



HALMA p.l.c. PRELIMINARY RESULTS FOR THE 53 WEEKS TO 3 APRIL 2010

- Halma announces record results and increased rate of dividend growth -

22 June 2010

Halma, the leading safety, health and sensor technology group, today announces its preliminary results for the 53 weeks to 3 April 2010.

Highlights include:

- Profit before tax⁽¹⁾ from continuing operations up 9% to £86.2m (2009: £79.1m), on revenues up 1% at £459.1m (2009: £455.9m). Organic profit growth⁽²⁾ of 9%.
- Adjusted earnings per share⁽³⁾ from continuing operations up 10% to 16.89p (2009: 15.30p). Statutory earnings per share increased 14% to 16.10p (2009: 14.07p).
- Excellent cash generation, ending the year with net cash of £9m having started with net debt of £51m. Strong financial position with core borrowing facilities of £165m in place until 2013.
- A record dividend, increased by 7%, marking the 31st consecutive year of dividend increases of 5% or more p.a., a record in our sector. Dividend cover⁽⁴⁾ increased to 1.98 times (2009: 1.92 times).
- Strong margins and returns maintained with Return on Sales⁽⁵⁾ of 18.8% (2009: 17.3%), ROTIC⁽²⁾ of 13.6% (2009: 13.1%) and Return on Capital Employed⁽²⁾ of 61.3% (2009: 47.7%).
- Second half order intake 9% higher than the first half with momentum continuing into the new financial year.
- China revenues up 59% and Far East/Australasia revenues up 9%, in line with the Group's key strategic objective of international expansion with a focus on Asia.
- Acquisition search re-energised across all sectors.

(1) Adjusted to remove the amortisation of acquired intangible assets of £4.8m (2009: £6.3m).

(2) Organic growth rates, Return on Total Invested Capital (ROTIC) and Return on Capital Employed (ROCE) are non-GAAP performance measures used by management in measuring the returns achieved from the Group's asset base. See note 9 to the Preliminary Announcement for details. Currency translation resulted in a 3.5% increase to reported revenue and a 4.3% increase to reported profit.

(3) Adjusted to remove the amortisation of acquired intangible assets. See note 6 to the Preliminary Announcement for details.

(4) Dividend cover is calculated as adjusted⁽¹⁾ profit after taxation divided by dividends paid and proposed.

(5) Return on Sales is defined as adjusted⁽¹⁾ profit before taxation from continuing operations expressed as a percentage of revenue from continuing operations.

Andrew Williams, Chief Executive of Halma, commented:

"In 2009/10, we achieved our stated objective of maintaining short-term returns through active cost control and protecting medium-term growth through continued investment. During the past year it has become clearer that our sustained increased investment in innovation, management and international expansion has made us a stronger business. Our aim for the coming year is to translate this into higher rates of growth and even higher rates of return.

"Coming into 2010/11 we have greater momentum than a year ago, particularly in terms of order intake, and are well positioned to achieve growth. Therefore, we look forward to the year ahead with confidence."

For further information, please contact:

Halma p.l.c. +44 (0)1494 721111
Andrew Williams, Chief Executive
Kevin Thompson, Finance Director

Hogarth Partnership Limited +44 (0)20 7357 9477
Rachel Hirst/Andrew Jaques

A copy of this announcement, together with other information about Halma, may be viewed on its website:
www.halma.com.

NOTE TO EDITORS

1. Halma develops and markets products used worldwide to protect life and improve the quality of life. The Group comprises three business sectors:

- Infrastructure Sensors We make products which detect hazards to protect assets and people 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 assets and people at work.

The key characteristics of Halma's businesses are that they are based on advanced technology and offer strong growth potential. Many Group businesses are clear market leaders in their specialist field and, in a number of cases, are the dominant world supplier.

2. High resolution photos of Halma senior management, including Chief Executive Andrew Williams, and images illustrating Halma business activities can be downloaded from its website: www.halma.com. Click on the 'News' link, then 'Image Library'. Photo queries: David Waller +44 (0)20 8205 0038, e-mail: dwaller@halmapr.com.
3. You can view or download copies of this announcement and our latest Half Year and Annual reports from our website at www.halma.com or request free printed copies by contacting halma@halma.com.

A copy of the Annual Report and Accounts will be made available to shareholders on 28 June 2010 either by post or on-line at www.halma.com and will be available to the general public on-line or on written request to the Company's registered office at Misbourne Court, Rectory Way, Amersham, Bucks HP7 0DE, UK.

HALMA p.l.c.

Group results for the 53 weeks to 3 April 2010

Financial Highlights

| | Change | 53 weeks 3 April 2010 | 52 weeks 28 March 2009 |
|---|--------|--------------------------|---------------------------|
| Continuing Operations: | | | |
| Revenue | + 1% | £459.1m | £455.9m |
| Adjusted Profit before Taxation ¹ | + 9% | £86.2m | £79.1m |
| Statutory Profit before Taxation | + 12% | £81.4m | £72.8m |
| | | | |
| Adjusted Earnings per Share ² | + 10% | 16.89p | 15.30p |
| Statutory Earnings per Share | + 14% | 16.10p | 14.07p |
| Total Dividend per Share ³ | + 7% | 8.50p | 7.93p |
| | | | |
| Return on Sales ⁴ | | 18.8% | 17.3% |
| Return on Total Invested Capital ⁵ | | 13.6% | 13.1% |
| Return on Capital Employed ⁵ | | 61.3% | 47.7% |

Pro-forma information:

- 1 Adjusted to remove the amortisation of acquired intangible assets of £4.8m (2009: £6.3m).
- 2 Adjusted to remove the amortisation of acquired intangible assets. See note 6 to the Preliminary Announcement for details.
- 3 Total dividend paid and proposed per share.
- 4 Return on Sales is defined as adjusted⁽¹⁾ profit before taxation from continuing operations expressed as a percentage of revenue from continuing operations.
- 5 Organic growth rates, Return on Total Invested Capital and Return on Capital Employed are non-GAAP performance measures used by management in measuring the returns achieved from the Group's asset base. See note 9 to the Preliminary Announcement for details.

Chairman's Statement

Record profit and increased rate of dividend growth reflect Halma's resilience and adaptability

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 niche markets where the demand is global. Our businesses are autonomous and highly entrepreneurial.

Strategically we aim to grow profit and revenue in excess of 5% p.a. organically, to have Return on Sales of 18% or above and generate post-tax Return on Total Invested Capital of more than 12%. As a result, we are highly cash generative and reinvest in our businesses through people, product and market development, continue to acquire more companies with like characteristics and strive to give annual dividend growth of 5% or more to our shareholders; something we have achieved for more than 30 consecutive years.

Results

Full year revenue increased by 1% to £459.1m (2009: £455.9m), organic revenue growth¹ was flat and at constant currency, showed a decline of 3%. Profit before tax and amortisation of acquired intangibles increased by 9% to £86.2m (2009: £79.1m), virtually all organic and we achieved 5% profit growth at constant currency. Statutory profit before tax increased by 12% to £81.4m. Return on Total Invested Capital was 13.6% (2009: 13.1%), Return on Capital Employed at the operating level increased to 61.3% from 47.7% in the previous year. Cash generation was excellent moving from net debt at the end of 2009 of £51.2m to net cash at the end of 2010 of £9.1m.

The Board is recommending a final dividend² of 5.19p per share, an increase of 8.6% giving a total dividend for the year up 7.2% to 8.50p. The final dividend is subject to approval by shareholders and will be paid on 25 August 2010 to shareholders on the register on 23 July 2010. Dividend cover is 1.98 times (2009: 1.92 times) meeting our objective of

around 2 times cover.

These results show both the resilience and adaptability of Halma in difficult and uncertain times. Action to reduce costs was taken promptly (more detail in Andrew Williams' report) and this is also reflected in a significant improvement in Return on Sales from 17.3% in 2009 to 18.8%. However, this was not achieved by a major reduction in investment; expenditure on R&D was 4.7% of revenue compared to 5% the previous year. Investment in training and development was also maintained at the same level, vital for the future of Halma.

Geographic expansion

It is pleasing to see our strategic investments in China and India bearing fruit. Sales to China increased by 59%, fuelled in part by the massive investments being made in this region's infrastructure. In 2010, we decided to increase our sales and support capability even further by investing in three additional regional centres (expanding on our existing bases in Shanghai and Beijing) which should benefit all our sub-sectors. Our manufacturing capability in China is also expanding. This year we will explore further the merits of additional investment into other high-growth territories.

Five years ago our sales outside the USA and Europe were £53m – this year they were £98m. As a result of our strategic actions to encourage expansion into high growth markets outside the USA and Europe, within two to three years, sales outside these territories should grow even further and begin to have a material effect on the growth rate of the Group overall.

Acquisitions

Because of the general uncertainty in earnings outlook, we took a cautious view on acquisitions during the year and only invested £1.7m in acquiring SphereOptics, a good addition to our Photonics activities.

Meanwhile, we have plenty of financial capacity with net cash and longer term facilities in place to comfortably finance a further £100m of investment. However, our acquisition screening remains as rigorous as ever to make sure that both our strategic and financial criteria are met.

Governance

There were no changes to the Board during the year but we continue to evaluate performance thoroughly, and as always, with an eye to appropriate succession on the Board.

People

It has been a hard and uncertain market for many of our companies. It has been pleasing to see how well company boards have reacted to their own markets, taking the necessary actions as appropriate i.e. playing it as they see it. It is this proactive and adaptable attitude that is a key strength of Halma. To everyone in the Group, my sincere thanks for all your actions and dedication.

Outlook

As we have seen, the Group can react swiftly to the market conditions as they unfold and will continue to invest in people, innovation and market development. This, together with strong cash generation which supports our efforts to grow organically and make acquisitions, gives us confidence for the future.

Geoff Unwin, Chairman

¹ See Financial Highlights

² Subject to the approval of this year's recommended dividend increase at the AGM on 29 July 2010

Chief Executive's Strategic Review 2010

We have greater momentum than a year ago and are well positioned to achieve growth

A record year with momentum for the future

For the 53 weeks to 3 April 2010, adjusted profit¹ grew by 9% to £86.2m (2009: £79.1m) with underlying organic growth¹ of 9%, a 5% increase in constant currency. Revenue increased by 1% to £459.1m (2009: £455.9m) with underlying organic growth¹ of 0.5%, a 3% decline in constant currency.

These record results were accomplished during uncertain and challenging economic conditions and they reflect both the strength of Halma's fundamental strategy and the quality of our management. Cash generation was exceptionally strong which, together with continued investment and improving order intake levels, provides momentum for the future.

Cash generation is one of our key strengths and this year's performance was particularly impressive. We ended the year with net cash of £9m having started it with net debt of £51m. We maintained a healthy level of capital expenditure, paid a record dividend to shareholders and made a small acquisition. We are in a strong financial position and have core borrowing facilities of £165m in place until 2013. We can comfortably deploy up to £100m on acquisitions, should we find the right opportunities.

Order intake levels, which were very volatile a year ago, first stabilised and then improved as the year progressed. In the second half of 2009/10, order intake was 9% higher than the first half, giving a 4% increase for the year overall. We finished the year with an order book 14% higher than a year ago. Whilst our order book is typically equivalent to only six weeks of Group revenue, the improving trend left us well placed for the start of 2010/11.

High returns increased further

We acted decisively to reduce costs. Each business did so according to their individual market needs with the overall impact on the Group being an 8% headcount reduction. Product margins increased by more than one percentage point due to improved efficiency in manufacturing. This enabled us to increase Return on Sales¹ to 18.8% (2009: 17.3%). We aim to achieve a Return on Sales of at least 18%, with the potential to exceed 20% as rates of revenue growth increase.

Good management of our operating assets combined with earnings growth increased our Return on Total Invested Capital¹ (ROTIC) to 13.6% (2009: 13.1%) whilst, our Return on Capital Employed¹, a better measure at the operating company level, rose to 61.3% (2009: 47.7%).

Our adjusted profit¹ of £86.2m includes £2.7m of restructuring costs (2009: £1.2m) predominantly related to the reduction in headcount. We achieved our overall objective of reducing our direct and indirect costs by at least £20m p.a. relative to our run-rate during the second half of 2008/09. A key objective for the future is to ensure that as order intake improves, we add an increasing proportion of our resources to growth generating activities like R&D and selling.

Our employees at all levels have achieved tremendous results during a period of uncertainty and, in many businesses, disruption caused by redundancies. I thank all of them for their commitment and determination in ensuring that we continued to meet the expectations of customers and, consequently, our shareholders.

Macro-economic, regulatory and competitive environment

Our expectation for 2009/10 was that the macro-economic environment would continue to be challenging but that there would be opportunities to offset this through market share growth in developed regions, rising demand in developing regions and acquisitions.

Whilst a slowdown in our markets did make organic growth more difficult to achieve, we proved that we have a resilient business mix. Many Halma businesses have products which are driven by non-discretionary customer spend and are sold into diverse geographic regions and end-markets. They benefit from strong market positions providing upgrading and replacement sales opportunities. We are not over-reliant on any single region, market or customer with our largest customer constituting less than 2% of revenue.

Increasing environmental and safety legislation in our markets creates relatively robust demand for our products. Global, national and regional product approvals or technical validations are an increasing cost and technical challenge, but also provide a hurdle to new market entrants.

Our wide spread of activity in niche markets means that competition issues are best dealt with by management at company or sub-sector level. Details are given in the Sector reviews.

Our primary market growth drivers

As the world changes, our customers and their needs change too. Within our operating businesses, growth strategies tend to have a three to five-year horizon. However, at Group level, our strategy for developing positions in markets has a horizon of 10 years or more.

We position our businesses in markets which we identify as relatively non-cyclical. We select markets with good prospects of long-term, sustained growth whatever the prevailing macro-economic conditions due to the following resilient growth drivers:

Increasing demand for energy and water

Demand for energy and water continues to rise driven by population growth and mobility, rising living standards, changes in food consumption and biofuels energy production.

Although global consumption of marketed energy contracted by 2.2% during 2009, the latest projection from the US Government's energy statistics office is for a 49% increase between 2007 and 2035. In non-OECD countries, energy demand is predicted to rise by 84% in the same period. Water demand also rises relentlessly. Global population growth translates into an annual increase in fresh water demand of 64 billion cubic metres.

Several of our Health and Analysis businesses are positioned to benefit from the rising demand for energy and water. Continued investment in oil and gas exploration and extraction drives demand for our Industrial Safety products.

Increasing urbanisation and ageing of population

The world population, which stood at 6.8 billion in 2009, will reach 9 billion by 2050. Most of those additional 2.2 billion people will enlarge the population of developing countries, projected to rise from 5.6 billion in 2009 to 7.9 billion by 2050.

The global population is ageing. The number of people over 60 is growing at 2.6% per year, faster than the 1.2% annual rise in the overall population.

About half of the world's population (3.4 billion) now live in urban areas, predicted to increase to almost 5 billion by 2030. Rapid urban growth is predicted in the developing world where the urban population is expected to double between 2000 and 2030. By 2030, 81% of the world's urban population will live in the developing world. Urbanisation drives investment in non-residential buildings like shops, offices, schools and hospitals, the primary market for our Infrastructure Sensors products while a growing and ageing population drives demand for Health and Analysis products.

Increasing demand for healthcare

Worldwide demand for healthcare and health-related products continues to increase, driving growth in our Health and Analysis markets. Healthcare spending is growing rapidly in the developed world, particularly in the USA where it rose from \$2.39 trillion in 2008 to \$2.50 trillion in 2009. Health spending accounted for about 17.6% of US GDP in 2009, but is expected to climb to over 20% by 2018.

Population growth and rising incomes in the developing world also drive healthcare demand. Population ageing creates rising healthcare needs and as incomes rise health services are becoming available to an increasing number of people in the developing world. Healthcare spending in China is projected to rise to \$600bn by 2015, a threefold increase over expenditure in 2000. Continuous advances in medical technology create new medical procedures, also stimulating demand for new instruments and equipment.

Increasing health and safety regulation

Every day a million workers will suffer an accident at work, and about 5,500 workers will die due to a work-related accident or disease. This adds up to an estimated 2.3m people dying from work-related hazards every year. The International Labor Organization suggests that there are 270 million occupational accidents and 160 million cases of occupational disease annually. In addition to human tragedy, workplace accidents and sickness have a significant financial impact. A rough estimate suggests that direct and indirect costs of occupational accidents and diseases, represents 4% of annual global GDP (US\$1.25 trillion). In response, governments throughout the world enact increasingly strict laws and regulations to protect workers from workplace hazards. Continuing integration of regional economies through globalisation extends health and safety regulation to developing regions. The combination of increasing safety regulation and globalisation drives demand for our Industrial Safety and Infrastructure Sensors products.

Sector performances

After a solid performance in the first half year, all of our three business sectors significantly improved profits in the second half.

Infrastructure Sensors resilient

Infrastructure Sensors had a resilient year with profit² increasing by 8% to £35.5m (2009: £33.0m) on revenue down 2% to £182.9m (2009: £186.0m). Organic profit growth was 9% (5% at constant currency) whilst organic revenue growth was 1% (a 3% decline at constant currency). Door Sensors had a very good year, gaining market share through a combination of new product launches and continuously improving service levels worldwide. Elevator Safety revenue was flat and profit slightly up whilst Fire Detection increased profit despite seeing some weakness in demand in the UK and US markets. Security Sensors generated revenue growth in its core markets, the UK and Mainland Europe, but overall profit was lower following the sale of our South African subsidiary in 2008/09.

Health and Analysis strong

Health and Analysis performed very strongly, increasing revenue by 7% to £176.0m (2009: £165.1m) and profit² by 23% to £35.3m (2009: £28.7m). Organic profit growth was 21% (15% at constant currency) whilst organic revenue growth was 3% (a 3% decline at constant currency). Water increased profits despite lower revenue. Health Optics, Fluid Technology and Photonics delivered strong profit increases with the latter starting to gain traction in China and Asian markets.

Industrial Safety improving

After a tough first half, Industrial Safety achieved revenue and profit growth in the second half of the year. Full year revenue was down by 4% at £100.5m (2009: £105.0m) compared to an 11% decline at the end of the first half. Full year profit² was down by 11% at £19.8m (2009: £22.2m), a significant improvement on the 29% decline reported for the first half year. In recent months, some larger prospects were finally converted into orders, most notably in South America and Asia.

Both Safety Interlocks and Gas Detection performed solidly whilst Bursting Disks benefited from improved order intake in the second half. Asset Monitoring had a disappointing year although a slight improvement in order intake in recent months and the benefits of significant restructuring during the past year provide optimism for an improved performance in 2010/11.

Our strategic directions

We aim to operate in global specialised markets offering long-term growth with technology able to sustain high returns.

We have clear strategic priorities based on five principal areas:

Organic growth

We aim to continue to deliver organic growth of at least 5% which we believe is the blended medium-term growth rates of our end markets, aiming to maintain a balance between investment and profitability. Over the last five years our average rate of organic growth has been 8% per annum.

International expansion with a focus on Asia

Asian markets offer significant and long-term growth potential for our businesses. We have increased investment to help our companies build a local presence in key regions.

The regional revenue trends were more mixed than in recent years. Revenue from the Far East and Australasia grew by 9% to £59m despite the adverse impact of the disposal of our Resistors business in Australia, in 2008/09.

Encouragingly, revenue from China grew by 59% to £18m and has almost tripled since we established Halma hubs in Shanghai and Beijing in mid-2006. China now represents 4% of total revenue and we plan to significantly increase our investment there in 2010/11 by adding three new regional commercial hubs in Chengdu, Guangzhou and Shenyang.

Revenue in the UK fell by 6% to £98m (2009: £104m) with all three sectors down. Here, we saw some improvement in the latter part of the year, especially in Industrial Safety. In the USA, revenue increased by 5% to £127m (2009: £121m). Here, our Infrastructure Sensors businesses saw the most challenging market conditions, particularly Fire Detection. Mainland Europe's revenue increased by 2% to £136m (2009: £133m) and all three sectors showed modest improvements. The significant reduction in revenue from Africa, Near and Middle East of 14% was mainly due to last year's disposal of our Security Sensors business (based in South Africa).

High rate of innovation

We value both product and process innovation since the latter often results in significant competitive advantage and market share gain.

In May 2009, we held our first Group-wide innovation and collaboration event, HITE (Halma Innovation and Technology Exposition). HITE not only increased the visibility and transfer of knowledge between Halma businesses, but also provided the opportunity for us to agree clear investment priorities for the year ahead. Despite the understandable increased focus on reducing costs, I am pleased that investment in growth for the medium term was maintained.

R&D expenditure during 2009/10 was £21m (2009: £23m) remaining close to 5% of revenue and above our minimum 4% target level. Importantly, we are seeing a steady improvement in the productiveness of this investment. An example of this was the strength of entries for the internal Halma Innovation Awards 2010, which offered a first prize of £20,000.

This year's winners were Ocean Optics, one of our Photonics companies, who devised a new method of optical filtering enabling their low cost optical analyser to compete with much larger and complex systems for a fraction of the cost. Runners-up were Volumatic who developed an intelligent cash counting system for major retailers which not only securely collects bank notes at the counter but also detects forgeries within seconds of receiving payment from the customer. Fire Fighting Enterprises were in third place with a self-adjusting laser-based fire detector which is used in large building spaces such as museum halls.

These award winners highlight the shift towards higher technology we have seen across Halma over the past decade and the depth of application knowledge within our specialist niche market businesses. Both these factors help us generate and maintain high returns.

Management development

Increased investment in training improves the quality and flexibility of our senior management, raises performance and creates opportunities for career progression.

Our increased investment during the past five years really benefited us this year. Senior managers across the Group were well equipped to assess the impact of the global recession on their business, determine the appropriate strategy and take quick action to reduce costs appropriately. This localised decision making and resource allocation will continue to serve us well during any uncertain times ahead, particularly as we have such diverse end-markets.

The various Halma people development programmes offer training opportunities beyond subsidiary board level to all managers in the Group. During 2009/10, 130 managers attended Halma programmes and many more benefited from

training organised within their subsidiary company. In 2010, we are introducing a new programme targeted at our technical engineers to equip them with a broader understanding of Halma's technology, improve their productivity and provide specific skills training in areas such as project management.

Acquisitions

We look to buy companies with business and market characteristics like Halma. They have to be a good fit with our operating culture and strategy in addition to being value-enhancing financially.

2009/10 was a relatively quiet year for investment in both capital expenditure and acquisitions. This reflected a more cautious approach while we took care of our own operational challenges and understood how strong businesses like Halma would perform during the downturn. Capital investment was £11.0m compared to £16.8m in 2008/09.

We made one small acquisition during the year, adding SphereOptics to our existing Photonics business Labsphere, a market-leading light measurement company based in New Hampshire, USA. We paid \$2.5m at completion with up to \$3.5m to follow over the next two years should certain profit growth targets be achieved.

In recent months we have increased our acquisition search activity. Our experience has been that vendors of good quality businesses are now keener to talk but that many remain cautious about whether to sell now or to wait in the hope that markets will recover in the medium term. Our task is to convince them that they will achieve even greater success by being part of Halma now and to structure deals accordingly. We continue to search for businesses in all of our existing market sectors and in all geographic regions.

Delivering corporate responsibility and sustainability

The positive impact that our products have on customers, on society and on the environment is a significant source of satisfaction and motivation for all our employees. Halma's commitment to the environment, safety and improving the quality of life for individuals is shown not only in the solutions we create for our customers but also in the way we do business. Our Corporate Responsibility review in our Annual Report details our commitment in greater depth and includes the clear objectives we set ourselves in areas ranging from carbon policy to the safety of employees. These objectives make good business sense and are reviewed regularly by the Board so that, where necessary, action is taken to address issues as they arise.

Strategic actions to sustain success during the recent changing market conditions have varied between each Halma business. For example, in some markets we anticipated falling demand by cutting costs so that overheads were aligned with revenue. Our strong balance sheet and committed debt facilities have enabled us to take advantage of opportunities requiring capital expenditure in existing businesses or investment in acquisitions.

Throughout our businesses we will continue to invest in customer-facing resources and maintain R&D spend to extend technology leadership. Our aim continues to be to emerge from the current downturn with larger market shares, improved competitive positions and strong margins.

Outlook

In 2009/10, we achieved our stated objective of maintaining short-term returns through active cost control and protecting medium-term growth through continued investment. During the past year it has become clearer that our sustained increased investment in innovation, management and international expansion has made us a stronger business. Our aim for the coming year is to translate this into higher rates of growth and even higher rates of return.

Coming into 2010/11 we have greater momentum than a year ago, particularly in terms of order intake, and are well positioned to achieve growth. Therefore, we look forward to the year ahead with confidence.

Andrew Williams, Chief Executive

¹ See Financial Highlights

² See note 1 to the Preliminary Announcement

Financial review

Our financial position remains strong and we have continued to invest actively in our business

Record results

Halma achieved record revenue and profit with strong organic profit growth and excellent cash generation against the background of tough market conditions. Our financial position remains strong and we have continued to invest actively in our business. This is the seventh consecutive year of record results.

| | 2010 £m | 2009 £m | Increase £m | Percentage change | | |
|------------------------------|--------------|------------|----------------|-------------------|-----------------|--------------------------------------|
| | | | | Total | Organic growth* | Organic growth* at constant currency |
| Revenue | 459.1 | 455.9 | 3.2 | 0.7% | 0.5% | (3.0%) |
| Adjusted profit ¹ | 86.2 | 79.1 | 7.1 | 9.0% | 9.0% | 4.7% |

* Organic growth¹ is calculated excluding the results of acquisitions and disposals.

Adjusted profit¹ for the 53 weeks to 3 April 2010 increased by 9% to £86.2m (2009: £79.1m) exceeding our profit growth KPI. The vast majority of our financial KPIs were above both last year and their targets. Exceptions to this were organic revenue growth and R&D as a percentage of revenue, which was slightly below last year but at the typically high levels of recent years.

We acted early to ensure that our cost base was appropriate to the market circumstances we were seeing. The results we achieved are after charging costs of reorganisation amounting to £2.7m in the year. This together with the £1.2m charged to profit in the previous year had the anticipated effect of reducing the run rate of overheads by more than £15m, and improving product margins by £5m, compared with the run rate in the second half of 2008/09. This high impact at low cost was possible because of the great flexibility within our businesses and the autonomy of operations, allowing quick action appropriate to local needs.

The second half profitability was much stronger than that of the first half which had been slightly below the prior year. 56% (2009: 51%) of the full year's adjusted profit¹ was earned in the second half. Adjusted profit¹ at £48.1m (2009: £40.1m) for the second half increased by 20%, due to good management of the cost base and higher product margins. All three sectors delivered an improved profit performance in the second half.

Half-yearly growth by sector

| | Revenue growth | | | Adjusted profit ¹ growth | | |
|------------------------|----------------|-------------|-------|-------------------------------------|-------------|-------|
| | First half | Second half | Total | First half | Second half | Total |
| Infrastructure Sensors | (1%) | (2%) | (2%) | 2% | 13% | 8% |
| Health and Analysis | 9% | 4% | 7% | 12% | 33% | 23% |
| Industrial Safety | (11%) | 3% | (4%) | (29%) | 10% | (11%) |
| Group | – | 1% | 1% | (2%) | 20% | 9% |

Health and Analysis increased its share of full year revenue to 38% (2009: 36%) although Infrastructure Sensors remains the largest sector at 40% (2009: 41%) of the total.

Growth in Mainland Europe, USA and China

| | Revenue | | Change £m | % growth |
|------------------------------|--------------|------------|--------------|----------|
| | 2010 £m | 2009 £m | | |
| Mainland Europe | 135.7 | 132.5 | 3.2 | 2% |
| United States of America | 127.2 | 120.7 | 6.5 | 5% |
| United Kingdom | 98.3 | 104.4 | (6.1) | (6%) |
| Asia Pacific and Australasia | 59.1 | 54.1 | 5.0 | 9% |
| Other countries | 38.8 | 44.2 | (5.4) | (12%) |
| | 459.1 | 455.9 | 3.2 | 1% |

We have a balanced regional footprint. We achieved revenue growth in Mainland Europe, the largest sales destination at 30% of the total, with the USA close behind at 28% of the total. All three sectors grew in Mainland Europe. In the USA, Health and Analysis grew by 11% whilst there was a small decline there in the other two sectors.

Our businesses are relentlessly pursuing revenue growth across the world. By contrast it has been tougher to get growth in the UK in recent years and this year all three sectors made lower sales to the UK than in the prior year. UK revenue was 6% down after a 4% decrease last year and the UK now represents 21% of total revenue compared with 27% of revenue in 2005. Over this period UK sales have grown by 22% compared with 53% growth in total Group

revenue. Despite the reduced significance of the UK for the Group overall we continue to generate significant UK revenue in Fire Detection, Gas Detection, Security Sensors and Safety Interlocks.

Revenue to the rest of world (outside Mainland Europe, USA and UK) totalled £98m and was level with last year. There was a 5% underlying growth in the rest of world after adjusting for two small disposals made last year. We are actively targeting growth in these territories and aim to grow the 21% of Group revenue to 30% over the next five years. Revenue to China grew by an impressive 59% to £18m as a result of our increased investment over the past four years. We have momentum in China across many of our businesses, in particular those in Health and Analysis.

Currency less volatile

Halma reports its results in Sterling. The most important other trading currencies are the US Dollar and Euro. These currencies have shown less volatility this year compared with last year. Approximately 30% of Group revenue is denominated in US Dollars and 20% in Euros. Currency translation of results resulted in a 3.5% increase to reported revenues and a 4.3% increase in adjusted profit¹. Translational currency exposures are not hedged.

| | Weighted average rates used in Income Statement | | Year end exchange rates used to translate Balance Sheet | |
|-----------|--|------|--|------|
| | 2010 | 2009 | 2010 | 2009 |
| US Dollar | 1.60 | 1.72 | 1.53 | 1.43 |
| Euro | 1.13 | 1.20 | 1.13 | 1.08 |

Based on the current mix of currency denominated revenue and profit a 1% movement in the US Dollar relative to Sterling changes revenue by £1.5m and profit by £0.3m. Similarly, a 1% movement in the Euro changes revenue by £0.8m and profit by £0.2m. If current spot rates were maintained throughout the next year there may be a small positive impact from currency translation in 2010/11.

We both purchase and sell significant amounts of product priced in US Dollars so the net impact of this currency on our trading is relatively limited – there is a good degree of natural hedging. We purchase fewer products in Euros than we sell in Euros and so have a net exposure of approximately Euro 40m in a typical year. This year we introduced a new hedging strategy, fixing currency rates up to 12 months forward for approximately 50% of our trading transactions. This gives our businesses greater certainty in their overseas trading.

High and increased margins

Return on Sales increased to the high level of 18.8% (2009: 17.3%) after two years of decline. In the past we have targeted a Return on Sales in the 16% to 20% range and have operated above 16% for each of the past 25 years. In future we intend to operate at 18% to 20% or above, recognising the need to balance very high returns with investment for the future. Return on Sales is an important metric for the Group reflecting our high rate of profitability and the significant value our customers place on our products.

Return on Sales is calculated after charging the reorganisation costs noted above. The increase over last year is due to a more than 1% improvement in product margins as well as the reduction in operating company overheads. Our three sectors currently have a similar Return on Sales (19% to 20%), which is a little above the Group figure due to the impact of central costs and interest on the Group calculation. Infrastructure Sensors and Health and Analysis both increased their Return on Sales strongly this year.

Tax rates stable

The effective tax rate on profit before amortisation of acquired intangible assets was 26.5% (2009: 27.7%). This year on year reduction arose primarily due to the change in the mix of profits earned in different jurisdictions as well as some specific items such as the lower tax rate we currently enjoy in China due to our 'high technology' tax status. We expect the Group's effective rate to be a little lower in the year ahead.

The Group's approach to taxation is to minimise the tax burden where possible in a responsible manner, managing good relationships with tax authorities based on legal compliance, transparency and co-operation.

Low net finance cost

The net finance cost in the Income Statement was less than last year at £2.9m (2009: £3.4m). Net bank interest expense was £1.8m lower at £0.8m due to lower rates of interest and reduced borrowing. As expected the net pension finance charge was £1.2m above the prior year due to the lower pension plan asset values at the start of 2009/10 compared with the prior year.

Looking ahead we expect the net pension finance cost to be lower in 2010/11 with plan asset values having recovered somewhat, offset by a higher interest cost on scheme liabilities. Bank interest expense will depend on our success in putting cash to work in making good quality acquisitions and of course the absolute level of borrowing rates.

Growth in earnings per share, dividend and record market capitalisation

Adjusted earnings per share¹ increased by 10% to 16.9p (2009: 15.3p) driven primarily by the increase in the adjusted profit¹ and the reduction in the tax rate, offset by a higher number of shares in issue. Statutory earnings per share was

up 14% to 16.1p (2009: 14.07p) due to the amortisation of acquired intangibles being lower this year than last.

Halma has a progressive dividend policy. The recommended final dividend of 5.19p gives a total dividend up 7.2% to 8.50p (2009: 7.93p). At the year end share price this rate of full year dividend represents a dividend yield of 3.3%. With this 8.6% increase in the final dividend we will have increased our full year dividend by 5% or more for every one of the last 31 years paying out over £320m in dividends over that period.

Dividend cover (the ratio of profit after taxation to dividends paid and proposed) calculated on adjusted¹ profit is now 1.98 times (2009: 1.92 times) which meets our objective of around 2 times cover.

Shortly after the 2009/10 year end Halma's market capitalisation exceeded £1bn for the first time. This is over 50 times its market capitalisation 30 years ago and, together with our dividend growth record, reflects the value created for shareholders over the long term.

Higher and increased returns

Return on Total Invested Capital (ROTIC), the post-tax return on all the Group's assets including all historic goodwill, increased to 13.6% (2009: 13.1%). It takes a good performance to increase the ROTIC measure as to do so requires delivering a return not only on the previous year's total assets, but also on additions to those assets made during the current year. Halma's ROTIC compares favourably to a long-term Weighted Average Cost of Capital (WACC) calculated as currently being 8.5% (2009: 9.0%). The excess above WACC is an indicator of shareholder value creation.

Efficient use of operating assets is a key part of our business model. We aim to operate with just enough net assets to satisfy our customer needs. Return on Capital Employed (ROCE) measures this operating effectiveness and this year increased significantly to 61.3% (2009: 47.7%). The increases came from the growth in profits but more significantly from the excellent management of working capital across the Group.

The detailed calculation of these ratios is given in note 9 to the Preliminary Announcement.

Excellent cash generation

Cash generation was extremely strong this year which is a great credit to the work of our operating company teams. Cash generated from operations, excluding taxation paid was £112.7m (2009: £86.4m) and this represents 131% (2009: 109%) of adjusted profit¹. A summary of the year's cash flow is as follows:

| Cash Flow | 2010 | 2009 |
|--|---------------|--------|
| | £m | £m |
| Operating cash flow before movement in working capital | 99.6 | 91.8 |
| Decrease/(increase) in working capital | 13.1 | (5.4) |
| Cash generated from operations | 112.7 | 86.4 |
| Acquisition of businesses | (1.7) | (12.4) |
| Disposal of businesses | 0.5 | 2.9 |
| Development costs capitalized | (3.1) | (3.8) |
| Net capital expenditure | (10.2) | (15.2) |
| Dividends paid | (30.4) | (28.8) |
| Taxation paid | (12.3) | (20.5) |
| Issue of shares/treasury shares purchased | 0.8 | (0.2) |
| Net interest paid | (0.9) | (2.7) |
| Exchange adjustments | 4.9 | (12.6) |
| | 60.3 | (6.9) |
| Net debt brought forward | (51.2) | (44.3) |
| Net cash/(debt) carried forward | 9.1 | (51.2) |

Our businesses managed their operating requirements very tightly and were able to generate £13.1m of cash out of working capital. The risk in outstanding trade debts continues to be closely managed at operating company level, closest to our customers which is especially beneficial in times of economic uncertainty. Consequently our record is very good in this area and we also benefit from the risk being spread across many customers.

Taxation paid was relatively low. More tax was paid in advance in 2008/09 than was required given a lower level of profit in the final quarter of that year than expected and a UK tax deduction was obtained for currency movements on our currency denominated borrowings which is not expected to reverse. We expect the tax payments in 2010/11 to follow a more typical pattern with an amount closer to the taxation charge in the Income Statement.

Strong capital structure

We are highly cash generative, currently holding net cash and with substantial bank facilities available. Our strong balance sheet and retained earnings are used to sustain and develop our businesses. We have access to borrowings at short notice and at competitive rates and are comfortable with a modest level of debt to accelerate the Group's progress. Group treasury policy is conservative and no speculative transactions are allowed. This policy utilises highly

rated banks, spreads risks and aims to ensure good liquidity for the Group.

Our five-year £165m syndicated revolving credit facility runs to February 2013 on attractive terms and with a well established core group of banks. The Group continues to operate well within its banking covenants with ample headroom on its facilities.

We ended the year with £9.1m of net cash having come into the year with £51.2m net debt. The net cash figure is a combination of £22m debt and £31m cash. As a decentralised international Group we fund our businesses according to local needs and therefore some cash is held around the world to meet local requirements. We have an active programme of cash repatriation to maintain efficiency in our cash and debt management. The outstanding debt is primarily held in US Dollars and Euros; being the currencies in which we have funded recent acquisitions. We control the amount of currency debt we hold since although it provides a hedge against currency assets it also makes the debt subject to currency fluctuations, which can impact on the headroom available on our borrowing facilities.

Acquisition and disposals

In the year we spent £1.7m on acquisitions, including costs. We purchased SphereOptics, a US manufacturer of light measurement equipment in January 2010 and have integrated it with Labsphere, one of our existing Photonics businesses. There is potential deferred consideration of up to £2.3m (\$3.5m) payable to the vendors on achieving earnings growth objectives. At acquisition SphereOptics had revenue of £2.5m.

As required under IFRS we review the fair value of assets and liabilities on all acquisitions and determine the value of goodwill and intangible assets acquired. Intangible assets are amortised through the Income Statement. This year's charge to the Income Statement of £4.8m (2009: £6.3m) is lower than last year as certain intangible assets are now fully amortised.

We made two small disposals in the prior year for a total of £2.7m resulting in a small gain. Both businesses were in the 'Rest of World' region and so impact on the comparison of revenues year on year as noted above.

We are working hard to build our pipeline of good quality acquisitions and have significant resources available to be deployed.

Investing in assets

Expenditure on property, plant and computer software in the year was £11.0m (2009: £16.8m), 2008/09 having been a particularly high year of expenditure. This year's figure represents 88% of depreciation, relatively low for Halma, and going forward we would expect something more like 100% to 120%.

Although we operate an 'asset light' model we encourage all our businesses to make the capital expenditure necessary to meet customer needs and drive future organic growth. With the Group's high ROCE we can earn a good return on well targeted capital investment.

Meeting our pension obligation

On an IAS 19 basis the year end deficit on our defined benefit pension plans was £43.1m (2009: £42.6m) before the related deferred tax asset. Plan assets increased to £127.8m (2009: £89.8m) with a general recovery in equity values; 65% of plan assets are invested in equities. Plan liabilities increased to £170.9m (2009: £132.4m) due to lower discount rates pushing up the present value of liabilities and also due to slightly more prudent valuation assumptions, both in line with current market views.

The Group's defined benefit pension plans were closed to new members in 2003. The Board monitors pension strategy regularly and reviews it in detail at each pension fund valuation. The most recent triennial plan valuation has just been finalised and we are making extra contributions at the rate of approximately £6m per annum into the plans with the objective of eliminating the deficit, as measured on an IAS 19 basis, over a 10-year period.

Investing in R&D and emerging markets

Expenditure on R&D this year at £21.4m (2009: £22.9m) represents 4.7% (2009: 5%) of revenue. Investing in new products and innovation is an important part of the Halma story and we have been careful to minimise cuts in R&D against the background of more significant overhead reductions elsewhere in the business. We have been increasing our rate of investment in R&D steadily in recent years, continually enhancing our technology base. We aim to maintain this rate at around 5% of revenue, ahead of our benchmark figure of 4% of revenue.

We are required under International Financial Reporting Standards (IFRS) to capitalise certain development expenditure and amortise it over an appropriate period, for us three years. R&D by its nature carries some risk and all R&D projects, particularly those requiring capitalisation, are subject to close scrutiny and a rigorous approval and review process. In 2010 we capitalised £3.1m (2009: £3.8m) and amortised £3.8m (2009: £2.9m). This results in an asset carried on the Consolidated Balance Sheet of £9.2m (2009: £10.2m).

We have invested in emerging markets and in China particularly over the past five years. We will continue with this investment and are in the process of expanding our regional coverage in China at a cost of £0.6m in 2010/11 and an ongoing annual cost of £1.1m. We expect a good payback on this investment through increased revenue in the region.

Risk management and going concern

The main risks facing the Group and how we deal with them are reviewed in the Risk factors section below. Key operating risks are covered in the Strategic and Sector reviews.

Risks are spread across the Group via a number of independent operating units each with a high quality local team including a finance executive. There is extensive review of risks and operations at local and divisional level, close to the action, supplemented by the independent review of our Internal Audit function which incorporates Information Technology (IT) reviews. These IT reviews have been stepped up during the year. Higher on our agenda at the moment are Intellectual Property risks and the risk of bribery and corruption, to ensure continued best practice as we do more in emerging markets.

Each week we collect and analyse revenue, orders and cash information for each operating company. We are making an increased investment in Group-wide systems to provide faster and more complete data to drive even better management action.

The tougher economic environment we have faced over the past eighteen months has highlighted a number of risks which have had to be managed including supplier risks, potential bad debts and fraud, and the maintenance of an appropriate cost base. Each of these areas has received close scrutiny so that risks do not escalate and to ensure that opportunities are not missed. The Board considers all of these factors in carrying out its Going Concern review. Autonomy and accountability across the Group continues to be key to Halma's success, making risk management an integral part of our sustainable delivery of value to shareholders over the long term.

Kevin Thompson, Finance Director

¹ See Financial Highlights

Infrastructure Sensors sector review

We make products which detect hazards to protect assets and people in public and commercial buildings. Infrastructure Sensors contributed 40% of total revenue (£183m) and 39% (£36m) of profit¹.

¹ See note 1 to the Preliminary Announcement

Market trends and growth drivers

The global Fire Detection and suppression market declined by around 3% during 2009, but is expected to recover during 2010 due to stricter regulation and adoption of new technology. Changes to fire regulations worldwide continue to drive demand for our non-discretionary fire products. Sales of voice-enhanced alarms are set to grow following changes to the US National Fire Alarm Signalling Code covering emergency mass-notification systems. China's fire laws have been amended with harsher penalties for owners of buildings lacking adequate fire protection.

In many countries the Security Sensors sub-sector is highly regulated, and local or international technical product approvals are essential. After considerable costs and investment of R&D resources, we can now sell our UK-manufactured security control products in the USA and Canada backed by the required Underwriters' Laboratories approvals. The intruder detection market is primarily driven by residential systems installations, with demand dependent on new housing construction. A new line of wireless security sensors is targeted at commercial premises. This new technology will provide a platform for growth even if the residential market remains flat.

Legislation on the safety of people and processes continues to drive the market in both new and renovated facilities. We continue to forecast medium-term Automatic Door Sensors market growth at 3% to 4%. We have compensated for the fall in demand in the commercial construction sector due to the recession by winning business from new customers and diversification into industrial, security and transport markets. Our growth in Europe and China was ahead of market growth rates. The transport sector offers considerable growth prospects for door safety products.

The Elevator Safety market splits into modernisation of installed elevators and installations in new buildings. Western countries account for the majority of installed elevators while Asian economies, particularly China, dominate the new installations market. During 2009/10 we saw large variations in regional demand. Last year we reported falling demand due to a decline in new building construction, particularly in China. During 2009/10 this trend reversed and China was our strongest market. Now the largest elevator market in the world, Chinese elevator output rose by about 5% on the previous year and sales in India rose too. In the USA, we saw a small benefit from US Government public housing spending, but we expect the US market to remain weak in the short term. Demand in Europe was patchy, but strong in the UK and Spain.

Sector strategy

Our primary strategy in the Infrastructure Sensors sector is world leadership in safety-critical sensor products for infrastructure monitoring in commercial buildings. We develop market-leading products that eliminate hazards and protect buildings and their occupants. These products satisfy the demand driven by increasingly strict public safety and building regulations in the highly regulated construction and building maintenance markets. Our fire, elevator and door controls are primarily targeted at commercial premises and security products are largely installed in apartments and houses. We aim to grow our presence in the commercial premises market for our security products.

To avoid competing with global customers that install complete building monitoring systems, we position our businesses as specialist suppliers of safety-critical components, not as complete system suppliers and installers.

Continued investment in international Fire Detection product approvals will give our fire businesses access to new geographic markets. We will continue to invest in innovative technology to maintain competitive advantage and premium margins. In addition to organic growth we will continue to seek acquisitions.

In Security Sensors our strategic focus is geographic expansion to reduce exposure to the UK market and an increase in the proportion of non-residential sales. We believe we can grow market share through market-leading technology and customer service. New advanced technology products were launched in the first quarter of 2010. These address the need for security detection in outdoor areas and wireless intruder detection systems, particularly in commercial premises. During the year we integrated our hazard signalling and security sensors businesses. This is expected to contribute to sales growth, reduce production costs and raise margins in the coming year.

While maintaining our leadership of Automatic Door Sensors for pedestrian doors, we will continue to increase sales penetration in the industrial door, security and transportation markets. We will continue to implement lean manufacturing and improved logistic systems to enhance customer service. Following the successful launch of a unique laser-based door sensor into the industrial market, we will extend this technology platform into other markets.

Elevator Safety strategy differs from other Halma sub-sectors in the extent of co-ordination between our companies and active elimination of duplicated sales and marketing activity. Each of our three elevator businesses sells the products of its sister businesses within regional markets. We will continue this overall strategy.

Sector performance

2009/10 was a good year overall for our Fire Detection sub-sector with profit growth due to careful cost management. Despite challenging market conditions due to weakness in the home, retail and commercial construction markets globally, we grew market share strongly in the UK and made significant gains in Europe. We continued to innovate and launch exciting new products that will underwrite our success going forward.

As expected our Security Sensors business saw reduced revenue and profit due to the sale of its South African business in 2008/09. Despite continued market weakness, careful cost control ensured we delivered an improved Return on Sales.

We achieved a strong performance in Automatic Door Sensors with double-digit revenue and profit growth. During 2009 we won major orders in China for sensors fitted to the doors of high speed trains.

2009/10 was a mixed year for Elevator Safety; revenues were flat and profit slightly up. We started the year with our cost base reduced in line with expectations of tough market conditions. Demand was a little better than anticipated. We increased unit volume sales of elevator safety edges in China considerably. Innovative technology can drive sales even in a recession and a new elevator emergency telephone which complies with the latest European regulations generated encouraging sales in the first year.

Sector outlook

We anticipate a continuation of current demand trends for Fire Detection in the short to medium term. Many economies are gradually recovering from recession but new construction activity is expected to lag behind other economic sectors. Our businesses are positioned to gain market share due to technology leadership, our portfolio of worldwide product approvals and penetration of new regional markets.

We anticipate Security Sensors revenue growth based on extended sales channels and new technology even though end markets are expected to remain flat. Recently agreed partnership deals in Asia and Europe will add new opportunities for growth in regions where sales have previously been low. Our new wireless security sensors product line is expected to establish a market-leading position and contribute to growth in the coming year.

Increasing regulation continues to drive growth for Automatic Door Sensors. Our strategy of continuously updating our offering with innovative new technology, extending geographical sales resources and new market entry, should create a platform for continued growth despite the constraints of some markets which show few signs of recovery.

Global Elevator Safety product demand is forecast to rise by over 4% annually at least until 2013. China will account for nearly half of all new demand, while Western Europe remains the largest market for modernisation. The expectation is for markets to remain flat outside of Asia. In spite of unfavourable overall market conditions, continued growth of Asian economies, particularly China, will provide opportunities for our businesses. Further advances should come from winning market share and sales of range-extending products like emergency telephone equipment.

Health and Analysis sector review

We make products used to improve personal and public health. We develop technologies for analysis in safety, life sciences and environmental markets, including water. Health and Analysis contributed 38% (£176m) of total revenue and 39% (£35m) of profit¹.

¹ See note 1 to the Preliminary Announcement

Market trends and growth drivers

As we reported last year, demand trends have varied considerably, both regionally and by end user application. Overall, demand trends within this sector are positive and improving with the prospect of continued revenue and profit growth.

A new five-year regulated investment cycle began in April 2010 and is expected to stimulate UK Water spending for the next three years. Market reforms allowing foreign companies to invest in China, and new legislative drivers, should create favourable conditions for water products sales growth.

Whilst we encountered difficult conditions for UV water treatment capital equipment sales in both municipal and industrial sectors, our consistent investment in independent test house validations has delivered significant competitive advantage in many markets where third party validations are increasingly demanded. To comply with 'Made in America' requirements for federally-funded stimulus projects we began UV system manufacture in the USA.

Short-term demand patterns in Photonics markets such as life sciences, medical, research, space, defence and homeland security were uneven. About two-thirds of photonics sales are in the USA where demand was more resilient than expected, boosted by government stimulus spending. Some niche sectors, such as defence and entertainment, softened but should return to growth next year. We saw continued growth in Asia. This is driven by rising R&D activity, western businesses setting up manufacturing plants, and expansion of the solid-state lighting industry.

The value of tenders for Health Optics in general medical markets fell in 2009/10. We anticipate reduced demand for medical equipment in developed economies to continue next year. Demand in South East Asia should remain strong; China has one of the fastest annual growth rates for medical devices in the world of around 13%. Certification of medical products is becoming increasingly difficult and costly in all sales territories. This multiplies marketing and development costs; it also creates a strong barrier to market entry by new and smaller competitors.

Fluid Technology sales divide into two markets with different drivers, leading to different demand patterns. The medical diagnostic market continued its growth trajectory after some de-stocking early in the year. Against this positive background, price competition has increased. Despite this we remained competitive and achieved strong growth with no margin erosion. Scientific analysis instruments, our second fluid technology market, was more affected by the downturn but we maintained strong returns.

Sector strategy

Our Health and Analysis sector includes many businesses with leading-edge technology, in some cases world-leading. The strategic focus in this sector is to maintain technological leadership and expand our geographical sales channels. Maintaining prowess in advanced technologies requires continuous high R&D investment. Despite the higher development risks, rapid payback from technological innovation is common in this sector and novel products with unique user benefits targeted at fast-growing market niches command high premiums.

A key strategic direction for our Health and Analysis businesses is to develop sales beyond their strong positions of market leadership in the UK and the USA. Growth in developing regions, particularly in China and elsewhere in Asia, is a primary goal.

Our Water businesses make products for UV water treatment, leakage control and quality testing. We are global market leaders in leakage control instrumentation and are expanding into waste water instrumentation. We will stimulate growth in the legislation-driven Chinese market by investing in increasingly regionally based sales resources.

Continued investment in independent certification of our UV water treatment systems will differentiate our offering from non-validated competitors. In the industrial UV market we will target high volume, high value OEM applications.

Sustained spending on R&D will maintain technology leadership in our Photonics niches. We will build on our recently established manufacturing bases in China to extend our position there. During 2010/11 we aim to increase profit through sales growth. Resources will be focused on the more resilient niches and direct sales staff in export markets will be strengthened. Our search will continue for value-enhancing acquisitions that support or add to the existing technology base.

The key focus of our Health Optics growth strategy continues to be geographic expansion concentrating on Asia and South America. We will continue to expand our product offering by increased R&D investment. We have begun a collaborative R&D programme between two of our world-leading health optics businesses to develop a new family of products to be marketed jointly via existing sales channels.

Start-up manufacturing of our Fluid Technology products in China led to entry into the Asian scientific instrumentation market. We will use this manufacturing platform to assist more of our businesses to penetrate markets in this region.

Sector performance

Our Water businesses increased profits. This increase was achieved, against an unfavourable economic background of weak UK demand, due to overhead cuts in early 2009 and margin improvements.

After successfully dealing with costly new product delays in 2009/10, our Photonics businesses improved their Return on Sales and delivered record revenue and profit.

In Health Optics we again achieved record profit. Overhead reductions together with manufacturing efficiencies, strengthened margins and improved return on sales.

We achieved record revenue and profit in our Fluid Technology sub-sector. Overhead control protected and improved margins.

Sector outlook

We anticipate steady expansion of the global market for our Water products. Growth in this sector is driven by increasingly stringent regulation to upgrade water supply security, raise drinking water quality and tighten environmental discharge regulations. Rising UK demand for instrumentation is expected as UK water companies begin a new five year capital investment cycle. In the USA we expect to benefit from strengthening demand supported by federal economic stimulus spending and pressure from government regulation. Continued investment in R&D and people development should underpin a return to revenue growth in 2010/11.

We foresee strengthening of demand from some Photonics niches next year, with softening in others. We expect strong growth from the solid-state low energy lighting (LED) manufacture and test market. This is predicted to grow by more than 24% annually until at least 2013. Rapidly growing Asian economies will remain primary growth targets and we will gain increasing benefit from our Chinese photonics manufacturing operations.

We expect continued growth of Health Optics revenue ahead of market rates. While demand in Europe and the USA is expected to be flat in the short term, we expect continuous growth both from market expansion in developing regions and new products. Continued strengthening of the US Dollar will make US exports more difficult but a weaker Euro against the US Dollar will make our German products more competitive. Revenue growth could be dampened by reduced government stimulus spending and healthcare spending cuts aimed at reducing sovereign debt.

During early 2009 demand across Fluid Technology markets was depressed by analytical instrumentation customers destocking component inventory. We anticipate both revenue growth and margin improvements in 2010/11 due to significant new product launches, strengthened sales resources, and manufacturing and market penetration in Asia.

Industrial Safety sector review

We make products which protect assets and people at work. Industrial Safety contributed 22% of revenue (£100m) and 22% of profit¹ (£20m).

¹ See note 1 to the Preliminary Announcement

Market trends and growth drivers

The worldwide market for toxic and combustible Gas Detection is expected to grow by about 4% over the next five years. The Middle East and Asia are forecast to offer the fastest growth rates, due to high investment in the chemical, petrochemical, oil and gas, power and steel making sectors. The market is forecast to switch emphasis from capital projects to upgrading existing equipment. Demand for gas detection products is continually reinforced by worldwide strengthening of health and safety legislation. Emerging economies are adopting Western gas safety standards and expanding the market size.

Bursting Disks are sold into industrial manufacturing markets driven by increasing regulation and rising expectations of health and safety. These markets were hard hit by the economic downturn in the first half of 2009/10 with factory shutdowns and reduced maintenance spending. The second half saw significant improvement in demand with the oil and gas and chemical processing sectors leading the recovery. Disk sales to Europe and the USA declined but Asia continued to grow, albeit slowly. Our product technology improvements have resulted in improving sales into OEM markets.

Although the long-term trend has been growth in demand for our Safety Interlocks products, many markets declined over the past year, particularly the manufacturing sector in Europe and the USA. We benefited from growth in less traditional markets, in particular from energy and raw material related industries, mostly driven by latent Chinese demand or higher oil prices. We will continue to benefit from the introduction of stricter health and safety regulations in the emerging Asian economies, while in the West the legal enforcement of safety laws provides resilience.

Growth in our Asset Monitoring businesses is driven by demand for capturing data relating to energy and water usage, and to the condition or location of high value infrastructure assets. Forecasts suggest that 2010 oil and gas spending will rise by 12% followed by a substantial increase in the following three years. Elsewhere, the introduction of increasing carbon reduction regulations, such as the CRC Energy Efficiency Scheme in the UK, will increase demand for remote monitoring of energy consumption.

Sector strategy

Underpinning our strategy to grow Gas Detection is a programme to upgrade and extend our product range for wider applications and an extended geographic base, particularly in North America. We are extending our manufacturing and sales base in China to increase our share of this fast growing market.

Our Bursting Disks businesses are focusing on markets outside the traditional process industries, such as energy exploration and medical instrumentation. A new range of safety vents designed to mitigate the effect of explosions in industrial premises has been launched to satisfy growing demand driven by US legislation to prevent dust-induced explosions in bulk powder storage facilities.

We have protected our strong global position in Safety Interlocks and begun to introduce products that expand our target markets. We continue to protect profitability by ensuring alignment of costs with sales potential.

Our Asset Monitoring companies are positioned to supply innovative technology that captures data from valuable or safety-critical assets and transmits this to the customer wherever they are in the world. This monitoring may be above ground, below ground or underwater. Applications include intelligent street lighting, energy management, automatic meter reading, underwater monitoring of oil and gas pipelines and platforms, vessel and harbour security and using remotely operated vehicles (ROV). We will continue to invest in new communications and data capture technology.

Sector performance

The global downturn had a significant effect on our Gas Detection business in the first half of 2009/10. Continued action on cost control, new product introductions and improved manufacturing performance aided a strong recovery in the second half. Full year profit was in line with the record level of the prior year.

Demand fell in all markets served by our Bursting Disk businesses during 2009/10. Investment in new production processes and products together with preparatory work to extend our global reach continued during the year and ensures that we are well placed to take advantage of the anticipated upturn in business activity forecast in our core markets.

Our Safety Interlocks businesses delivered only modest revenue growth and slightly lower profit but at good margins.

We saw a decline in Asset Monitoring revenue and profit. The decrease in crude oil price continued to adversely affect our subsea business through 2009 particularly in the North Sea. Most of the oil majors focused on cost reduction plans through 2009 rather than investment. During the year we completed a significant restructuring of our major Asset Monitoring business including the disposal of the assets of our subsea survey business.

Sector outlook

The outlook for Gas Detection is reasonably resilient. Supported by the strong underlying legislative growth drivers in the markets for industrial safety equipment, we anticipate continued growth based on our track record of out-performing the market through technological innovation and geographic sales expansion.

Demand trends for Bursting Disks are dependent on an upturn in industrial capital spending. Continuous strengthening of industrial safety legislation and rising expectations of safe working practices worldwide underpins medium- to long-term growth in this market.

We anticipate that the oil and gas sector will continue to offer strong growth prospects for our Safety Interlock companies. Demand for industrial safety products in the worldwide manufacturing sector is expected to be flat in the short term, but we expect increasing opportunities in China.

The markets in which our Asset Monitoring businesses operate have good long-term growth potential supported by a strategy of market diversification, such as offshore renewable energy projects. Continued investment in new product development is forecast to deliver market share gains in subsea and energy monitoring markets. Last year's cost reductions will enable a profit recovery during 2010/11 without a demand increase. We expect demand to pick up in the coming year driven by environmental legislation and a return to offshore oil and gas investment.

Risk factors

| Description | Mitigation |
|--|--|
| <p>Operational Risk We seek to continuously grow our profits, generating a high return for shareholders over the long term within a clear strategic framework. We view risk within the context of this objective as well as in absolute terms. In any business the inherent risks that are an integral component of business activities must be identified, managed and mitigated. We perceive our primary operational risks to emanate from remoteness of operation and the actions and quality of our employees</p> | <p>Our key means of risk control is the choice of the markets in which we operate and the people and methods we use to exploit those market opportunities. Our choice is to operate in the safety products and health-related technology markets which we consider to be robust over the long term. We invest heavily in identifying, recruiting and training talented people who are able to manage the risks we face while delivering the excellent results we require. The depth of market knowledge we have built up within the Group, allows us to adequately evaluate and assess the risks we encounter throughout our operations. We do not place undue reliance on any one Group company nor does any one Group company rely heavily on one customer, supplier or transaction. We always seek to spread our risks. We have processes in place to ensure any major transactions are reviewed at the appropriate level, including at Board level if necessary. Another factor limiting risk is that our products are predominantly critical components or instruments which are warranted as fit for the purpose rather than systems or intangible products where satisfactory performance is contingent upon third parties.</p> |
| <p>Organic Growth, Supplier Risk and Competition The Group faces competition in the form of pricing, service, reliability and substitution. We rely on high quality supply from our partners. These constitute an ongoing threat to our growth.</p> | <p>Our focus on investing in management development, innovation and international growth is a direct result of assessing these risks. We aim to manage the risk of timing and quality of component supply by dual sourcing and long standing working relationships. By empowering and resourcing local operations to respond to changing market needs, the potential adverse impact of downward price pressure and competition can be mitigated and growth maintained. We recognise the competitive threat coming from emerging economies and by operating within these economies, typically using local staff, we are better placed to make fast progress ourselves.</p> |
| <p>Research and Development New products are critical to our organic growth and underpin our ability to earn high margins and high returns over the long term.</p> | <p>R&D is of necessity a risky activity but by devolving control of product development into the autonomous operating businesses, we spread the risk and ensure that the resource is as close to the customer as possible. New product development 'best practice' is shared between Group companies and return on investment of past and future innovation projects is tracked monthly. Large R&D projects, especially those which are capitalised, require Head Office approval.</p> |
| <p>Intangible Resources Our businesses build competitive advantage and strengthen barriers to entry in many ways including patents, product approvals, technical innovation, product quality, customer service levels and branding. We look for these qualities in the businesses we seek to acquire. Protection of our intellectual property is important to our continued success.</p> | <p>The main intangible resources which deliver competitive advantage and which support our strategic objectives are: the patents and trademarks which protect our products; our employees, whose understanding of our technology, customers' needs and the dynamics of the markets we operate in, enable us to maintain leadership in many markets; and the enviable reputation enjoyed by our brands for superior product quality and market leading customer support. Whilst no single product or process is critical to the Group as a whole, all appropriate actions are taken to protect our intellectual property rights. With our development activity increasing in emerging economies we will often segregate the elements of a project to protect the know how.</p> |
| <p>Laws and Regulations Group operations are subject to wide-ranging laws and regulations including business conduct, employment, environmental and health and safety legislation. There is also exposure to product litigation and contractual risk.</p> | <p>All Group companies have an employee handbook detailing employment practices, including the need to report any major legal or contractual risks. The Group's emphasis on excellent financial control, the deployment of high quality management resource and strong focus on quality control over products and processes in each operating business helps to protect us from product failure, litigation and contractual issues. Each operating company has a health and safety manager responsible for compliance and our performance in this area is excellent. Health and safety processes have been reviewed at each operating company this year. We carry comprehensive insurance against all standard categories of insurable risk. Contract review and approval processes mitigate exposure to contractual liability. Our well established policies on bribery and corruption are constantly being reviewed to ensure continued compliance with best practice.</p> |
| <p>Information Technology/Business Interruption Group and operational management depend on timely and reliable information from our software systems. We seek to ensure continuous availability and operation of those systems as disruption could delay or impact on decision making and service to our customers.</p> | <p>There is substantial redundancy and back up built into any Group wide systems. The spread of business offers good protection from individual events and disaster recovery plans are widespread. We have a small central resource available, Halma IT Services, to assist Group companies with any major IT needs and to ensure adequate IT security policies are set across the Group. We carry out regular IT audits across the Group. This year we have introduced processes to standardise our software systems and improve systems implementation by focusing on the pre-implementation phase.</p> |

| | |
|--|--|
| <p>Acquisitions The identification and purchase of businesses which meet our demanding financial and growth criteria is an important part of our strategy for developing the Group, as is ensuring the new businesses are rapidly integrated into the Group.</p> | <p>We aim to pay sensible multiples for businesses whose technology and markets we know well. Divisional Chief Executives are responsible for finding and completing acquisitions in their business sectors subject to Board approval. We support them with central resources to search for opportunities and assist with implementation of a post-acquisition plan. Incentives are aligned to encourage acquisitions which are value-enhancing from day one.</p> |
| <p>Financial Irregularities and Increasing Span of Control We recognise that the size and remoteness of some operations may not permit full segregation of duties and that Internal and External Audit procedures may not always identify a financial irregularity. This risk increases as we pursue our strategy of geographic expansion often into regions with different accounting bases and cultures.</p> | <p>The Group ensures that there is adequate local management and financial resource in each operational location and regularly reiterates to the subsidiary company officers their fiduciary responsibilities, ensuring they are adequately trained in financial matters whilst maintaining a culture of openness to promote disclosure. Group companies operate a common set of reporting procedures and accounting policies, disseminated via the Group intranet. This year our Internal Audit function increased the depth and scope of its audits.</p> |
| <p>Cash For any business a key risk is that it will run out of cash or have inadequate access to cash. In addition, cash deposits need to be held in a secure form or location.</p> | <p>The strong cash flow generated by the Group provides financial flexibility. Cash needs are monitored regularly. In addition to short-term overdraft facilities the Group holds a five-year revolving credit facility, renewable in February 2013, which provides sufficient headroom for its needs. Cash deposits are monitored centrally and spread amongst a number of highly rated banks.</p> |
| <p>Treasury Risks Foreign currency risk is the most significant treasury related risk for the Group. In times of increased volatility this can have a significant impact on performance. The Sterling value of overseas profit earned during the year is sensitive to the strength of Sterling, particularly against the US Dollar and the Euro. The Group is exposed to a lesser extent to other treasury risks such as interest rate risk and liquidity risk.</p> | <p>The Group does not use complex derivative financial instruments and no speculative treasury transactions are undertaken. Currency profits are not hedged. Currency hedging must fit with the commercial needs of the business and this year we have introduced a new hedging strategy to manage Group exposures. This requires the hedging of a substantial proportion of expected future transactions up to 12 months ahead. Longer term currency trends can only be covered through a wide geographic spread of operations. We closely monitor performance against the financial covenants on our revolving credit facility and are operating well within these covenants.</p> |
| <p>Current Economic Conditions In times of uncertain economic conditions businesses face additional or elevated levels of risk. These include market and customer risk, customer default, fraud, supply chain risk and liquidity risk.</p> | <p>We manage such risks primarily at local company level where they are best understood and where we are closest to the markets and our customers. The financial strength, availability of finance and diversity of the Group provides mitigation to much of this risk. We operate robust credit management at each operating company. Each business regularly undertakes a close examination of its cost structure to determine that it is appropriate to the current economic circumstances it faces and contingency plans are in place for potential future changes. High quality subsidiary boards provide close monitoring of operations whilst the Halma Executive Board identifies any wider trends which require action on a broader basis across the Group.</p> |
| <p>Pension Deficit Monitoring the funding needs of the Group's pension plans is essential to funding our pension obligations effectively. Our UK defined benefit pension plans are closed to new members.</p> | <p>There is regular dialogue with pension fund trustees and pension strategy is a regular Halma Board agenda item. The Group's strong cash flows and access to adequate borrowing facilities mean that the pensions risk can be adequately managed. The Group has increased pension contributions with the overall objective of paying off the deficit in line with the Actuary's recommendations. We monitor and consider alternative means of reducing our pension risk in light of the best long-term interest for shareholders.</p> |

Going Concern Statement

The Group's business activities, together with the main trends and factors likely to affect its future development, performance and position, and the financial position of the Group, its cash flows, liquidity position and borrowing facilities, are set out herein. The Group has considerable financial resources (including a £165m five-year revolving credit facility) together with contracts with a diverse range of customers and suppliers across different geographic areas and industries. No one customer accounts for more than 2% of Group turnover. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries and after conducting a formal review of the Group's financial resources, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

Responsibility Statement of the Directors on the Annual Report and Accounts

The responsibility statement below has been prepared in connection with the Company's full Annual Report and Accounts for the 53 weeks to 3 April 2010. Certain parts thereof are not included within this Preliminary Announcement.

We confirm that to the best of our knowledge:

1. the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
2. the management report, which is incorporated into the Directors' Report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

This responsibility statement was approved by the Board of Directors on 22 June 2010 and is signed on its behalf by:

A J Williams
Chief Executive

K J Thompson
Finance Director

Preliminary results for the 53 weeks to 3 April 2010

Consolidated Income Statement

| | 53 weeks to 3 April 2010 | | | 52 weeks to 28 March 2009 | | | |
|--|--------------------------|--|--|---------------------------|--|--|---------------|
| | Notes | Before amortisation of acquired intangibles £000 | Amortisation of acquired intangibles £000 | Total £000 | Before amortisation of acquired intangibles £000 | Amortisation of acquired intangibles £000 | Total £000 |
| Continuing operations | | | | | | | |
| Revenue | 1 | 459,118 | – | 459,118 | 455,928 | – | 455,928 |
| Operating profit | | 89,135 | (4,840) | 84,295 | 82,508 | (6,301) | 76,207 |
| Finance income | 3 | 6,566 | – | 6,566 | 8,405 | – | 8,405 |
| Finance expense | 4 | (9,487) | – | (9,487) | (11,826) | – | (11,826) |
| Profit before taxation | | 86,214 | (4,840) | 81,374 | 79,087 | (6,301) | 72,786 |
| Taxation | 5 | (22,807) | 1,870 | (20,937) | (21,888) | 1,683 | (20,205) |
| Profit for the year attributable to equity shareholders | 1 | 63,407 | (2,970) | 60,437 | 57,199 | (4,618) | 52,581 |
| Earnings per share | 6 | | | | | | |
| From continuing operations | | | | | | | |
| Basic | | 16.89p | | 16.10p | 15.30p | | 14.07p |
| Diluted | | | | 16.05p | | | 14.03p |
| Dividends in respect of the year | 7 | | | | | | |
| Paid and proposed (£000) | | | | 31,984 | | | 29,723 |
| Paid and proposed per share | | | | 8.50p | | | 7.93p |

Consolidated Statement of Comprehensive Income and Expenditure

| | 53 weeks to 3 April 2010 £000 | 52 weeks to 28 March 2009 £000 |
|--|-------------------------------------|--------------------------------------|
| Profit for the year | 60,437 | 52,581 |
| Exchange differences on translation of foreign operations | (8,613) | 40,336 |
| Exchange differences transferred to profit on disposal of foreign operations | – | 193 |
| Actuarial losses on defined benefit pension plans | (4,644) | (11,092) |
| Effective portion of changes in fair value of cash flow hedges | (47) | – |
| Tax relating to components of other comprehensive income | 2,917 | 6,315 |
| Other comprehensive (expense)/income for the year | (10,387) | 35,752 |
| Total comprehensive income for the year attributable to equity shareholders | 50,050 | 88,333 |

Consolidated Balance Sheet

| | 3 April 2010 £000 | (Restated)* 28 March 2009 £000 |
|----------------------------------|-------------------------|---|
| Non-current assets | | |
| Goodwill | 195,334 | 198,084 |
| Other intangible assets | 33,705 | 40,894 |
| Property, plant and equipment | 66,786 | 71,408 |
| Deferred tax assets | 10,612 | 10,003 |
| | 306,437 | 320,389 |
| Current assets | | |
| Inventories | 47,014 | 51,381 |
| Trade and other receivables | 98,077 | 103,544 |
| Tax receivable | 1,067 | 3,275 |
| Cash and cash equivalents | 31,323 | 34,987 |
| Derivative financial instruments | 232 | – |
| | 177,713 | 193,187 |
| Total assets | 484,150 | 513,576 |
| Current liabilities | | |
| Borrowings | 317 | 6,559 |
| Trade and other payables | 66,955 | 61,361 |
| Provisions | 1,515 | 2,018 |
| Tax liabilities | 7,843 | 3,756 |
| Derivative financial instruments | 331 | – |
| | 76,961 | 73,694 |
| Net current assets | 100,752 | 119,493 |
| Non-current liabilities | | |
| Borrowings | 21,924 | 79,614 |
| Retirement benefit obligations | 43,071 | 42,568 |
| Trade and other payables | 4,554 | 3,013 |
| Provisions | 1,954 | 719 |
| Deferred tax liabilities | 13,193 | 14,353 |
| | 84,696 | 140,267 |
| Total liabilities | 161,657 | 213,961 |
| Net assets | 322,493 | 299,615 |
| Equity | | |
| Share capital | 37,765 | 37,539 |
| Share premium account | 20,959 | 18,146 |
| Treasury shares | (2,581) | (2,759) |
| Capital redemption reserve | 185 | 185 |
| Hedging and translation reserve | 39,013 | 47,673 |
| Other reserves | 4,178 | 4,246 |
| Retained earnings | 222,974 | 194,585 |
| Shareholders' funds | 322,493 | 299,615 |

* Provisions previously within 'Trade and other payables' have been separately disclosed.

Consolidated Statement of Changes in Equity

| | Share capital £000 | Share premium account £000 | Treasury shares £000 | Capital redemption reserve £000 | Hedging and translation reserve £000 | Other reserves £000 | Retained earnings £000 | Total £000 |
|---|-----------------------|----------------------------------|----------------------------|--|---|---------------------------|------------------------------|----------------|
| At 28 March 2009 | 37,539 | 18,146 | (2,759) | 185 | 47,673 | 4,246 | 194,585 | 299,615 |
| Profit for the period | – | – | – | – | – | – | 60,437 | 60,437 |
| Other comprehensive income and expense: | | | | | | | | |
| Exchange differences on translation of foreign operations | – | – | – | – | (8,613) | – | – | (8,613) |
| Actuarial losses on defined benefit pension plans | – | – | – | – | – | – | (4,644) | (4,644) |
| Effective portion of changes in fair value of cash flow hedges | – | – | – | – | (47) | – | – | (47) |
| Tax relating to components of other comprehensive income | – | – | – | – | – | – | 2,917 | 2,917 |
| Total other comprehensive income and expense | – | – | – | – | (8,660) | – | (1,727) | (10,387) |
| Share options exercised | 226 | 2,813 | – | – | – | – | – | 3,039 |
| Dividends paid | – | – | – | – | – | – | (30,394) | (30,394) |
| Share-based payments | – | – | – | – | – | (1,017) | – | (1,017) |
| Deferred tax on share-based payment transactions | – | – | – | – | – | 949 | – | 949 |
| Excess tax deductions relating to share-based payments on exercised options | – | – | – | – | – | – | 73 | 73 |
| Net movement in treasury shares | – | – | 178 | – | – | – | – | 178 |
| At 3 April 2010 | 37,765 | 20,959 | (2,581) | 185 | 39,013 | 4,178 | 222,974 | 322,493 |
| At 29 March 2008 | 37,446 | 16,949 | (3,292) | 185 | 7,144 | 5,106 | 175,566 | 239,104 |
| Profit for the period | – | – | – | – | – | – | 52,581 | 52,581 |
| Total other comprehensive income and expense | – | – | – | – | 40,529 | – | (4,777) | 35,752 |
| Share options exercised | 93 | 1,197 | – | – | – | – | – | 1,290 |
| Dividends paid | – | – | – | – | – | – | (28,785) | (28,785) |
| Share-based payments | – | – | – | – | – | (201) | – | (201) |
| Deferred tax on share-based payment transactions | – | – | – | – | – | (659) | – | (659) |
| Net movement in treasury shares | – | – | 533 | – | – | – | – | 533 |
| At 28 March 2009 | 37,539 | 18,146 | (2,759) | 185 | 47,673 | 4,246 | 194,585 | 299,615 |

Treasury shares are ordinary shares in Halma p.l.c. purchased by the Company and held to fulfil the Company's obligations under the performance share plan. At 3 April 2010 the number of treasury shares held was 1,130,036 (2009: 1,274,108) and their market value was £2,926,793 (2009: £1,981,238).

The Capital redemption reserve was created on repurchase and cancellation of the Company's own shares.

The Hedging and translation reserve is used to record differences arising from the retranslation of the financial statements of foreign operations and the portion of the cumulative net change in the fair value of cash flow hedging instruments that are deemed to be an effective hedge.

The Other reserves represent the provision established in respect of the value of the equity-settled share option plans and performance share plan.

Consolidated Cash Flow Statement

| | Notes | 53 weeks to 3 April 2010 £000 | 52 weeks to 28 March 2009 £000 |
|---|-------|--|---|
| Net cash inflow from operating activities | 8 | 100,338 | 65,931 |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | | (9,781) | (15,209) |
| Purchase of computer software | | (1,260) | (1,631) |
| Purchase of intangibles | | (38) | (220) |
| Proceeds from sale of property, plant and equipment | | 854 | 1,884 |
| Development costs capitalised | | (3,072) | (3,846) |
| Interest received | | 189 | 566 |
| Acquisition of businesses | | (1,676) | (12,388) |
| Disposal of businesses | | 520 | 2,867 |
| Net cash used in investing activities | | (14,264) | (27,977) |
| Financing activities | | | |
| Dividends paid | | (30,394) | (28,785) |
| Proceeds from issue of share capital | | 3,039 | 1,290 |
| Purchase of treasury shares | | (2,252) | (1,442) |
| Interest paid | | (1,047) | (3,305) |
| Repayment of borrowings | 8 | (58,845) | (3,519) |
| Net cash used in financing activities | | (89,499) | (35,761) |
| (Decrease)/increase in cash and cash equivalents | 8 | (3,425) | 2,193 |
| Cash and cash equivalents brought forward | | 34,987 | 28,118 |
| Exchange adjustments | | (556) | 4,676 |
| Cash and cash equivalents carried forward | | 31,006 | 34,987 |

Notes to the Preliminary Announcement

1 Segmental analysis

Sector analysis

The Group has three main reportable segments (Infrastructure Sensors, Health and Analysis and Industrial Safety), which are defined by markets rather than product type. Each segment includes businesses with similar operating and marketing characteristics. These segments are consistent with the internal reporting as reviewed by the Chief Executive Officer.

These reportable segments remain unchanged from the 28 March 2009 financial statements.

Segment revenue and results

| | Revenue (all continuing operations) | |
|-----------------------------|--|---|
| | 53 weeks to 3 April 2010 £000 | 52 weeks to 28 March 2009 £000 |
| Infrastructure Sensors | 182,923 | 186,042 |
| Health and Analysis | 175,988 | 165,123 |
| Industrial Safety | 100,462 | 105,026 |
| Inter-segmental sales | (255) | (263) |
| Revenue for the year | 459,118 | 455,928 |

Inter-segmental sales are charged at prevailing market prices and have not been disclosed separately by segment as they are not considered material. The Group does not analyse revenue by product group.

| | Profit (all continuing operations) | |
|--|--|---|
| | 53 weeks to 3 April 2010 £000 | 52 weeks to 28 March 2009 £000 |
| Segment profit before allocation of amortisation of acquired intangible assets | | |
| Infrastructure Sensors | 35,510 | 32,950 |
| Health and Analysis | 35,254 | 28,738 |
| Industrial Safety | 19,795 | 22,159 |
| | 90,559 | 83,847 |
| Segment profit after allocation of amortisation of acquired intangible assets | | |
| Infrastructure Sensors | 35,510 | 31,588 |
| Health and Analysis | 31,755 | 25,764 |
| Industrial Safety | 18,454 | 20,194 |
| Segment profit | 85,719 | 77,546 |
| Central administration costs | (1,424) | (1,339) |
| Net finance expense | (2,921) | (3,421) |
| Group profit before taxation | 81,374 | 72,786 |
| Taxation | (20,937) | (20,205) |
| Profit for the year | 60,437 | 52,581 |

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit before amortisation of acquired intangible assets is disclosed separately above as this is the measure reported to the Group Chief Executive Officer for the purpose of allocation of resources and assessment of segment performance.

Geographical information

The Group's revenue from external customers (by location of customer) is as follows:

| | Revenue by destination | |
|------------------------------|------------------------|----------------|
| | 2010 £000 | 2009 £000 |
| Mainland Europe | 135,676 | 132,556 |
| United States of America | 127,152 | 120,681 |
| United Kingdom | 98,339 | 104,406 |
| Asia Pacific and Australasia | 59,143 | 54,071 |
| Africa, Near and Middle East | 23,695 | 27,556 |
| Other countries | 15,113 | 16,658 |
| | 459,118 | 455,928 |

2 Basis of preparation

General Information

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted for use in the European Union (EU) and therefore comply with Article 4 of the EU International Accounting Standard (IAS) legislation and with those parts of the Companies Act 2006 that are applicable to companies reporting under IFRS. The financial statements have also been prepared in accordance with IFRS and International Financial Reporting Interpretations Committee (IFRIC) interpretations issued and effective at the time of preparing these accounts.

The principal Group accounting policies have been applied consistently throughout the years ended 28 March 2009 and 3 April 2010 other than those noted below.

The financial information set out in this Preliminary Announcement does not constitute the Group's statutory accounts for the years ended 3 April 2010 and 28 March 2009 but is derived from those accounts. Statutory accounts for 2009 have been delivered to the Registrar of Companies and those for 2010 will be delivered in due course. The auditors' reports on the 2010 accounts were unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498(2) or (3) of the Companies Act 2006. The auditors' reports on the 2009 accounts were unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 237(2) or (3) Companies Act 1985.

Accounting policies

In the current financial year, the Group has adopted IFRS 8 'Operating Segments' (replacing IAS 14 'Segment Reporting'), IAS 1 'Presentation of Financial Statements' (revised 2007) and the cash flow hedging provisions of IAS 39 'Financial Instruments: Recognition and Measurement'.

The reportable segments disclosed under IFRS 8 are identified on the basis of internal reports, which are regularly reviewed by the Chief Executive to allocate resources to the segments and to assess their performance. These are consistent with the operating segments previously determined and presented in accordance with IAS 14.

IAS 1 (revised) requires the presentation of a statement of changes in equity as a primary statement, separate from the income statement and statement of comprehensive income. As a result, a Consolidated Statement of Changes in Equity has been included in the primary statements, showing changes in each component of equity for each period presented.

In addition, the Group has adopted IFRS 2 'Amendment regarding Vesting Conditions and Cancellations', IAS 23 'Borrowing Costs (revised 2007)' and Amendments to IFRS 7 'Financial Instruments: Presentation', none of which has had a significant effect on the reported results or financial position of the Group.

This financial year, for the first time, the Group has entered into forward exchange contracts to hedge its forecast exposure to foreign exchange risk arising from operational and financing activities. Forward exchange contracts are recognised initially at fair value and then subsequently re-measured at fair value. Where a forward exchange contract is designated as a hedge of the variability in cash flows of a recognised liability, a firm commitment or a highly probable forecasted transaction, the effective part of any gain or loss on the forward contract is recognised directly in equity. Any effective cumulative gain or loss is removed from equity and recognised in the income statement at the same time as the hedged transaction. The ineffective part of any gain or loss is recognised in the income statement immediately.

This Preliminary Announcement was approved by the Board of Directors on 22 June 2010.

3 Finance income

| | 2010 £000 | 2009 £000 |
|--|--------------|--------------|
| Interest receivable | 189 | 643 |
| Expected return on pension scheme assets | 6,377 | 7,762 |
| | 6,566 | 8,405 |

4 Finance expense

| | 2010 £000 | 2009 £000 |
|---|--------------|---------------|
| Interest payable on bank loans and overdrafts | 972 | 3,231 |
| Interest charge on pension scheme liabilities | 8,375 | 8,521 |
| Other interest payable | 75 | 74 |
| | 9,422 | 11,826 |
| Fair value movement on derivative financial instruments | 52 | – |
| Unwinding of discount on provisions | 13 | – |
| | 9,487 | 11,826 |

5 Taxation

| | 2010 £000 | 2009 £000 |
|--|---------------|---------------|
| Current tax | | |
| UK corporation tax at 28% (2009: 28%) | 8,608 | 7,710 |
| Overseas taxation | 10,941 | 8,782 |
| Adjustments in respect of prior years | 238 | (294) |
| Total current tax charge | 19,787 | 16,198 |
| Deferred tax | | |
| Origination and reversal of timing differences | 1,013 | 3,808 |
| Adjustments in respect of prior years | 137 | 199 |
| Total deferred tax charge | 1,150 | 4,007 |
| Total tax charge recognised in the Consolidated income statement | 20,937 | 20,205 |
| Reconciliation of the effective tax rate: | | |
| Profit before tax | 81,374 | 72,786 |
| Tax at the UK corporation tax rate of 28% (2009: 28%) | 22,785 | 20,380 |
| Overseas tax rate differences | 2,144 | 476 |
| Permanent differences | (4,367) | (556) |
| Adjustments in respect of prior years | 375 | (95) |
| | 20,937 | 20,205 |
| Effective tax rate (after amortisation of acquired intangible assets) | 25.7% | 27.8% |
| Profit before tax (before amortisation of acquired intangible assets) | 86,214 | 79,087 |
| Total tax charge (before amortisation of acquired intangible assets) | 22,807 | 21,888 |
| Effective tax rate (before amortisation of acquired intangible assets) | 26.5% | 27.7% |

6 Earnings per ordinary share

Basic earnings per ordinary share are calculated using the weighted average of 375,485,642 shares in issue during the year (net of shares purchased by the Company and held as treasury shares) (2009: 373,831,805). Diluted earnings per ordinary share are calculated using the weighted average of 376,513,219 shares (2009: 374,893,326), which includes dilutive potential ordinary shares of 1,027,577 (2009: 1,061,521). 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 year.

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 as follows:

| | Per ordinary share | | | |
|---|--------------------|--------------|---------------|---------------|
| | 2010 £000 | 2009 £000 | 2010 pence | 2009 pence |
| Earnings from continuing operations | 60,437 | 52,581 | 16.10 | 14.07 |
| Add back amortisation of acquired intangibles (after tax) | 2,970 | 4,618 | 0.79 | 1.23 |
| Adjusted earnings | 63,407 | 57,199 | 16.89 | 15.30 |

7 Dividends

| | Per ordinary share | | | |
|--|--------------------|---------------|---------------|--------------|
| | 2010 pence | 2009 pence | 2010 £000 | 2009 £000 |
| Amounts recognised as distributions to shareholders in the year | | | | |
| Final dividend for the year to 28 March 2009 (29 March 2008) | 4.78 | 4.55 | 17,935 | 16,997 |
| Interim dividend for the year to 3 April 2010 (28 March 2009) | 3.31 | 3.15 | 12,459 | 11,788 |
| | 8.09 | 7.70 | 30,394 | 28,785 |
| Dividends declared in respect of the year | | | | |
| Interim dividend for the year to 3 April 2010 (28 March 2009) | 3.31 | 3.15 | 12,459 | 11,788 |
| Proposed final dividend for the year to 3 April 2010 (28 March 2009) | 5.19 | 4.78 | 19,525 | 17,935 |
| | 8.50 | 7.93 | 31,984 | 29,723 |

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. If approved, the final dividend for 2009/10 will be paid on 25 August 2010 to shareholders on the register at the close of business on 23 July 2010.

The Company offers a Dividend Reinvestment Plan ("DRIP") to enable shareholders to elect to have their cash dividends reinvested in Halma shares. Shareholders who wish to elect for the DRIP for the forthcoming final dividend, but have not already done so, should return a DRIP mandate form to the Company's Registrars no later than 4 August 2010.

8 Notes to the Consolidated Cash Flow Statement

| | 2010 £000 | 2009 £000 |
|--|-----------------|--------------|
| Reconciliation of profit from operations to net cash inflow from operating activities | | |
| Profit on continuing operations before finance income and expense | 84,295 | 76,207 |
| Profit on disposal of operations before taxation | (382) | (357) |
| Depreciation of property, plant and equipment | 11,461 | 10,260 |
| Amortisation of computer software | 1,116 | 903 |
| Amortisation of capitalised development costs and other intangibles | 3,815 | 2,876 |
| Retirement of capitalised development costs | 19 | 233 |
| Amortisation of acquired intangible assets | 4,840 | 6,301 |
| Share-based payment expense in excess of amounts paid | 1,333 | 1,634 |
| Additional payments to pension plans | (6,902) | (6,224) |
| Loss/(profit) on sale of property, plant and equipment and computer software | 42 | (14) |
| Operating cash flows before movement in working capital | 99,637 | 91,819 |
| Decrease/(increase) in inventories | 2,990 | (1,055) |
| Decrease in receivables | 3,636 | 7,440 |
| Increase/(decrease) in payables and provisions | 6,427 | (11,779) |
| Cash generated from operations | 112,690 | 86,425 |
| Taxation paid | (12,352) | (20,494) |
| Net cash inflow from operating activities | 100,338 | 65,931 |

| | 2010 £000 | 2009 £000 |
|---|---------------|--------------|
| Reconciliation of net cash flow to movement in net cash/(debt) | | |
| (Decrease)/increase in cash and cash equivalents | (3,425) | 2,193 |
| Cash outflow from borrowings | 58,845 | 3,519 |
| Exchange adjustments | 4,848 | (12,623) |
| | 60,268 | (6,911) |
| Net debt brought forward | (51,186) | (44,275) |
| Net cash/(debt) carried forward | 9,082 | (51,186) |
| | 2010 £000 | 2009 £000 |
| Analysis of cash and cash equivalents | | |
| Cash and bank balances | 31,323 | 34,987 |
| Bank overdraft | (317) | – |
| | 31,006 | 34,987 |

9 Non-GAAP measures

The Board uses certain non-GAAP measures to help it effectively monitor the performance of the Group. These measures include Return on Capital Employed, Return on Total Invested Capital and organic growth.

Return on Capital Employed

| | 2010 £000 | 2009 £000 |
|---|----------------|----------------|
| Operating profit from continuing operations before amortisation of acquired intangible assets | 89,135 | 82,508 |
| Computer software costs within intangible assets | 3,050 | 3,022 |
| Capitalised development costs within intangible assets | 9,202 | 10,194 |
| Other intangibles within intangible assets | 223 | – |
| Property, plant and equipment | 66,786 | 71,408 |
| Inventories | 47,014 | 51,381 |
| Trade and other receivables | 98,077 | 103,544 |
| Trade and other payables | (66,955) | (61,361) |
| Provisions | (1,515) | (2,018) |
| Net tax liabilities | (6,776) | (481) |
| Non-current trade and other payables | (4,554) | (3,013) |
| Non-current provisions | (1,954) | (719) |
| Add back retirement benefit accruals included within payables | – | 1,103 |
| Add back accrued deferred purchase consideration | 2,921 | 68 |
| Capital employed | 145,519 | 173,128 |
| Return on capital employed | 61.3% | 47.7% |

Return on Total Invested Capital

| | 2010 £000 | 2009 £000 |
|--|----------------|----------------|
| Post-tax profit from continuing operations before amortisation of acquired intangible assets | 63,407 | 57,199 |
| Total shareholders' funds | 322,493 | 299,615 |
| Add back retirement benefit accruals included within payables | – | 1,103 |
| Add back retirement benefit obligations | 43,071 | 42,568 |
| Less associated deferred tax assets | (12,060) | (11,920) |
| Cumulative amortisation of acquired intangibles | 21,919 | 17,360 |
| Goodwill on disposals | 5,441 | 5,441 |
| 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 | 464,972 | 438,275 |
| Return on total invested capital | 13.6% | 13.1% |

Organic growth

Organic growth measures the change in revenue and profit from continuing Group operations. The effect of acquisitions and disposals made during the current or prior financial year has been equalised by adjusting the current year results for a pro-rated contribution based on their revenue and profit at the date of acquisition or disposal, and has been calculated as follows:

| | Revenue | | | Profit* before taxation | | |
|----------------------------------|--------------|--------------|-------------|-------------------------|--------------|-------------|
| | 2010 £000 | 2009 £000 | % growth | 2010 £000 | 2009 £000 | % growth |
| Continuing operations | 459,118 | 455,928 | | 86,214 | 79,087 | |
| Acquired/disposed revenue/profit | (942) | – | | (5) | – | |
| | 458,176 | 455,928 | 0.5% | 86,209 | 79,087 | 9.0% |

* Before amortisation of acquired intangible assets.

10 Other matters

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 53 weeks to 3 April 2010.

Cautionary note

This Preliminary Announcement 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 announcement. 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.

For further information, please contact:

Halma p.l.c. +44 (0)1494 721111
Andrew Williams, Chief Executive
Kevin Thompson, Finance
Director

Hogarth Partnership Limited +44 (0)20 7357 9477
Rachel Hirst/Andrew Jaques

A copy of this announcement, together with other information about Halma, may be viewed on its website: www.halma.com.