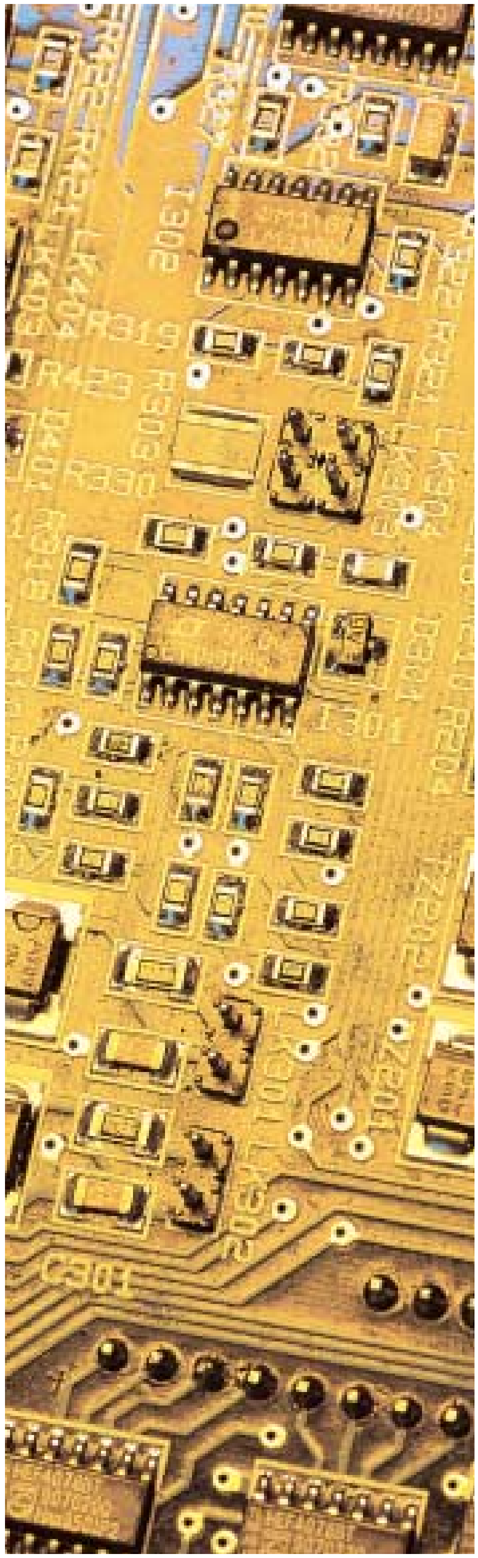
HALMA

INTERIM REPORT
2001



Financial Highlights

	Change	2001	2000
		£000	£000
Turnover	**+4%**	130,773	126,274
Overseas sales	**+6%**	89,796	84,383
Profit before taxation*	**+1%**	22,663	22,376
Earnings per share*	**+2%**	4.23p	4.14p†
Dividend per share	**+15%**	2.077p	1.806p
Profit before taxation* as a percentage of turnover		17.3%	17.7%
Return on capital employed**		41.6%	46.7%†

* Before goodwill amortisation

** Return on capital employed is defined as the annualised profit before taxation* expressed as a % of net tangible assets

† Restated for the adoption of Financial Reporting Standard 19 ''Deferred Tax''

Highlights of the half year

- Strong returns and cash generation support 15% dividend growth
- Sales growth widespread across businesses and territories
- Increased investment in new products
- Record interim profit earned

Chairman's Statement

Results

In the Chairman's Statement in last year's Annual Report I expressed confidence in the Group's long-term growth prospects. This confidence was fully justified by the Group's performance during the first half of the year until the beginning of September when our normal pattern of deliveries, in particular to the USA, was affected by the aftermath of the terrorist attacks in New York.

It is encouraging that, despite this, the Group was able to marginally improve on last year's record interim profits.

Pre-tax profits were £22.7 million and earnings per share increased to 4.23p. Both figures are expressed before goodwill amortisation. Sales increased by 4% to a record of £130.8 million and overseas sales now amount to 69% of total sales. All the preceding absolute figures are new records for the Group.

After spending £2.5 million on acquisitions and £4.7 million on capital expenditure, the Group's net cash balance as at the end of the half year rose to £16.3 million.

Dividends

Following the pattern established last year, the interim dividend per share has been increased by a further 15%. This interim dividend, which will amount to 2.077p per share, will be paid on 4 February 2002 to shareholders on the register at the close of business on 4 January 2002.

Prospects

The impact of the current political and economic uncertainties, particularly on the significant proportion of our activities in the USA, has made this an unusually difficult period from which to forecast short-term sales and profitability. What I can say with great confidence is that the Group's operations and management are in excellent shape. I believe that our performance relative to other companies will continue to demonstrate the Group's exceptional resilience.

4 December 2001

David S Barber

Chief Executive's Review

Summary

Halma's success arises in part from operating in safety-critical applications, and making innovative and valuable products that reduce or eliminate risks to life and health. Worldwide there is a growing recognition by companies and governments of the need to protect people and equipment. We therefore sell to a diverse customer base in many territories. These are some of the characteristics of Halma that have enabled us to just exceed the record level of half year profit achieved last year.

The Group sales continue to grow and at our high return on sales and high return on capital employed we remain profitable, cash generative and unborrowed.

Product groups

Sales levels increased across the Group's businesses. The Water and Elevator Electronics activities moved ahead while Resistors held on to last year's significant increase. Fire and Gas achieved an increase in sales aided by an acquisition made in the second half of last year. Our Process Safety operation changed its US distribution arrangements during the half year and this contributed to an improvement in performance. The Optics and Specialist business achieved slightly lower sales but improved margins.

We target areas of long-term growth often where safety legislation aids the stability of our sales opportunities. We have been able to capture new customers and develop new applications despite market conditions. Sales increased in the USA, the Far East, the Middle East and the rest of the world and reduced only marginally in the UK. We are effective in building market leadership positions. When economic conditions improve, we expect to reap the benefits of the increased market shares we are currently developing.

New developments

Our focus on new products, new applications and new routes to market remains strong. An important marketing agreement between Severn Trent Services and a Group company will use our advanced technology for the purification of drinking water by ultra-violet light across all of Severn Trent's extensive American operations.

We are investing more in R&D and continuing to build our intellectual asset base. Over the next 18 months we expect new products to be increasingly important. Group companies are increasingly selling each other's products. Concentrating on high added value activities has also led to increased sourcing of components and assemblies from Eastern Europe and from the Far East.

Business environment

Our products are used in every part of the world and by every industry. We are therefore affected to some extent by the current volatile conditions. However, our diverse customer base is a great strength and we see a growing awareness of the need to protect against risks of all kinds.

We have been finding opportunities for sales growth at the high levels of return on sales and return on capital employed that have been features of Halma for so long and which continue today. We have the resources to self-fund acquisitions but we continue to apply our usual high standards to the acquisition opportunities we evaluate.

Outlook

Our strategic position in safety products makes Halma an exceptionally resilient business. We are not fully insulated from economic conditions but our success in creating new products and winning new customers will benefit the Group when conditions improve. We are a strongly profitable and cash generative business and the management is determined to extend our record of excellent performance relative to our peer group and to continue to build up the value of the Group to our shareholders.

4 December 2001

Stephen R O'Shea

Consolidated Profit and Loss Account

£000

	Notes	Unaudited 26 weeks to 29 September 2001 Before goodwill amortisation	Goodwill amortisation	Total	Restated 26 weeks to 30 September 2000	Restated 52 weeks to 31 March 2001
Turnover		130,773	–	130,773	126,274	268,322
Operating profit before goodwill amortisation		22,555	–	22,555	22,339	49,703
Goodwill amortisation	2	–	(1,141)	(1,141)	(862)	(1,935)
Operating profit		22,555	(1,141)	21,414	21,477	47,768
Interest		108	–	108	37	(5)
Profit on ordinary activities before taxation		22,663	(1,141)	21,522	21,514	47,763
Taxation	3	(7,356)	187	(7,169)	(7,253)	(15,641)
Profit for the financial period		15,307	(954)	14,353	14,261	32,122
Dividends						
Ordinary dividends				(7,608)	(6,519)	(16,580)
Profit transferred to reserves				6,745	7,742	15,542

Ordinary dividends per share	2.077p	1.806p	4.593p
Earnings per ordinary share before goodwill amortisation	4.23p	4.14p	9.34p
Earnings per ordinary share	3.96p	3.96p	8.91p
Diluted earnings per ordinary share	3.95p	3.95p	8.90p

Consolidated Balance Sheet

£000

	Notes	Unaudited 29 September 2001	Restated 30 September 2000	Restated 31 March 2001
Fixed assets				
Intangible assets	2	41,021	36,227	41,478
Tangible assets		44,940	43,625	44,754
		85,961	79,852	86,232
Current assets				
Stocks		40,602	39,003	40,129
Debtors		63,783	63,492	69,713
Cash and short-term deposits		22,560	16,263	21,484
		126,945	118,758	131,326
Creditors: amounts falling due within one year				
Borrowings		6,266	7,676	7,758
Dividends payable		7,562	6,517	10,062
Current taxation		10,032	11,417	10,224
Creditors		33,499	36,499	43,432
		57,359	62,109	71,476
Net current assets		69,586	56,649	59,850
Total assets less current liabilities		155,547	136,501	146,082
Creditors: amounts falling due after one year		1,872	1,559	1,730
Provisions for liabilities and charges		3,603	2,845	2,883
		150,072	132,097	141,469
Capital and reserves				
Called up share capital		36,393	36,085	36,099
Share premium account		4,748	1,496	1,623
Other reserves		185	185	185
Profit and loss account		108,746	94,331	103,562
Shareholders' funds	5	150,072	132,097	141,469

Consolidated Cash Flow Statement

£000

	Notes	Unaudited 26 weeks to 29 September 2001	Unaudited 26 weeks to 30 September 2000	Audited 52 weeks to 31 March 2001
Cash flow from operating activities	6	22,755	22,960	55,493
Return on investments and servicing of finance				
Interest received		398	465	713
Interest paid		(299)	(426)	(700)
		99	39	13
Taxation				
Current taxation paid		(6,666)	(4,537)	(14,489)
Capital expenditure				
Purchase of tangible fixed assets		(4,709)	(4,753)	(9,441)
Sale of tangible fixed assets		506	397	1,161
		(4,203)	(4,356)	(8,280)
Acquisitions and disposals				
Acquisition of businesses		(2,495)	(4,321)	(12,128)
Cash and overdrafts acquired		–	188	144
Sale of businesses		–	46	95
		(2,495)	(4,087)	(11,889)
Equity dividends paid		(10,108)	(8,732)	(15,248)
		(618)	1,287	5,600
Management of liquid resources				
Decrease in short-term deposits		461	6,840	3,189
Financing				
Issue of ordinary share capital		3,419	491	632
Decrease in loans		–	(8,028)	(9,278)
		3,419	(7,537)	(8,646)
Increase in cash	6	3,262	590	143

Segmental Analysis

£000

Geographical analysis

	By destination		By origin	
	Unaudited 26 weeks to 29 September 2001	Unaudited 26 weeks to 30 September 2000	Unaudited 26 weeks to 29 September 2001	Restated 26 weeks to 30 September 2000
Turnover				
United Kingdom	40,977	41,891	80,540	79,259
United States of America	41,684	41,120	43,170	41,668
Europe excluding UK	26,079	23,409	10,223	9,421
Far East and Australasia	11,986	10,851	4,162	4,743
Africa, Near and Middle East	4,372	4,312	–	–
Other	5,675	4,691	1,941	1,411
Inter-segmental sales	–	–	(9,263)	(10,228)
	130,773	126,274	130,773	126,274

	Unaudited 26 weeks to 29 September 2001	Restated 26 weeks to 30 September 2000
Profit before taxation		
United Kingdom	12,790	13,649
United States of America	7,340	7,702
Other countries	2,425	988
	22,555	22,339
Goodwill amortisation	(1,141)	(862)
Interest	108	37
Profit on ordinary activities before taxation	21,522	21,514

Sector analysis

	Unaudited 26 weeks to 29 September 2001	Unaudited 26 weeks to 30 September 2000
Turnover		
Fire and Gas	33,620	31,409
Water	16,022	15,417
Elevator Electronics	16,501	15,272
Process Safety	18,308	17,205
Resistors	15,855	15,966
Optics and Specialist	30,941	31,503
Inter-segmental sales	(474)	(498)
	130,773	126,274

1 Basis of preparation

The interim report for the 26 weeks to 29 September 2001 is prepared on the basis of the accounting policies set out in the accounts for the 52 weeks to 31 March 2001, except for the adoption of accounting standards applicable since that date.

The figures shown for the 52 weeks to 31 March 2001 are an abridged version of the Group's statutory accounts, restated as necessary to comply with Financial Reporting Standard 19 ''Deferred Tax''.

2 Intangible assets

Goodwill arising on acquisitions after 28 March 1998 is capitalised and is classified as an intangible asset in the Consolidated Balance Sheet. Capitalised goodwill is amortised through the Consolidated Profit and Loss Account on a straight line basis over its estimated economic life of 20 years. Goodwill arising on earlier acquisitions was not restated.

3 Taxation

The tax charge for the 26 weeks to 29 September 2001 of £7,169,000 comprises a current taxation charge of £6,774,000 (2000: £6,959,000) and a deferred tax charge of £395,000 (2000: £294,000 as restated). The current taxation charge is based on the estimated effective tax rate for the year.

The tax charge includes £2,816,000 (2000: £2,710,000 as restated) in respect of overseas tax.

4 Deferred taxation

Financial Reporting Standard 19 ''Deferred Tax'' has been adopted for the first time in these financial statements. As required by the standard, deferred taxation has been calculated using the full provision approach rather than the partial provision approach previously employed. This change has been accounted for as a prior year adjustment and previously reported figures have been restated accordingly.

The impact of adopting the new policy on the half year to 30 September 2000 has been to reduce profit after tax by £280,000. The impact of adopting the new policy on the year to 31 March 2001 has been to reduce profit after tax by £681,000. The cumulative effect on reserves at 1 April 2000 is a reduction of £3,745,000 which has been accounted for as a prior year adjustment.

If the previous policy had been adopted in the current period's results, the impact would have been to increase the profit after tax by £381,000.

Notes on the Interim Report continued £000

5 Reconciliation of shareholders' funds

	Unaudited 26 weeks to 29 September 2001	Restated 26 weeks to 30 September 2000	Restated 52 weeks to 31 March 2001
Shareholders' funds brought forward as previously stated		125,539	125,539
Prior year adjustment		(3,745)	(3,745)
Shareholders' funds brought forward as restated	141,469	121,794	121,794
Profit transferred to reserves	6,745	7,742	15,542
Net proceeds of shares issued	3,419	491	632
Exchange adjustments	(1,561)	2,070	3,501
Shareholders' funds carried forward	150,072	132,097	141,469

6 Notes on cash flow statement

	Unaudited 26 weeks to 29 September 2001	Restated 26 weeks to 30 September 2000	Restated 52 weeks to 31 March 2001
Reconciliation of operating profit to net cash inflow from operating activities			
Operating profit	21,414	21,477	47,768
Depreciation	3,658	3,511	7,022
Goodwill amortisation	1,141	862	1,935
Loss on sale of tangible fixed assets	73	149	90
Increase in stocks	(795)	(2,071)	(2,348)
Decrease/(increase) in debtors	5,233	2,813	(1,385)
(Decrease)/increase in creditors	(7,969)	(3,781)	2,411
Net cash inflow from operating activities	22,755	22,960	55,493
Reconciliation of net cash flow to movement in net cash			
Increase in cash	3,262	590	143
Decrease in liquid resources	(461)	(6,840)	(3,189)
Short-term deposits acquired	–	–	861
Cash outflow from loans	–	8,028	9,278
Exchange adjustments	(233)	(391)	(567)
	2,568	1,387	6,526
Net cash brought forward	13,726	7,200	7,200
Net cash carried forward	16,294	8,587	13,726

HALMA

Directors and Advisers

Board of Directors

David S Barber *Chairman* *
Stephen R O'Shea *Chief Executive*
Clive Q Summerhayes BSc
Lord McGowan *
Hamish M J Ritchie MA *
Kevin J Thompson BSc FCA
Neil Quinn BSc
Richard A Stone MA FCA *
Keith J Roy MSc

Secretary

E Carol Tredway BA FCA
* Non-executive

Executive Board

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

Assistant Divisional Chief Executives

Andrew J Williams *Water Technology*
Adam J Meyers *Optics and Instruments*

Registered Office

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

Registered Number

40932

Auditors

PricewaterhouseCoopers
1 Embankment Place
London WC2N 6RH

Bankers

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

Financial Advisers

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

Solicitors

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

Brokers

HSBC
Vintners Place 68 Upper Thames Street
London EC4V 3BJ

Registrars

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

Pillans & Wilson, Edinburgh. 67064

Halma p.l.c.
Misbourne Court
Rectory Way
Amersham
Bucks HP7 0DE
Tel: +44 (0) 1494 721111
Fax: +44 (0) 1494 728032
www.halma.com