

HALMA

Halma plc Half Year Report 2014/15

The world needs protecting



Financial Highlights

Revenue

£340.9m

+2%

(2013/14: £333.1m)

Adjusted profit before taxation

£69.0m

+6%

(2013/14: £65.1m)

Return on sales

20.2%

(2013/14: 19.5%)

Interim dividend declared (per share)

4.65p

+7%

(2013/14: 4.35p)

Continuing operations	2014	2013	Change
Revenue	£340.9m	£333.1m	+2%
Adjusted Profit before Taxation ¹	£69.0m	£65.1m	+6%
Statutory Profit before Taxation	£61.2m	£55.9m	+9%
Adjusted Earnings per Share ²	14.05p	12.99p	+8%
Statutory Earnings per Share	12.57p	11.28p	+11%
Interim Dividend per Share ³	4.65p	4.35p	+7%
Return on Sales ⁴	20.2%	19.5%	
Return on Total Invested Capital ⁵	15.3%	15.6%	
Return on Capital Employed ⁵	69.5%	71.3%	
Net Debt	£136.3m	£109.8m	

Notes:

¹ Adjusted to remove the amortisation of acquired intangible assets, acquisition items, the effects of closure to future benefit accrual of the Defined Benefit pension plans net of associated costs, and profit or loss on disposal of operations of £7.8m charge (2013/14: £9.1m charge). See note 2 to the Condensed Financial Statements for details.

² Adjusted to remove the amortisation of acquired intangible assets, acquisition items, the effects of closure to future benefit accrual of the Defined Benefit pension plans net of associated costs, profit or loss on disposal of operations, and the associated taxation thereon. See note 6 to the Condensed Financial Statements for details.

³ Interim dividend declared per share.

⁴ Return on Sales is defined as adjusted¹ 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 Condensed Financial Statements for details.

Who We Are

Halma employs 5,000 people across four sectors with operations in 23 countries. Our companies and products are diverse but we have a core focus on safety, health and environmental markets.

Through innovation and acquisition we have developed a portfolio of market leading companies throughout our four sectors: Process Safety, Infrastructure Safety, Medical, and Environmental & Analysis.

Our technology is used to save lives, prevent injuries, and protect people and assets around the world. On oil rigs, in airports and even underground, our products are detecting hazards, stopping accidents and actively ensuring safety.

We develop products that secure and protect the elements critical to healthy lives. They analyse air for pollutants and water for drinking. They make medical diagnosis faster, treatments more effective, and even give sight back to the blind.

Our business is protecting life and improving quality of life for people worldwide.

Review of Operations

Record half year results

Revenue for the half year increased by 2% to £341m (2013/14: £333m) after an adverse currency translation impact of 5%. Acquisition and disposal activity contributed 3% to revenue and therefore organic revenue growth at constant currency was 4%.

Adjusted¹ profit before taxation increased by 6% to a record level of £69.0m (2013/14: £65.1m) also after an adverse currency translation impact of 5%. Organic constant currency profit growth was 7%.

Profitability increased with Return on Sales¹ growing to 20.2% (2013/14: 19.5%), well within our 18% to 22% target range. Gross margin (revenue less direct material and direct labour) remained strong across the Group.

These results once again demonstrate Halma's ability to sustain growth and high returns with demand for our products underpinned by the long-term market growth drivers of increasing safety regulation, increasing demand for healthcare and increasing demand for life-critical resources such as energy and water.

7% dividend increase

The Board declares an increase of 7% in the interim dividend to 4.65p per share (2013/14: 4.35p per share). The interim dividend will be paid on 4 February 2015 to shareholders on the register on 30 December 2014. For the past 35 years we have increased our full year dividend by 5% or more each year.

Organic constant currency revenue growth in all regions

The table below shows the pattern of revenue growth in each region including the underlying rates of organic growth at constant currency which are calculated by excluding the effect of currency, acquisitions and disposals. Despite varied market conditions we achieved underlying revenue growth in all regions. The USA performed strongly and increased by 7% with Mainland Europe, the UK and Asia Pacific all showing steady progress.

Revenue from outside our traditional home markets in the USA, Mainland Europe and the UK increased to 26.5% of total revenue (2013/14: 25.2%) boosted by recent acquisitions, representing another step toward our target of 30% by 2015.

Sector performances

Our Process Safety, Infrastructure Safety and Medical sectors all achieved organic revenue growth at constant currency during the period with the Environmental & Analysis sector seeing a small decline. At the headline revenue level, the two Safety sectors benefited from M&A during the period, with the other two sectors being hardest hit by currency impacts due to the largest element of their operations being US-based.

Process Safety revenue increased by 18% to £74m (2013/14: £62m) including 8% organic growth at constant currency. Profit² improved by an impressive 27% to £20.4m (2013/14: £16.1m) including 17% organic growth at constant currency. Return on Sales improved to 27.8% (2013/14: 26.0%). The acquisition of Rohrback Cosasco Systems Inc. (RCS) in May 2014 further boosted a strong underlying performance, particularly in the USA where the oil and gas market continues to provide good opportunities. Excellent progress was also made in South America following the establishment of a commercial hub office for this sector in Brazil last year.

Infrastructure Safety revenue was up by 5% to £113m (2013/14: £107m) with organic constant currency growth of 6%. Profit² growth was even healthier, increasing by 11% on last year to £22.8m (2013/14: £20.6m). Despite an adverse currency translation impact of 4%, strong organic constant currency profit growth of 12% and the acquisition of Advanced Electronics Limited in May 2014 ensured a very positive first half performance. Return on Sales improved to 20.3% (2013/14: 19.2%).

This sector achieved organic constant currency revenue growth in all regions with an encouraging recovery in the UK market across almost all businesses. We expect to see a continuation of this

External revenue by destination

	Half year 2014/15		Half year 2013/14		Change £m	% growth	% organic growth at constant currency
	£m	% of total	£m	% of total			
United States of America	104.1	31%	107.6	32%	(3.5)	(3%)	7%
Mainland Europe	79.2	23%	79.3	24%	(0.1)	–	1%
United Kingdom	67.2	20%	62.2	19%	5.0	8%	2%
Asia Pacific	56.3	16%	56.0	17%	0.3	1%	2%
Other countries	34.1	10%	28.0	8%	6.1	22%	9%
	340.9	100%	333.1	100%	7.8	2%	4%

External revenue by sector

	Half year 2014/15	Half year 2013/14	Change £m	% growth	% organic growth at constant currency
	£m	£m			
Process Safety	73.6	62.2	11.4	18%	8%
Infrastructure Safety	112.7	107.3	5.4	5%	6%
Medical	78.4	81.1	(2.7)	(3%)	4%
Environmental & Analysis	76.2	82.5	(6.3)	(8%)	(2%)
Total Group	340.9	333.1	7.8	2%	4%

sector's well-established balance between growth in developed and developing markets.

Medical sector revenue was 3% lower than last year at £78m (2013/14: £81m) due to a 7% adverse currency impact. Underlying organic constant currency revenue growth was 4% with momentum improving as the period progressed. Profit² improved by 6% from £19.6m to £20.9m with excellent organic constant currency growth of 12% more than offsetting a 7% adverse currency impact. Excellent operational cost control ensured that Return on Sales improved from 24.2% to 26.6%. A useful recovery in the US market contrasted with weaker performances in the UK and Mainland Europe. There was modest growth outside these three developed markets at constant currency.

Environmental & Analysis had a disappointing first half year, particularly in profitability terms. Revenue was 8% lower than last year at £76m (2013/14: £83m) with an organic constant currency decline of less than 2% and an adverse currency impact of 6%. Profit² reduced to £11.9m from £15.0m, a reduction of 21% of which 15% represented an organic constant currency decline. Return on Sales was 15.6% (2013/14: 18.2%). As expected, there was lower demand from the UK water utilities as this is the final year of their five-year investment cycle; we expect this market to pick up as we progress through 2015. In addition, the final transfer of certain customer contracts into our new consolidated photonics coating facility in Florida from Colorado was delayed resulting in increased costs. This transfer is now complete and therefore we expect profitability to recover in the second half. The revenue decline in the USA, UK and Mainland Europe contrasted with a more encouraging 10% organic constant currency revenue growth outside these markets. Overall, based on management actions already taken, we expect significant improvement in the second-half performance, broadly in line with last year.

Significant currency impact

Halma reports its results in Sterling with approximately 40% of Group revenue denominated in US Dollars and 15% in Euros. In the half year, Sterling strengthened on average by 9% relative to the US Dollar and 6% against the Euro, resulting in a 5% adverse currency translation impact on revenue and profit as noted above. In recent weeks, the US Dollar has strengthened relative to Sterling. If exchange rates continue at current levels, our latest estimate is that there will be an adverse impact of 3% on full year revenue and profit.

Strong cash generation

Cash generation was very good with cash conversion (adjusted operating cash flow as a % of adjusted operating profit – see note 9 to the Condensed Financial Statements for details) of 87% (2013/14: 86%), ahead of our 85% target. Good control of working capital, increased organic investment, acquisition expenditure and increased dividend and taxation payments, resulted in net debt of £136m (March 2014: £74m) at the end of the period. We remain in a strong financial position with our £360m revolving credit facility in place until 2018 and we have good capacity to make further value-adding acquisitions as well as continuing investment in organic growth.

Three acquisitions and one disposal completed

In the first half we spent £87m (excluding £1m of loan notes issued and debt acquired) (2013/14: £17m) purchasing three new companies and also paying earn-outs of £6m (2013/14: £14m) for the growth of acquisitions made in current and prior years. We completed a small disposal continuing our active approach to portfolio management.

We are continuing to refine our M&A search efforts. In particular we are providing improved support to our Sector Chief Executives appointed in April 2014 to ensure that we have resources

appropriately focused in each sector covering a wide range of key regional markets. The acquisition pipeline remains healthy.

All transactions during the half year were completed in May 2014:

- Plasticspritzerei AG, a strategic supplier to one of our businesses in the Medical sector, was acquired for a net cash consideration of CHF6m (£4m).
- Advanced Electronics Limited, a manufacturer of networked fire detection and control systems, was acquired for our Infrastructure Safety sector. We paid an initial consideration of £14m (excluding cash and debt acquired of £2m) and a contingent consideration of up to £10.1m is payable on earnings growth for the period to March 2015.
- Rohrback Cosasco Systems Inc. (RCS), a manufacturer of pipeline corrosion monitoring products and systems, was acquired for US\$108m (£64m), net of cash acquired of US\$9m (£5m). RCS adds valuable new technology and application know-how to the Process Safety sector.

We sold Monitor Elevator Products Inc., a business within the Infrastructure Safety sector, for a consideration of US\$6m (£4m). A gain of £1m before tax resulted from the transaction. Monitor's narrow regional sales focus in the increasingly competitive US elevator maintenance market meant that we were no longer confident in its ability to sustain good growth and returns under Halma ownership.

Pension plan changes

Following consultation with all stakeholders, we announced in March 2014 that the Defined Benefit (DB) sections of the Group's UK pension plans will cease future accrual as at 1 December 2014. Members will earn future benefits within the Group's Defined Contribution (DC) section of the pension plan with agreed transitional arrangements. This change reduces Group risk for the future.

Strategic investment for growth

In April 2014, we reorganised our Executive Board to align it with our four reporting sectors and continued with strategic investment in talent development, innovation and international expansion. The new structure is operating well, with an initial focus on developing and communicating new sector growth strategies together with improving the ways we identify, attract and develop management talent. This streamlined board with clearer accountability is also starting to improve collaboration both within and between sector companies.

We continue to increase investment in line with our focus on sustained long-term growth and returns. Our companies increased R&D expenditure by 4% (when measured at constant currency) to £16.4m, representing 4.8% of revenue, which is well above our 4% KPI target. In addition, capital investment in operations increased by 26% to £9.9m (2013/14: £7.9m) in line with guidance given at the start of the year.

Risks and uncertainties

A number of potential risks and uncertainties exist which could have a material impact on the Group's performance over the second half of the financial year and could cause actual results to differ materially from expected and historical results. The Group has in place processes for identifying, evaluating and managing key risks. These risks, together with a description of the approach to mitigating them, are set out on pages 30 to 33 of the 2014 Annual Report and Accounts, which is available on the Group's website at www.halma.com. The principal risks and uncertainties relate to operational, strategic, legal, financial, people and economic issues.

Review of Operations continued

See note 14 to the Condensed Financial Statements for further details. The Directors do not consider that the principal risks and uncertainties have changed since the publication of the 2014 Annual Report and Accounts and confirm that they remain relevant for the second half of the financial year. As part of their ongoing assessment of risk throughout the period the Directors have considered the above risks in the context of the new Executive Board structure and the Group's delivery of its financial objectives. Macro-economic uncertainty and movements in foreign exchange rates continue to remain a risk to financial performance.

Going concern

After conducting a review of the Group's financial resources the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the Condensed Financial Statements.

Board changes

Roy Twite, an executive director of IMI plc, was appointed as a non-executive Director effective 24 July 2014. Roy brings a wealth of relevant experience to the Board, having worked in all sectors of this multi-industry FTSE 100 company.

On 8 August 2014, we welcomed Tony Rice to the Board as a non-executive Director. Tony was formerly CEO of Cable & Wireless Communications plc and brings to us strong commercial, financial and international experience.

Outlook

Halma has made strong progress in the first half, achieving record revenue and profit despite varied market conditions and adverse currency translation impact. We are particularly pleased to report organic constant currency revenue growth across each of our regions. Order intake since the period end has continued to be ahead of revenue and order intake last year. Halma remains on track to make further progress in the second half of the year in line with our expectations.

Andrew Williams
Chief Executive

Kevin Thompson
Finance Director

¹ See Financial Highlights.

² See note 2 to the Condensed Financial Statements.

Investment Proposition

Halma delivers sustained shareholder value. We consistently deliver record profits, high returns, and strong cash flows with low levels of balance sheet gearing. We have a 35-year track record of growing dividend payments by 5% or more every year.

Our strategy is to have a diverse group of businesses building strong competitive advantage in specialised safety, health and environmental technology markets with resilient growth drivers. These growth drivers include increasing Health and Safety regulation, demand for healthcare and demand for life-critical resources. They ensure that demand for our products is sustained, in both developed and developing regions, through periods of significant macro-economic change.

Organic growth generates the resources we need to fund acquisitions and keep increasing dividends. We generate organic growth by increasing levels of investment in people development, new product development and in establishing platforms for our businesses to grow in international markets.

Our portfolio consists of small to medium-sized manufacturing businesses operating in 23 countries and we have major operations in Europe, the USA and Asia. Our principal customer sectors are commercial and public buildings, utilities, healthcare/medical, science/environment, process industries and energy/resources. This market diversity contributes to our ability to sustain growth through economic cyclicalities.

We manage the mix of businesses in our Group to ensure we can sustain strong growth and returns over the long term. We acquire businesses to accelerate penetration of more attractive market niches, we merge businesses when market characteristics change and we exit markets which offer less attractive long-term growth and returns through carefully planned disposals.

Halma's resilient market qualities, sustained investment in organic growth and active portfolio management position us strongly to maintain high levels of performance and create shareholder value in the future.

Business Model and Strategy

Business model What is Halma's growth objective?

Our business model objective is to double Group revenue and profit every five years.

We aim to achieve this through a mix of acquisitions and organic growth. Return on Sales in excess of 18% and Return on Capital Employed over 45% ensure that cash generation is strong enough to sustain growth and increase dividends without the need for high levels of external funding.



Strategy How do we grow?

We operate in relatively non-cyclical, specialised global niche markets. Our technology and application know-how deliver strong competitive advantage to sustain growth and high returns. Our chosen markets have significant barriers to entry.

Demand for our products is underpinned by resilient, long-term growth drivers.

We place our operational resources close to our customers through autonomous locally managed businesses.

We reinvest cash into acquiring high performance businesses in, or close to, our existing markets.

Governance

Halma is committed to maintaining the highest standards of corporate governance and ensuring values and behaviours are consistent across the business. Halma promotes open and transparent discussion and constructive challenge across the Group to ensure best practice is maintained.

That governance culture is integral to our strategy and decision-making processes for the benefit of our shareholders.

Risk

Group risk is mitigated by means of an operating structure which spreads the Group's activities across a number of autonomous subsidiary companies. Each of these companies is led by a high-quality board of directors including a finance executive. Group companies operate under a system of robust controls which address our principal risks and uncertainties.

Corporate Responsibility

Halma companies are involved in the manufacture of a wide range of products that protect and improve the quality of life for people worldwide. Halma has developed meaningful key performance indicators (KPIs) that reflect the importance the Group places on corporate responsibility and enable the Board to monitor the Group's progress in meeting its objectives and responsibilities in these areas.

Condensed Financial Statements

Consolidated Income Statement

Notes	Unaudited 26 weeks to 27 September 2014			Unaudited 26 weeks to 28 September 2013			(Restated)**	Audited
	Before adjustments* £000	Adjustments* (note 2) £000	Total £000	Before adjustments* £000	Adjustments* (note 2) £000	Total £000	52 weeks to 29 March 2014	Total £000
Continuing operations								
Revenue	2	340,903	–	340,903	333,066	–	333,066	676,506
Operating profit		71,425	(9,275)	62,150	67,586	(8,941)	58,645	143,571
Share of results of associates		65	–	65	(215)	–	(215)	307
Profit/(loss) on disposal of operations		–	1,430	1,430	–	(175)	(175)	(483)
Finance income	3	64	–	64	474	–	474	622
Finance expense	4	(2,536)	–	(2,536)	(2,787)	–	(2,787)	(5,340)
Profit before taxation		69,018	(7,845)	61,173	65,058	(9,116)	55,942	138,677
Taxation	5	(15,874)	2,243	(13,631)	(16,003)	2,678	(13,325)	(32,350)
Profit for the period attributable to equity shareholders		53,144	(5,602)	47,542	49,055	(6,438)	42,617	106,327
Earnings per share	6							
From continuing operations								
Basic		14.05p		12.57p	12.99p		11.28p	28.14p
Diluted				12.56p			11.27p	28.13p
Dividends in respect of the period	7							
Dividends (£000)			17,612				16,436	42,236
Per share			4.65p				4.35p	11.17p

* Adjustments include the amortisation of acquired intangible assets, acquisition items, the effects of closure to future benefit accrual of the Defined Benefit pension plans net of associated costs, profit or loss on disposal of operations, and the associated taxation thereon.

** In accordance with IAS 19 (revised) the Defined Benefit pension plan interest and expense have been shown net in finance expenses. Previously the gross interest income and expense were shown (see note 3 for further details).

Consolidated Statement of Comprehensive Income and Expenditure

	Unaudited 26 weeks to 27 September 2014 £000	Unaudited 26 weeks to 28 September 2013 £000	Audited 52 weeks to 29 March 2014 £000
Profit for the period	47,542	42,617	106,327
Items that will not be reclassified subsequently to the income statement:			
Actuarial (losses)/gains on Defined Benefit pension plans	(9,663)	4,331	2,060
Tax relating to components of other comprehensive income that will not be reclassified	1,865	(2,138)	(1,570)
Items that may be reclassified subsequently to the income statement:			
Effective portion of changes in fair value of cash flow hedges	4	651	499
Exchange losses on translation of foreign operations	(2,587)	(18,874)	(31,379)
Tax relating to components of other comprehensive income that may be reclassified	(1)	(157)	(129)
Other comprehensive expense for the period	(10,382)	(16,187)	(30,519)
Total comprehensive income for the period attributable to equity shareholders	37,160	26,430	75,808

The exchange loss of £2,587,000 (26 weeks to 28 September 2013: loss of £18,874,000; 52 weeks to 29 March 2014: loss of £31,379,000) comprises gains of £103,000 (26 weeks to 28 September 2013: gains of £127,000; 52 weeks to 29 March 2014: losses of £2,200,000) which relate to net investment hedges.

Consolidated Balance Sheet

	Unaudited 27 September 2014 £000	(Restated)* Unaudited 28 September 2013 £000	Audited 29 March 2014 £000
Non-current assets			
Goodwill	385,593	341,586	335,278
Other intangible assets	138,686	122,800	112,754
Property, plant and equipment	78,359	75,421	74,417
Interests in associates	4,216	4,571	5,088
Deferred tax asset	22,020	24,886	20,677
	628,874	569,264	548,214
Current assets			
Inventories	77,720	72,500	71,034
Trade and other receivables	135,225	123,968	135,177
Tax receivable	703	567	172
Cash and cash equivalents	49,177	41,141	34,531
Derivative financial instruments	622	499	496
	263,447	238,675	241,410
Total assets	892,321	807,939	789,624
Current liabilities			
Trade and other payables	85,004	77,355	88,291
Borrowings	5,225	2,939	4,136
Provisions	11,003	10,613	4,482
Tax liabilities	12,382	13,419	11,340
Derivative financial instruments	338	28	167
	113,952	104,354	108,416
Net current assets	149,495	134,321	132,994
Non-current liabilities			
Borrowings	180,228	147,969	104,891
Retirement benefit obligations	44,209	40,754	36,849
Trade and other payables	3,335	2,914	3,564
Provisions	1,631	13,944	6,777
Deferred tax liabilities	51,310	45,491	43,127
	280,713	251,072	195,208
Total liabilities	394,665	355,426	303,624
Net assets	497,656	452,513	486,000
Equity			
Share capital	37,960	37,901	37,902
Share premium account	23,548	22,762	22,778
Treasury shares	(4,885)	(5,264)	(7,054)
Capital redemption reserve	185	185	185
Hedging and translation reserve	11,779	26,992	14,363
Other reserves	(6,468)	(5,120)	(2,745)
Retained earnings	435,537	375,057	420,571
Shareholders' funds	497,656	452,513	486,000

* Contingent purchase consideration has been reclassified from Trade and other payables to Provisions.

Consolidated Statement of Changes in Equity

For the 26 weeks ended 27 September 2014

	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 29 March 2014 (audited)	37,902	22,778	(7,054)	185	14,363	(2,745)	420,571	486,000
Profit for the period	-	-	-	-	-	-	47,542	47,542
Other comprehensive income and expense:								
Exchange differences on translation of foreign operations	-	-	-	-	(2,587)	-	-	(2,587)
Actuarial losses on Defined Benefit pension plans	-	-	-	-	-	-	(9,663)	(9,663)
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	4	-	-	4
Tax relating to components of other comprehensive income	-	-	-	-	(1)	-	1,865	1,864
Total other comprehensive income and expense	-	-	-	-	(2,584)	-	(7,798)	(10,382)
Share options exercised	58	770	-	-	-	-	-	828
Dividends paid	-	-	-	-	-	-	(25,800)	(25,800)
Share-based payments	-	-	-	-	-	(3,282)	-	(3,282)
Deferred tax on share-based payment transactions	-	-	-	-	-	(441)	-	(441)
Excess tax deductions related to share-based payments on exercised options	-	-	-	-	-	-	1,022	1,022
Net movement in treasury shares	-	-	2,169	-	-	-	-	2,169
At 27 September 2014 (unaudited)	37,960	23,548	(4,885)	185	11,779	(6,468)	435,537	497,656

For the 26 weeks ended 28 September 2013

	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 30 March 2013 (audited)	37,888	22,598	(4,534)	185	45,372	(1,484)	353,242	453,267
Profit for the period	-	-	-	-	-	-	42,617	42,617
Other comprehensive income and expense:								
Exchange differences on translation of foreign operations	-	-	-	-	(18,874)	-	-	(18,874)
Actuarial gains on Defined Benefit pension plans	-	-	-	-	-	-	4,331	4,331
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	651	-	-	651
Tax relating to components of other comprehensive income	-	-	-	-	(157)	-	(2,138)	(2,295)
Total other comprehensive income and expense	-	-	-	-	(18,380)	-	2,193	(16,187)
Share options exercised	13	164	-	-	-	-	-	177
Dividends paid	-	-	-	-	-	-	(24,049)	(24,049)
Share-based payments	-	-	-	-	-	(3,316)	-	(3,316)
Deferred tax on share-based payment transactions	-	-	-	-	-	(320)	-	(320)
Excess tax deductions related to share-based payments on exercised options	-	-	-	-	-	-	1,054	1,054
Net movement in treasury shares	-	-	(730)	-	-	-	-	(730)
At 28 September 2013 (unaudited)	37,901	22,762	(5,264)	185	26,992	(5,120)	375,057	452,513

Consolidated Statement of Changes in Equity continued

	For the 52 weeks ended 29 March 2014							
	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 30 March 2013 (audited)	37,888	22,598	(4,534)	185	45,372	(1,484)	353,242	453,267
Profit for the period	–	–	–	–	–	–	106,327	106,327
Other comprehensive income and expense:								
Exchange differences on translation of foreign operations	–	–	–	–	(31,379)	–	–	(31,379)
Actuarial gains on Defined Benefit pension plans	–	–	–	–	–	–	2,060	2,060
Effective portion of changes in fair value of cash flow hedges	–	–	–	–	499	–	–	499
Tax relating to components of other comprehensive income	–	–	–	–	(129)	–	(1,570)	(1,699)
Total other comprehensive income and expense	–	–	–	–	(31,009)	–	490	(30,519)
Share options exercised	14	180	–	–	–	–	–	194
Dividends paid	–	–	–	–	–	–	(40,485)	(40,485)
Share-based payments	–	–	–	–	–	(1,556)	–	(1,556)
Deferred tax on share-based payment transactions	–	–	–	–	–	295	–	295
Excess tax deductions related to share- based payments on exercised options	–	–	–	–	–	–	997	997
Net movement in treasury shares	–	–	(2,520)	–	–	–	–	(2,520)
At 29 March 2014 (audited)	37,902	22,778	(7,054)	185	14,363	(2,745)	420,571	486,000

Consolidated Cash Flow Statement

	Notes	Unaudited 26 weeks to 27 September 2014 £000	Unaudited 26 weeks to 28 September 2013 £000	Audited 52 weeks to 29 March 2014 £000
Net cash inflow from operating activities	8	61,924	55,934	121,538
Cash flows from investing activities				
Purchase of property, plant and equipment		(9,419)	(7,266)	(15,838)
Purchase of computer software		(473)	(585)	(1,529)
Purchase of other intangibles		(268)	(4)	–
Proceeds from sale of property, plant and equipment		543	271	1,708
Development costs capitalised		(3,239)	(2,447)	(5,196)
Interest received		64	116	252
Acquisition of businesses, net of cash acquired	10	(87,145)	(16,669)	(16,685)
Disposal of business, net of cash disposed	11	4,221	1,925	1,917
Net cash used in investing activities		(95,716)	(24,659)	(35,371)
Financing activities				
Dividends paid		(25,800)	(24,049)	(40,485)
Proceeds from issue of share capital		828	177	194
Purchase of treasury shares		(3,042)	(5,715)	(7,515)
Interest paid		(1,499)	(1,390)	(2,716)
Proceeds from borrowings		152,435	7,434	7,498
Repayment of borrowings		(77,367)	(15,329)	(57,791)
Net cash from/(used in) financing activities		45,555	(38,872)	(100,815)
Increase/(decrease) in cash and cash equivalents		11,763	(7,597)	(14,648)
Cash and cash equivalents brought forward		33,126	49,723	49,723
Exchange adjustments		(329)	(1,193)	(1,949)
Cash and cash equivalents carried forward		44,560	40,933	33,126
		Unaudited 27 September 2014 £000	Unaudited 28 September 2013 £000	Audited 29 March 2014 £000
Reconciliation of net cash flow to movement in net debt				
Increase/(decrease) in cash and cash equivalents		11,763	(7,597)	(14,648)
Cash (inflow)/outflow from (drawdowns)/repayment of borrowings		(75,068)	7,895	50,293
Net debt acquired		(468)	–	–
Loan notes issued*		(608)	(2,731)	(2,731)
Loan notes repaid*		2,731	2,515	2,515
Exchange adjustments		(130)	441	365
		(61,780)	523	35,794
Net debt brought forward		(74,496)	(110,290)	(110,290)
Net debt carried forward		(136,276)	(109,767)	(74,496)

* The £2,731,000 loan note issued on 3 June 2013 was converted at par into cash on 2 June 2014. Loan notes totalling £608,000 were issued on 14 May 2014 and 3 September 2014 as part of the consideration payable in relation to the acquisition of Advanced Electronics Limited on 14 May 2014. These loan notes, which attract interest of 1%, are convertible into cash at par on each anniversary of the acquisition date until 14 May 2019.

Notes to the Condensed Financial Statements

1 Basis of preparation

General information

The Half Year Report, which includes the Interim Management Report and Condensed Financial Statements for the 26 weeks to 27 September 2014, has not been audited or reviewed by the Group's Auditor and was approved by the Directors on 18 November 2014.

The Report has been prepared in accordance with International Accounting Standard 34, applying the accounting policies and presentation that were applied in the preparation of the Group's statutory accounts for the 52 weeks to 29 March 2014.

The figures shown for the 52 weeks to 29 March 2014 are based on the Group's statutory accounts for that period and do not constitute the Group's statutory accounts for that period as defined in Section 434 of the Companies Act 2006. These statutory accounts, which were prepared under International Financial Reporting Standards, have been filed with the Registrar of Companies. The audit report on those accounts was not qualified, did not include a reference to any matters to which the Auditor drew attention by way of emphasis without qualifying the report, and did not contain statements under Sections 498 (2) or (3) of the Companies Act 2006.

The Report has been prepared solely to provide additional information to shareholders as a body to assess the Board's strategies and the potential for those strategies to succeed. It should not be relied on by any other party or for any other purpose.

The Report 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 Report. 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.

The Directors believe the Group is well placed to manage its business risks successfully. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current committed facilities, which includes a £360m five-year revolving credit facility due to expire in November 2018.

The Directors are aware of the requirements of the updated UK Corporate Governance Code. These apply to reporting periods beginning on or after 1 October 2014 and will impact the reporting of the Group's assessment of going concern and require the inclusion of a separate long-term viability statement in the Annual and Interim Reports issued for periods ending after that date. The Directors intend to incorporate the requirements, including the new viability statement, in the period ending 2 April 2016, the first period in which the updated guidance will apply to the Group.

In accordance with the UK Corporate Governance Code as it currently applies to the Group, the Directors have a reasonable expectation that the Company and 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 Half Year Report.

2 Segmental analysis

Sector analysis

The Group has four main reportable segments (Process Safety, Infrastructure Safety, Medical and Environmental & Analysis), which are defined by markets rather than product type. Each segment includes businesses with similar operating and market characteristics. These segments are consistent with the internal reporting as reviewed by the Chief Executive.

Segment revenue and results

	Revenue (all continuing operations)		
	Unaudited 26 weeks to 27 September 2014 £000	Unaudited 26 weeks to 28 September 2013 £000	Audited 52 weeks to 29 March 2014 £000
Process Safety	73,579	62,173	126,704
Infrastructure Safety	112,693	107,299	220,254
Medical	78,464	81,062	163,181
Environmental & Analysis	76,256	82,607	166,547
Inter-segmental sales	(89)	(75)	(180)
Revenue for the period	340,903	333,066	676,506

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 and has no material revenue derived from the rendering of services.

	Profit (all continuing operations)		
	Unaudited 26 weeks to 27 September 2014 £000	Unaudited 26 weeks to 28 September 2013 £000	Audited 52 weeks to 29 March 2014 £000
Segment profit before allocation of adjustments*			
Process Safety	20,439	16,137	34,878
Infrastructure Safety	22,821	20,608	44,445
Medical	20,847	19,586	41,826
Environmental & Analysis	11,861	15,005	31,740
	75,968	71,336	152,889
Segment profit after allocation of adjustments*			
Process Safety	18,187	15,692	34,125
Infrastructure Safety	23,165	20,399	45,010
Medical	15,227	13,358	41,554
Environmental & Analysis	11,590	12,771	27,574
	68,169	62,220	148,263
Central administration costs excluding the effects of closure to future benefit accrual of the Defined Benefit pension plan net of associated costs**	(4,478)	(3,965)	(7,922)
Effects of closure to future benefit accrual of the Defined Benefit pension plan net of associated costs**	(46)	–	3,054
Net finance expense	(2,472)	(2,313)	(4,718)
Group profit before taxation	61,173	55,942	138,677
Taxation	(13,631)	(13,325)	(32,350)
Profit for the period	47,542	42,617	106,327

* Adjustments include the amortisation of acquired intangible assets, acquisition items, the effects of closure to future benefit accrual of the Defined Benefit pension plan net of associated costs, and profit or loss on disposal of operations.

** The Defined Benefit plan referred to here is the Halma Group Pension Plan only, which is not practical to allocate by segment.

The accounting policies of the reportable segments are the same as the Group's accounting policies. For acquisitions after 3 April 2010, acquisition transaction costs and adjustments to contingent purchase consideration are recognised in the Consolidated Income Statement. Segment profit before these acquisition costs, the amortisation of acquired intangible assets and the profit or loss on disposal of continuing operations is disclosed separately above as this is the measure reported to the Chief Executive for the purpose of allocation of resources and assessment of segment performance.

Notes to the Condensed Financial Statements continued

2 Segmental analysis continued

These adjustments are analysed as follows:

For the 26 weeks ended 27 September 2014

	Acquisition items					Effects of closure to future benefit accrual of Defined Benefit pension plans* £000	Total £000
	Amortisation of acquired intangibles £000	Transaction costs £000	Adjustments to contingent consideration £000	Total amortisation charge and acquisition items £000	Disposal of operations (note 11) £000		
Process Safety	(1,344)	(908)	–	(2,252)	–	–	(2,252)
Infrastructure Safety	(354)	(386)	–	(740)	1,084	–	344
Medical	(5,962)	(4)	–	(5,966)	346	–	(5,620)
Environmental & Analysis	(1,935)	–	1,664	(271)	–	–	(271)
Total Segment	(9,595)	(1,298)	1,664	(9,229)	1,430	–	(7,799)
Central administration costs	–	–	–	–	–	(46)	(46)
Total Group	(9,595)	(1,298)	1,664	(9,229)	1,430	(46)	(7,845)

* The loss of £46,000 relates to the closure to future benefit accrual of the Halma Group Pension Plan as decided in the prior period.

The transaction costs arose on the acquisitions of Rohrback Cosasco Systems Inc., £908,000; Advanced Electronics Limited, £386,000; and Plasticspritzerei AG, £4,000.

The £1,664,000 credit to contingent consideration related to the revision of the estimate of the remaining ASL Holdings Limited payable from £2,500,000 to £836,000, after payment of £1,000,000 in May 2014.

Within the Infrastructure Safety segment, the £1,084,000 profit relates to the disposal, on 30 May 2014, of Monitor Elevator Products, Inc. Within the Medical segment, the £346,000 profit comprises the disposal, on 2 May 2014, of the Group's 50% ownership interest in PSRM Immobilien AG (£131,000) and, on 14 July 2014, of 11% of its ownership interest in Optomed Oy (£215,000). See note 11 for further details.

For the 26 weeks ended 28 September 2013

	Acquisition items					Total £000
	Amortisation of acquired intangibles £000	Transaction costs £000	Adjustments to contingent consideration £000	Total amortisation charge and acquisition items £000	Disposal of operations (note 11) £000	
Process Safety	(309)	–	–	(309)	(136)	(445)
Infrastructure Safety	(72)	(98)	–	(170)	(39)	(209)
Medical	(6,402)	(2)	176	(6,228)	–	(6,228)
Environmental & Analysis	(2,184)	(50)	–	(2,234)	–	(2,234)
Total Group	(8,967)	(150)	176	(8,941)	(175)	(9,116)

2 Segmental analysis continued

For the 52 weeks ended 29 March 2014

	Acquisition items					Effects of closure to future benefit accrual of Defined Benefit pension plans* £000	Total £000
	Amortisation of acquired intangibles £000	Transaction costs £000	Adjustments to contingent consideration £000	Total amortisation charge and acquisition items £000	Disposal of operations (note 11) £000		
Process Safety	(598)	–	(17)	(615)	(138)	–	(753)
Infrastructure Safety	(144)	(140)	–	(284)	(45)	894	565
Medical	(12,530)	102	12,456	28	(300)	–	(272)
Environmental & Analysis	(4,243)	(53)	130	(4,166)	–	–	(4,166)
Total Segment	(17,515)	(91)	12,569	(5,037)	(483)	894	(4,626)
Central administration costs	–	–	–	–	–	3,054	3,054
Total Group	(17,515)	(91)	12,569	(5,037)	(483)	3,948	(1,572)

* The effects of closure to future benefit accrual of Defined Benefit pension plans, which were gains of £894,000 and £3,054,000, arose on the closure of the Apollo Pension and Life Assurance Plan and Halma Group Pension Plan respectively. It is not practical to apportion the latter gain by segment.

The £12,456,000 credit to contingent consideration related mainly to a revision in the estimate of the MST payable from US\$25,000,000 to US\$6,504,000.

The total assets of the Process Safety sector were £144,783,000 at 27 September 2014 (£68,423,000 at 28 September 2013; £68,428,000 at 29 March 2014) and of the Infrastructure Safety sector were £187,523,000 at 27 September 2014 (£169,356,000 at 28 September 2013; £170,540,000 at 29 March 2014). The increase in assets in the period for both sectors was primarily due to additional goodwill and acquired intangible assets arising from acquisitions (see note 10). The other two sectors' total assets have not been disclosed as there have been no material changes to those disclosed in the 2014 Annual Report and Accounts.

Geographical information

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

	Revenue by destination		
	Unaudited 26 weeks to 27 September 2014 £000	Unaudited 26 weeks to 28 September 2013 £000	Audited 52 weeks to 29 March 2014 £000
United States of America	104,110	107,597	214,493
Mainland Europe	79,216	79,304	163,707
United Kingdom	67,225	62,215	127,877
Asia Pacific	56,248	55,965	111,572
Africa, Near and Middle East	19,055	16,219	33,037
Other countries	15,049	11,766	25,820
Group revenue	340,903	333,066	676,506

3 Finance income

	Unaudited 26 weeks to 27 September 2014 £000	(Restated)* Unaudited 26 weeks to 28 September 2013 £000	Audited 52 weeks to 29 March 2014 £000
Interest receivable	64	116	252
Fair value movement on derivative financial instruments	–	358	370
	64	474	622

* The return and interest charge on pension plan assets and liabilities of £3,930,000 and £4,915,000 respectively, previously shown gross, are disclosed as a net £985,000 expense in note 4 in accordance with IAS 19 (revised). Further details regarding the IAS 19 restatement can be found on page 102 of the 2014 Annual Report and Accounts.

Notes to the Condensed Financial Statements continued

4 Finance expense

	Unaudited 26 weeks to 27 September 2014 £000	(Restated)* Unaudited 26 weeks to 28 September 2013 £000	Audited 52 weeks to 29 March 2014 £000
Interest payable on bank loans and overdrafts	1,499	1,384	2,691
Amortisation of finance costs	265	317	599
Net interest charge on pension plan liabilities	701	985	1,875
Other interest payable	–	4	25
	2,465	2,690	5,190
Fair value movement on derivative financial instruments	49	–	–
Unwinding of discount on provisions	22	97	150
	2,536	2,787	5,340

* See note 3 for details regarding the restatement.

5 Taxation

The total Group tax charge for the 26 weeks to 27 September 2014 of £13,631,000 (26 weeks to 28 September 2013: £13,325,000; 52 weeks to 29 March 2014: £32,350,000) comprises a current tax charge of £14,608,000 (26 weeks to 28 September 2013: £14,951,000; 52 weeks to 29 March 2014: £29,845,000) and a deferred tax credit of £977,000 (26 weeks to 28 September 2013: credit of £1,626,000; 52 weeks to 29 March 2014: charge of £2,505,000). The tax charge is based on the estimated effective tax rate for the year.

The tax charge includes £10,620,000 (26 weeks to 28 September 2013: £10,708,000; 52 weeks to 29 March 2014: £20,872,000) in respect of overseas tax.

6 Earnings per ordinary share

Basic earnings per ordinary share are calculated using the weighted average of 378,115,425 (28 September 2013: 377,750,281; 29 March 2014: 377,805,248) shares in issue during the period (net of shares purchased by the Company and held as treasury shares). Diluted earnings per ordinary share are calculated using 378,383,111 (28 September 2013: 378,101,945; 29 March 2014: 378,035,662) shares which includes dilutive potential ordinary shares of 267,686 (28 September 2013: 351,664; 29 March 2014: 230,414). Dilutive potential ordinary shares are calculated from those exercisable share options where the exercise price is less than the average price of the Company's ordinary shares during the period.

Adjusted earnings are calculated as earnings from continuing operations excluding the amortisation of acquired intangible assets, acquisition items, the effects of closure to future benefit accrual of the Defined Benefit pension plans net of associated costs, profit or loss on disposal of operations, and the associated taxation thereon.

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:

	Unaudited 26 weeks to 27 September 2014 £000	Unaudited 26 weeks to 28 September 2013 £000	Audited 52 weeks to 29 March 2014 £000
Earnings from continuing operations	47,542	42,617	106,327
Cessation of DB pension accrual (after tax)	36	–	(3,040)
Amortisation of acquired intangible assets (after tax)	6,801	6,249	11,820
Acquisition transaction costs (after tax)	1,286	150	91
Adjustments to contingent consideration (after tax)	(1,664)	(136)	(8,104)
(Profit)/loss on disposal of operations (after tax)	(857)	175	470
Adjusted earnings	53,144	49,055	107,564

	Per ordinary share		
	Unaudited 26 weeks to 27 September 2014 pence	Unaudited 26 weeks to 28 September 2013 pence	Audited 52 weeks to 29 March 2014 pence
Earnings from continuing operations	12.57	11.28	28.14
Cessation of DB pension accrual (after tax)	0.01	–	(0.80)
Amortisation of acquired intangible assets (after tax)	1.80	1.66	3.14
Acquisition transaction costs (after tax)	0.34	0.04	0.02
Adjustments to contingent consideration (after tax)	(0.44)	(0.04)	(2.15)
Profit/(loss) on disposal of operations (after tax)	(0.23)	0.05	0.12
Adjusted earnings	14.05	12.99	28.47

Notes to the Condensed Financial Statements continued

7 Dividends

	Per ordinary share		
	Unaudited 26 weeks to 27 September 2014 £000	Unaudited 26 weeks to 28 September 2013 £000	Audited 52 weeks to 29 March 2014 £000
Amounts recognised as distributions to shareholders in the period			
Final dividend for the year to 29 March 2014 (30 March 2013)	6.82	6.37	6.37
Interim dividend for the year to 29 March 2014	–	–	4.35
	6.82	6.37	10.72
Dividends in respect of the period			
Interim dividend for the year to 28 March 2015 (29 March 2014)	4.65	4.35	4.35
Final dividend for the year to 29 March 2014	–	–	6.82
	4.65	4.35	11.17

	Unaudited 26 weeks to 27 September 2014 £000	Unaudited 26 weeks to 28 September 2013 £000	Audited 52 weeks to 29 March 2014 £000
Amounts recognised as distributions to shareholders in the period			
Final dividend for the year to 29 March 2014 (30 March 2013)	25,800	24,049	24,049
Interim dividend for the year to 29 March 2014	–	–	16,436
	25,800	24,049	40,485
Dividends in respect of the period			
Interim dividend for the year to 28 March 2015 (29 March 2014)	17,612	16,436	16,436
Final dividend for the year to 29 March 2014	–	–	25,800
	17,612	16,436	42,236

8 Notes to the Consolidated Cash Flow Statement

	Unaudited 26 weeks to 27 September 2014 £000	Unaudited 26 weeks to 28 September 2013 £000	Audited 52 weeks to 29 March 2014 £000
Reconciliation of profit from operations to net cash inflow from operating activities			
Profit on continuing operations before finance income and expense, share of results of associates and (profit)/loss on disposal of operations	62,150	58,645	143,571
Depreciation of property, plant and equipment	6,822	6,761	13,625
Amortisation of computer software	568	595	1,168
Amortisation of capitalised development costs and other intangibles	2,829	1,860	4,002
Amortisation of acquired intangible assets	9,595	8,967	17,515
Share-based payment expense in excess of amounts paid	2,079	1,813	3,470
Additional payments to pension plans	(3,250)	(3,072)	(5,892)
Profit on sale of property, plant and equipment and computer software	(114)	(54)	(26)
Effects of closure to future benefit accrual of Defined Benefit pension plans	–	–	(4,246)
Operating cash flows before movement in working capital	80,679	75,515	173,187
Increase in inventories	(3,037)	(4,973)	(5,127)
Decrease/(increase) in receivables	6,073	4,458	(9,111)
(Decrease)/increase in payables and provisions	(7,318)	(6,619)	3,334
Revision to estimate of contingent consideration payable	(1,664)	–	(12,394)
Cash generated from operations	74,733	68,381	149,889
Taxation paid	(12,809)	(12,447)	(28,351)
Net cash inflow from operating activities	61,924	55,934	121,538

	Unaudited 27 September 2014 £000	Unaudited 28 September 2013 £000	Audited 29 March 2014 £000
Analysis of cash and cash equivalents			
Cash and bank balances	49,177	41,141	34,531
Overdrafts (included in current Borrowings)	(4,617)	(208)	(1,405)
Cash and cash equivalents	44,560	40,933	33,126

	At 29 March 2014 £000	Cash flow £000	Net cash/ (debt) acquired £000	Loan notes issued £000	Loan notes repaid £000	Exchange adjustments £000	At 27 September 2014 £000
Analysis of net debt							
Cash and bank balances	34,531	5,356	9,619	–	–	(329)	49,177
Overdrafts	(1,405)	(3,212)	–	–	–	–	(4,617)
Cash and cash equivalents	33,126	2,144	9,619	–	–	(329)	44,560
Loan notes falling due within one year*	(2,731)	–	–	(608)	2,731	–	(608)
Bank loans falling due after more than one year	(104,891)	(75,068)	(468)	–	–	199	(180,228)
Total net debt	(74,496)	(72,924)	9,151	(608)	2,731	(130)	(136,276)

* The £2,731,000 loan note issued in the prior period was converted at par into cash on 2 June 2014. Loan notes totalling £608,000 were issued on 14 May 2014 and 3 September 2014 as part of the acquisition of Advanced Electronics Limited and are convertible at par into cash.

Cash flows attributable to bank loans falling due after more than one year comprise drawdowns of £152,435,000 and repayments of £77,367,000.

Notes to the Condensed Financial Statements continued

9 Non-GAAP measures

Return on Capital Employed (ROCE)

	Unaudited 26 weeks to 27 September 2014 £000	Unaudited 26 weeks to 28 September 2013 £000	Audited 52 weeks to 29 March 2014 £000
Operating profit before adjustments*, but after share of results of associates	71,490	67,371	144,967
Computer software costs within intangible assets	2,862	2,307	2,810
Capitalised development costs within intangible assets	15,150	12,469	12,981
Other intangibles within intangible assets	404	99	8
Property, plant and equipment	78,359	75,421	74,417
Inventories	77,720	72,500	71,034
Trade and other receivables	135,225	123,968	135,177
Trade and other payables	(85,004)	(77,355)	(88,291)
Provisions	(11,003)	(10,613)	(4,482)
Net tax liabilities	(11,679)	(12,852)	(11,168)
Non-current trade and other payables	(3,335)	(2,914)	(3,564)
Non-current provisions	(1,631)	(13,944)	(6,777)
Add back accrued contingent purchase consideration	8,700	19,855	7,562
Capital employed	205,768	188,941	189,707
Return on Capital Employed (annualised)	69.5%	71.3%	76.4%

* Adjustments include the amortisation of acquired intangible assets, acquisition items, the effects of closure to future benefit accrual of the Defined Benefit pension plans net of associated costs, and profit or loss on disposal of operations.

Return on Total Invested Capital (ROTIC)

	Unaudited 26 weeks to 27 September 2014 £000	Unaudited 26 weeks to 28 September 2013 £000	Audited 52 weeks to 29 March 2014 £000
Post-tax profit before adjustments*	53,144	49,055	107,564
Total shareholders' funds	497,656	452,513	486,000
Add back retirement benefit obligations	44,209	40,754	36,849
Less associated deferred tax assets	(8,718)	(8,234)	(7,372)
Cumulative amortisation of acquired intangible assets	70,080	53,793	61,324
Historical adjustments to goodwill**	89,549	89,549	89,549
Total invested capital	692,776	628,375	666,350
Return on Total Invested Capital (annualised)	15.3%	15.6%	16.1%

* Adjustments include the amortisation of acquired intangible assets, acquisition items, the effects of closure to future benefit accrual of the Defined Benefit pension plans net of associated costs, profit or loss on disposal of operations, and the associated taxation thereon.

** Includes goodwill amortised prior to 3 April 2004 and goodwill taken to reserves.

Organic growth

Organic growth measures the change in revenue and profit from continuing Group operations. The effect of acquisitions and disposals made during the prior financial period, and acquisitions made in the current financial period is equalised by adjusting the current period results for pro-rated contributions based on their revenue and profit before taxation at the dates of acquisition and disposal. The results of disposals made in the prior financial period are removed from the prior period reported revenue and profit before taxation.

9 Non-GAAP measures continued

Adjusted operating profit

	Unaudited 26 weeks to 27 September 2014 £000	Unaudited 26 weeks to 28 September 2013 £000	Audited 52 weeks to 29 March 2014 £000
Operating profit	62,150	58,645	143,571
<i>Add back:</i>			
Acquisition items	(366)	(26)	(12,478)
Effects of closure to future benefit accrual of Defined Benefit pension plans	46	–	(3,948)
Amortisation of acquired intangible assets	9,595	8,967	17,515
Adjusted operating profit	71,425	67,586	144,660

Adjusted operating cash flow

	Unaudited 26 weeks to 27 September 2014 £000	Unaudited 26 weeks to 28 September 2013 £000	Audited 52 weeks to 29 March 2014 £000
Net cash from operating activities (note 8)	61,924	55,934	121,538
<i>Add back:</i>			
Taxes paid	12,809	12,447	28,351
Proceeds from sale of property, plant and equipment	543	271	1,708
<i>Less:</i>			
Purchase of property, plant and equipment	(9,419)	(7,266)	(15,838)
Purchase of computer software and other intangibles	(741)	(589)	(1,529)
Development costs capitalised	(3,239)	(2,447)	(5,196)
Adjusted operating cash flow	61,877	58,350	129,034
Cash conversion % (adjusted operating cash flow/adjusted operating profit)	87%	86%	89%

10 Acquisitions

In the provisional accounting, adjustments are made to the book values of the net assets of the companies acquired to reflect their provisional fair values to the Group. Acquired inventories are valued at fair value adopting Group bases and any liabilities for warranties relating to past trading are recognised. Other previously unrecognised assets and liabilities at acquisition are included and accounting policies are aligned with those of the Group where appropriate.

The Group made three acquisitions during the period: Rohrback Cosasco Systems Inc. (RCS); Advanced Electronics Limited (Advanced); and Plasticspritzerei AG (Plasticspritzerei). Below are summaries of the assets and liabilities acquired and the purchase consideration of:

- the total of RCS, Advanced and Plasticspritzerei;
- RCS, on a standalone basis;
- Advanced, on a standalone basis; and
- Plasticspritzerei, on a standalone basis.

Notes to the Condensed Financial Statements continued

10 Acquisitions continued

(A) Total of RCS, Advanced and Plasticspritzerei

	Book value £000	Fair value adjustments £000	Total £000
Non-current assets			
Intangible assets	3,508	31,057	34,565
Property, plant and equipment	2,286	187	2,473
Current assets			
Inventories	5,340	(1,075)	4,265
Trade and other receivables	9,777	(1,613)	8,164
Corporation tax	251	89	340
Cash and cash equivalents	9,515	104	9,619
Deferred tax	–	453	453
Total assets	30,677	29,202	59,879
Current liabilities			
Trade and other payables	(3,916)	682	(3,234)
Provisions	(763)	(659)	(1,422)
Corporation tax	(686)	327	(359)
Non-current liabilities			
Provisions	–	(17)	(17)
Bank loans	(468)	–	(468)
Retirement benefit obligations	–	(234)	(234)
Deferred tax	(28)	(9,626)	(9,654)
Total liabilities	(5,861)	(9,527)	(15,388)
Net assets of businesses acquired	24,816	19,675	44,491
Initial consideration paid (RCS, Advanced and Plasticspritzerei)*			91,286
Contingent purchase consideration paid (Advanced)*			2,105
Contingent purchase consideration estimated to be paid (Advanced)			3,949
Total consideration			97,340

Goodwill arising on current year acquisitions	52,849
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* The initial and contingent purchase considerations paid in cash were £90,828,000 and £1,955,000 respectively. The remainder was satisfied by the issue of £608,000 of loan notes.

Due to their contractual dates, the fair value of receivables acquired (shown above) approximate to the gross contractual amounts receivable. The amount of gross contractual receivables not expected to be recovered is immaterial.

There are no material contingent liabilities recognised in accordance with paragraph 23 of IFRS 3 (revised).

None of the goodwill arising on acquisitions in the year is expected to be deductible for tax purposes.

The three acquisitions in the year contributed £14,594,000 of revenue and £2,426,000 of profit after tax for the period ended 27 September 2014. If these acquisitions had been held since the start of the financial period, it is estimated the Group's reported revenue and profit after tax would have been £5,640,000 and £987,000 higher respectively.

The combined fair value adjustments made for each acquisition resulted in net adjustments to goodwill, which exclude acquired intangibles recognised and deferred taxation thereon, of £3,636,000.

As at the date of approval of this Report, the initial acquisition accounting for RCS, Advanced and Plasticspritzerei is provisional. It is common for certain provisions, inventory valuations, intangible asset valuations and deferred tax balances to be revised during the goodwill measurement period, which expires in May 2015 for all three acquisitions. Revisions are made only if new information about conditions existing at the acquisition date becomes available during the measurement period, as defined by IFRS 3 (revised) 'Business Combinations'. The accounting for all prior period acquisitions is completed.

10 Acquisitions continued

Analysis of cash outflow in the Consolidated Cash Flow Statement

	Unaudited 26 weeks to 27 September 2014 £000	Unaudited 26 weeks to 28 September 2013 £000	Audited 52 weeks to 29 March 2014 £000
Initial cash consideration paid	90,828	3,315	3,315
Initial cash consideration adjustment (prior year acquisition)	–	(337)	(337)
Cash acquired on acquisitions	(9,619)	(754)	(754)
Contingent consideration paid in relation to current year acquisitions	1,955	–	–
Contingent consideration paid and loan notes repaid in cash in relation to prior year acquisitions*	3,981	14,445	14,461
Net cash outflow relating to acquisitions (per Consolidated Cash Flow Statement)	87,145	16,669	16,685

* The £3,981,000 comprises £2,731,000 loan notes and £1,250,000 contingent purchase consideration paid in respect of prior period acquisitions, all of which had been provided in the prior year's financial statements.

(B) Rohrbach Cosasco Systems Inc.

	Book value £000	Fair value adjustments £000	Total £000
Non-current assets			
Intangible assets	420	25,146	25,566
Property, plant and equipment	441	204	645
Current assets			
Inventories	4,098	(891)	3,207
Trade and other receivables	4,191	(142)	4,049
Cash and cash equivalents	5,441	–	5,441
Deferred tax	–	453	453
Corporation tax	251	–	251
Total assets	14,842	24,770	39,612
Current liabilities			
Trade and other payables	(868)	(3)	(871)
Provisions	(653)	(291)	(944)
Non-current liabilities			
Deferred tax	(28)	(7,670)	(7,698)
Total liabilities	(1,549)	(7,964)	(9,513)
Net assets of businesses acquired	13,293	16,806	30,099
Initial consideration (all cash)			69,681
Total consideration			69,681
Goodwill arising on acquisition			39,582

The Group acquired the entire share capital of Rohrbach Cosasco Systems Inc. and associated companies (RCS) on 30 May 2014 for an initial cash consideration of US\$116,000,000 (£69,341,000). This was subsequently adjusted by an additional US\$569,000 (£340,000) which was paid in July 2014 based on the final agreed value of the net tangible assets at the acquisition date.

RCS forms part of the Process Safety sector and specialises in the design, manufacture and sale of pipeline corrosion monitoring products and systems into diverse industries including oil, gas, petrochemical, pharmaceutical and utilities. The acquisition of RCS expands Halma's portfolio of critical safety products which are sold into the Energy and Utility markets to protect life and operational assets. The existing RCS management team remains in place and will continue to operate the business. The excess of the fair value of the consideration paid over the fair value of the assets acquired is represented by customer related intangibles of £14,697,000; marketing and technology related intangibles of £10,869,000; with residual goodwill arising of £39,582,000. The goodwill represents:

- the technical expertise of the acquired workforce;
- the opportunity to leverage this expertise across some of Halma's businesses; and
- the ability to exploit the Group's existing customer base.

The RCS acquisition contributed £8,555,000 of revenue and £1,395,000 of profit after tax for the period ended 27 September 2014.

If this acquisition had been held since the start of the financial period, it is estimated that the Group's reported revenue and profit after tax would have been £4,426,000 and £772,000 higher respectively.

Notes to the Condensed Financial Statements continued

10 Acquisitions continued (C) Advanced Electronics Limited

	Book value £000	Fair value adjustments £000	Total £000
Non-current assets			
Intangible assets	3,088	5,911	8,999
Property, plant and equipment	1,834	(573)	1,261
Current assets			
Inventories	1,161	(148)	1,013
Trade and other receivables	4,990	(1,507)	3,483
Corporation tax	–	89	89
Cash and cash equivalents	2,259	104	2,363
Total assets	13,332	3,876	17,208
Current liabilities			
Trade and other payables	(2,759)	703	(2,056)
Provisions	–	(364)	(364)
Corporation tax	(582)	582	–
Non-current liabilities			
Bank loans	(468)	–	(468)
Deferred tax	–	(1,956)	(1,956)
Total liabilities	(3,809)	(1,035)	(4,844)
Net assets of businesses acquired	9,523	2,841	12,364
Initial consideration			15,927
Contingent purchase consideration paid			2,105
Contingent purchase consideration estimated to be paid			3,949
Total consideration			21,981
Goodwill arising on acquisition			9,617

The Group acquired the entire share capital of Advanced Electronics Limited (Advanced) on 14 May 2014 for an initial consideration of £15,927,000 (£458,000 of which was satisfied by loan notes). Contingent consideration is payable over a two-year period based on the profits of the company for the twelve months to April 2014 and eleven months to March 2015. The total estimated payable is £6,054,000, of which £1,955,000 has been paid in cash and £150,000 in loan notes in the period. A further £696,000 has been agreed and is due to be paid in November 2014 and the remainder, subject to actual performance, in July 2015. The maximum contingent consideration payable is £10,100,000 and the current provision represents management's best estimate of the likely payable based on performance observed to date.

Advanced forms part of the Infrastructure Safety sector and specialises in the manufacture of networked fire detection and control systems. Advanced's controllers can be integrated into system solutions using field devices and products from a broad spectrum of suppliers, meeting the increasingly diverse regulatory requirements across the world. Its main manufacturing facility is located near Newcastle in the UK with a dedicated electronics and software development facility in Barnsley. It has additional commercial offices in the UK, the USA and Dubai. Advanced brings to Halma complementary products that help capture the international growth opportunity in the increasingly regulated Fire market. The excess of the fair value of the consideration paid over the fair value of the assets acquired is represented by customer related intangibles of £5,306,000; marketing and technology related intangibles of £1,463,000; with residual goodwill arising of £9,617,000. Included in the £5,911,000 fair value adjustment to intangible assets shown above is a reduction of £858,000 to the carrying value of capitalised development costs resulting from the application of Halma accounting policies to the acquisition date balance. The residual goodwill represents:

- the technical expertise of the acquired workforce;
- the opportunity to leverage this expertise across some of Halma's businesses; and
- the ability to exploit the Group's existing customer base.

The Advanced acquisition contributed £6,039,000 of revenue and £660,000 of profit after tax for the period ended 27 September 2014. If this acquisition had been held since the start of the financial period, it is estimated that the Group's reported revenue and profit after tax would have been £1,214,000 and £163,000 higher respectively.

10 Acquisitions continued
(D) Plasticspritzerei AG

	Book value £000	Fair value adjustments £000	Total £000
Non-current assets			
Property, plant and equipment	11	556	567
Current assets			
Inventories	81	(36)	45
Trade and other receivables	596	36	632
Cash and cash equivalents	1,815	–	1,815
Total assets	2,503	556	3,059
Current liabilities			
Trade and other payables	(289)	(18)	(307)
Provisions	(110)	(4)	(114)
Corporation tax	(104)	(255)	(359)
Non-current liabilities			
Provisions	–	(17)	(17)
Retirement benefit obligations	–	(234)	(234)
Total liabilities	(503)	(528)	(1,031)
Net assets of businesses acquired	2,000	28	2,028
Initial cash consideration			5,678
Total consideration			5,678
Goodwill arising on acquisition			3,650

On 2 May 2014 the Group acquired Plasticspritzerei AG (Plasticspritzerei), located in Wolfhalden, Switzerland at the same facility as another Group company, Medice AG (Medice). Initial consideration paid for the trade and assets of the business was CHF8,403,000 (£5,678,000) including the consideration of CHF917,000 (£620,000) received for the Group's disposal of its 50% ownership interest in its associate PSRM Immobilien AG (PSRM). The Group then immediately sold the industrial segment of Plasticspritzerei for CHF2,673,000 (£1,806,000) to a third party, resulting in a net cash cost to the Group of CHF4,813,000 (£3,252,000) (CHF5,730,000 (£3,872,000) excluding the proceeds from the PSRM disposal). These transactions have resulted in the Group owning only those assets which support Medice's business. Plasticspritzerei will be operated by Medice's management within Halma's Medical sector, further expanding the Group's manufacturing excellence in ophthalmic diagnostic and surgical instrumentation.

No customer relationship intangibles were recognised as part of this transaction because Medice is the sole customer for the Plasticspritzerei business acquired and the fair value of any customer relationship is therefore eliminated from a Group perspective. Goodwill of £3,650,000 was recognised as part of this transaction, representing the excess of the fair value of consideration transferred over the fair value of the assets acquired and is attributable to:

- a) the technical expertise of the acquired workforce;
- b) the opportunity to secure and advance the supply chain of Medice AG; and
- c) the ability to exploit the Group's existing customer base.

The Plasticspritzerei acquisition resulted in intercompany sales to Medice of £971,000 for the period ended 27 September 2014 and contributed £371,000 to profit after tax for the Group for the same period. If this acquisition had been held since the start of the financial period, it is estimated that the Group's reported revenue and profit after tax would have been £nil and £52,000 higher respectively.

Notes to the Condensed Financial Statements continued

11 Disposal of subsidiary and interests in associates

On 30 May 2014, the Group disposed of Monitor Elevator Products, Inc. (Monitor) from its Infrastructure Safety sector. The total consideration was US\$6,243,000 (£3,716,000), of which US\$5,514,000 (£3,282,000) was received in cash at completion, and subsequently reduced by US\$171,000 (£102,000) for the final agreed closing net asset value. The remaining US\$900,000 was retained in escrow to be released to Halma on the second anniversary of the transaction subject to any valid warranty/indemnity claims being made by the purchaser. The Directors estimate that the entire US\$900,000 held in escrow will be received.

The profit on disposal was US\$1,821,000 (£1,084,000), which is net of £189,000 of cumulative foreign exchange losses reclassified to the Income Statement and £294,000 of disposal costs. Net assets disposed were US\$3,610,000 (£2,149,000). No goodwill was disposed of or impaired as a result of this transaction.

On 14 July 2014 the Group disposed of 28,570 shares in Optomed Oy (Optomed), representing 11% of its shareholding in the associate. Consideration received was €876,000 (£695,000). This transaction, after disposal costs of £8,000, resulted in a profit on disposal of £215,000. The Group's residual interest in Optomed is 34%. As one of the largest shareholders, the Group continues to exercise significant influence, but not control, over the company and so continues to apply the equity method of accounting for its interest in Optomed.

The Group's disposal of its 50% ownership interest in PSRM Immobilien AG (PSRM) for CHF917,000 (£620,000) resulted in a fair value gain being recognised in the Income Statement of £131,000. This represented the excess of the fair value of the Group's interest in the associate over its carrying value.

The £4,221,000 cash inflow on disposal of businesses shown in the Consolidated Cash Flow Statement represents the £695,000, £620,000 and £3,180,000 proceeds from the sale of the shares in Optomed, PSRM and Monitor respectively plus the £28,000 overdraft in Monitor less the combined disposal costs of £302,000.

The total profit on disposal of operations shown in note 2 of £1,430,000 comprises £1,084,000 for the disposal of Monitor, £215,000 for the partial disposal of shares in Optomed and £131,000 for the fair value gain recognised in relation to the disposal of PSRM.

In the prior period the loss on disposal relates to the disposal by the Group, in 2012, of its Asset Monitoring businesses, comprising Tritech Holdings Limited and its subsidiary Tritech International Limited, and Volumatic Limited. Further details are provided on page 143 of the 2014 Annual Report and Accounts.

12 Fair values of financial assets and liabilities

As at 27 September 2014 there were no significant differences between the book value and fair value (as determined by market value) of the Group's financial assets and liabilities.

The fair value of floating and fixed rate borrowings approximate to the carrying value because interest rates are reset to market rates at intervals of less than one year.

The fair value of derivative financial instruments is estimated by discounting the future contracted cash flow using readily available market data and represents a level 2 measurement in the fair value hierarchy under IFRS 7.

As at 27 September 2014, the total forward foreign currency contracts outstanding were £17,728,000. The contracts mostly mature within one year and therefore the cash flows and resulting effect on profit and loss are expected to occur within the next 12 months.

The fair values of the forward contracts are disclosed as a £622,000 (28 September 2013: £499,000; 29 March 2014: £496,000) asset and £338,000 (28 September 2013: £28,000; 29 March 2014: £167,000) liability in the Consolidated Balance Sheet.

Any movements in the fair values of the contracts are recognised in equity until the hedge transaction occurs, when gains/losses are recycled to finance income or finance expense.

13 Other matters

Seasonality

The Group's financial results have not historically been subject to significant seasonal trends.

Equity and borrowings

Issues and repurchases of Halma plc'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 2014 Annual Report and Accounts.

14 Principal risks and uncertainties

A number of potential risks and uncertainties exist that could have a material impact on the Group's performance over the second half of the financial year and could cause actual results to differ materially from expected and historical results.

The Group has in place processes for identifying, evaluating and managing key risks. These risks, together with a description of the approach to mitigating them, are set out on pages 30 to 33 of the 2014 Annual Report and Accounts, which is available on the Group's website at www.halma.com.

The principal risks and uncertainties relate to:

- Remoteness of operations and globalisation
- Competition
- Economic conditions
- Funding, treasury and pension deficit
- Cyber security/Information Technology/Business interruption
- Acquisitions
- Laws and regulations
- Succession planning and staff quality
- Research & Development and Intellectual Property strategy

The Directors consider that the principal risks and uncertainties noted above continue to be relevant to the Group. As part of their ongoing assessment of risk throughout the period the Directors have considered the above risks in the context of the new Executive Board structure and the Group's delivery of its financial objectives. Movements in foreign exchange rates also remain a risk to financial performance. We mitigate the risk to demand by operating in markets underpinned by regulatory drivers (where customer spending is often non-discretionary), maintaining a diverse product portfolio and targeting continued growth in developing markets. In addition, Halma's model of autonomy allows local management to change strategy quickly when reacting to variable market conditions.

Although the Group uses forward foreign exchange contracts to mitigate its transactional currency exposure risk, it does not hedge the translation of its currency profits. In the first half of the year, the US Dollar, Euro and Swiss Franc were 9%, 6% and 4% weaker respectively relative to Sterling than in the first half of the previous year. The net result was a 5% negative impact on reported profit.

15 Responsibility statement

We confirm that to the best of our knowledge:

- a) these Condensed Financial Statements have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' as adopted by the European Union;
- b) this Half Year Report includes a fair review of the information required by Disclosure and Transparency Rule (DTR) 4.2.7R (indication of important events during the period and description of principal risks and uncertainties for the remainder of the financial year); and
- c) this Half Year Report includes a fair review of the information required by DTR 4.2.8R (disclosure of related party transactions and changes therein).

By order of the Board

Andrew Williams
Chief Executive

Kevin Thompson
Finance Director

18 November 2014

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Stephen Pettit*
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Tony Rice*
Kevin Thompson
Roy Twite*

*Non-executive

Secretary

Carol Chesney

Executive Board

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Kevin Thompson *Finance Director*
Charles Dubois *Sector Chief Executive, Environmental & Analysis*
Adam Meyers *Sector Chief Executive, Medical*
Neil Quinn *Sector Chief Executive, Process Safety*
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