	(876)	14,541	6,473	22,007
<b>Dividends</b>						
Preference dividends				–	(19)	(21)
Ordinary dividends				(6,519)	(5,681)	(14,413)
<b>Profit transferred to reserves</b>				8,022	773	7,573
<b>Ordinary dividends per share</b>						
				1.806p	1.570p	3.993p
<b>Earnings per ordinary share before goodwill amortisation and exceptional items</b>						
				4.28p	3.90p	8.41p
<b>Earnings per ordinary share</b>						
				4.03p	1.79p	6.08p
<b>Diluted earnings per ordinary share</b>						
				4.03p	1.78p	6.07p

## Consolidated Balance Sheet

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	Notes	Unaudited 30 September 2000	Unaudited 2 October 1999	Audited 1 April 2000
<b>Fixed assets</b>				
Intangible assets	2	36,770	26,353	35,784
Tangible assets		43,625	40,486	42,214
		<u>80,395</u>	<u>66,839</u>	<u>77,998</u>
<b>Current assets</b>				
Stocks		39,003	33,745	35,842
Debtors		63,492	55,019	64,629
Cash and short-term deposits		16,263	27,835	21,900
		<u>118,758</u>	<u>116,599</u>	<u>122,371</u>
<b>Creditors: amounts falling due within one year</b>				
Borrowings		7,676	6,646	14,700
Dividends payable		6,517	5,676	8,730
Current taxation		11,417	14,618	8,355
Creditors		36,499	32,220	38,728
		<u>62,109</u>	<u>59,160</u>	<u>70,513</u>
<b>Net current assets</b>		<u>56,649</u>	<u>57,439</u>	<u>51,858</u>
<b>Total assets less current liabilities</b>		<u>137,044</u>	<u>124,278</u>	<u>129,856</u>
<b>Creditors: amounts falling due after one year</b>				
		<u>1,559</u>	<u>3,374</u>	<u>4,317</u>
		<u>135,485</u>	<u>120,904</u>	<u>125,539</u>
<b>Capital and reserves</b>				
Called up share capital		36,085	36,500	35,994
Share premium account		1,496	1,012	1,096
Other reserves		185	-	422
Profit and loss account		97,719	83,392	88,027
<b>Shareholders' funds (including non-equity interests)</b>	4	<u>135,485</u>	<u>120,904</u>	<u>125,539</u>

## Consolidated Cash Flow Statement

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	Notes	Unaudited 26 weeks to 30 September 2000	Unaudited 26 weeks to 2 October 1999	Audited 52 weeks to 1 April 2000
<b>Cash flow from operating activities</b>	5	22,960	22,042	47,369
<b>Return on investments and servicing of finance</b>				
Interest received		465	686	1,107
Interest paid		(426)	(318)	(529)
Preference dividends paid		–	(19)	(21)
		39	349	557
<b>Taxation</b>				
Current taxation paid		(4,537)	(2,794)	(16,317)
<b>Capital expenditure</b>				
Purchase of tangible fixed assets		(4,753)	(3,762)	(8,298)
Sale of tangible fixed assets		397	645	1,118
		(4,356)	(3,117)	(7,180)
<b>Acquisitions and disposals</b>				
Acquisition of businesses		(4,321)	(11,981)	(25,730)
Cash and overdrafts acquired		188	192	377
Sale of businesses		46	949	1,107
Overdrafts sold		–	313	313
		(4,087)	(10,527)	(23,933)
<b>Equity dividends paid</b>		(8,732)	(7,299)	(12,977)
		1,287	(1,346)	(12,481)
<b>Management of liquid resources</b>				
Decrease in short-term deposits		6,840	2,336	10,509
<b>Financing</b>				
Issue of ordinary share capital		491	145	252
Purchase and repayment of shares		–	–	(2,688)
(Decrease)/increase in loans		(8,028)	(770)	6,257
		(7,537)	(625)	3,821
<b>Increase in cash</b>	5	590	365	1,849

## Segmental Analysis

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### Geographical analysis

	By destination		By origin	
	Unaudited 26 weeks to 30 September 2000	Unaudited 26 weeks to 2 October 1999	Unaudited 26 weeks to 30 September 2000	Unaudited 26 weeks to 2 October 1999
<b>Turnover</b>				
United Kingdom	41,891	40,333	79,259	74,462
United States of America	41,120	31,047	41,668	31,030
Europe excluding UK	23,409	21,728	9,421	8,471
Far East and Australasia	10,851	10,342	4,743	3,619
Africa, Near and Middle East	4,312	2,858	-	-
Other	4,691	3,683	1,411	1,487
Inter-segmental sales	-	-	(10,228)	(9,078)
	<u>126,274</u>	<u>109,991</u>	<u>126,274</u>	<u>109,991</u>
<b>Profit before taxation</b>				
United Kingdom			13,649	12,925
United States of America			7,702	5,627
Other countries			988	1,355
			<u>22,339</u>	<u>19,907</u>
Goodwill amortisation			(876)	(481)
Exceptional items			-	(8,034)
Interest			37	318
Profit on ordinary activities before taxation			<u>21,500</u>	<u>11,710</u>

### Sector analysis

	Unaudited 26 weeks to 30 September 2000	Unaudited 26 weeks to 2 October 1999
<b>Turnover</b>		
Fire and Gas	31,409	29,581
Water	15,417	12,829
Elevator Electronics	15,272	12,254
Process Safety	17,205	14,202
Resistors	15,966	11,161
Optics and Specialist	31,503	30,574
Inter-segmental sales	(498)	(610)
	<u>126,274</u>	<u>109,991</u>

## Notes on the Interim Report

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**1 Basis of preparation** The interim report for the 26 weeks to 30 September 2000 is prepared on the basis of the accounting policies set out in the accounts for the 52 weeks to 1 April 2000, except for the adoption of accounting standards applicable since that date. The figures shown for the 52 weeks to 1 April 2000 are an abridged version of the Group's statutory accounts, which received an unqualified auditors' report and have been filed with the Registrar of Companies.

**2 Intangible assets** Goodwill arising on acquisitions after 28 March 1998 is capitalised and is classified as an intangible asset in the Consolidated Balance Sheet. Capitalised goodwill is amortised through the Consolidated Profit and Loss Account on a straight line basis over 20 years. Goodwill arising on earlier acquisitions has not been restated.

**3 Taxation** The tax charge for the 26 weeks to 30 September 2000 of £6,959,000 is based on the estimated effective tax rate for the year and includes £2,369,000 (1999: £1,139,000 after a tax credit of £877,000 which arose on the exceptional items) in respect of overseas tax.

**4 Reconciliation of shareholders' funds**

	Unaudited 26 weeks to 30 September 2000	Unaudited 26 weeks to 2 October 1999	Audited 52 weeks to 1 April 2000
<b>Shareholders' funds brought forward</b>	125,539	116,159	116,159
Profit transferred to reserves	8,022	773	7,573
Net proceeds of shares issued	491	145	252
Cancellation and repayment of preference shares	-	-	(656)
Purchase of own shares	-	-	(2,032)
Goodwill adjustment on closure and sale of businesses	-	4,732	4,732
Exchange adjustments	1,433	(905)	(489)
<b>Shareholders' funds carried forward</b>	<b>135,485</b>	<b>120,904</b>	<b>125,539</b>

The non-equity interest included within shareholders' funds is nil (1999: £344,000 11% cumulative preference share capital which was cancelled and repaid in October 1999).

**5 Notes on cash flow statement**

	Unaudited 26 weeks to 30 September 2000	Unaudited 26 weeks to 2 October 1999	Audited 52 weeks to 1 April 2000
<b>Reconciliation of operating profit to net cash inflow from operating activities</b>			
Operating profit	21,463	19,426	42,136
Depreciation	3,511	3,001	6,252
Goodwill amortisation	876	481	1,283
Loss/(profit) on sale of tangible fixed assets	149	(60)	11
Increase in stocks	(2,071)	(654)	(878)
Decrease/(increase) in debtors	2,813	5,053	(1,155)
(Decrease)/increase in creditors	(3,781)	(4,752)	249
Net cash flow relating to exceptional items	-	(453)	(529)
Net cash inflow from operating activities	<u>22,960</u>	<u>22,042</u>	<u>47,369</u>
<b>Reconciliation of net cash flow to movement in net cash</b>			
Increase in cash	590	365	1,849
Decrease in liquid resources	(6,840)	(2,336)	(10,509)
Short-term deposits acquired	-	227	409
Loans acquired	-	(126)	(604)
Cash outflow/(inflow) from loans	8,028	770	(6,257)
Exchange adjustments	(391)	125	148
	<u>1,387</u>	<u>(975)</u>	<u>(14,964)</u>
Net cash brought forward	<u>7,200</u>	<u>22,164</u>	<u>22,164</u>
Net cash carried forward	<u>8,587</u>	<u>21,189</u>	<u>7,200</u>

**Board of Directors**

David S Barber *Chairman\**  
Stephen R O'Shea *Chief Executive*  
Clive Q Summerhayes BSc  
John C Conacher MA  
Lord McGowan\*  
Hamish M J Ritchie MA\*  
Kevin J Thompson BSc FCA  
Neil Quinn BSc

**Secretary**

E Carol Tredway BA FCA  
\* Non-executive

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**Executive Board**

Stephen R O'Shea *Chief Executive*  
Clive Q Summerhayes *Sectoral Managing Director*  
John C Conacher *Sectoral Managing Director*  
Nigel J Young *Process Safety*  
Neil Quinn *Fire and Security*  
Ralph R Jessop *Gas Detection*  
Kevin J Thompson *Group Finance Director*  
Gavin N S Turner *Materials Technology*  
John S Campbell *Resistors*  
Keith J Roy *Water Technology*  
William J Seymour *Elevator Electronics*

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**Registered Office**

Misbourne Court Rectory Way  
Amersham Bucks HP7 0DE  
Telephone: +44 (0)1494 721111  
Fax: +44 (0)1494 728032  
Web site: [www.halma.com](http://www.halma.com)

**Registered Number  
Auditors**

40932  
PricewaterhouseCoopers  
1 Embankment Place  
London WC2N 6RH

**Bankers**

The Royal Bank of Scotland plc  
15 Bishopsgate  
London EC2P 2AP

**Financial Advisers**

Lazard Brothers & Co., Limited  
21 Moorfields  
London EC2P 2HT

**Solicitors**

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

**Brokers**

HSBC  
Vintners Place 68 Upper Thames Street  
London EC4V 3BJ

**Registrars**

Computershare Services PLC  
PO Box 82  
The Pavilions Bridgwater Road  
Bristol BS99 7NH  
Telephone: +44 (0)870 702 0000

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