HALMA

Halma p.l.c.
Half Year Report 2010/11

In summary

Financial Highlights

	Change	2010/11	2009/10
Continuing Operations			
Revenue	+12%	**£249.1m**	£222.1m
Adjusted Profit before Taxation[1]	+29%	**£49.3m**	£38.1m
Statutory Profit before Taxation	+34%	**£47.3m**	£35.4m
Adjusted Earnings per Share[2]	+32%	**9.75p**	7.37p
Statutory Earnings per Share	+37%	**9.38p**	6.87p
Interim Dividend per Share[3]	+7%	**3.54p**	3.31p
Return on Sales[4]		**19.8%**	17.1%
Return on Total Invested Capital[5]		**15.5%**	12.6%
Return on Capital Employed[5]		**72.3%**	52.4%

Pro-forma information:
[1] Adjusted to remove the amortisation of acquired intangible assets of £2.0m (2009/10: £2.7m).
[2] Adjusted to remove the amortisation of acquired intangible assets and the associated tax. See note 6 for details.
[3] Interim dividend declared per share.
[4] Return on Sales is defined as adjusted[1] profit before taxation from continuing operations expressed as a percentage of revenue from continuing operations.
[5] Organic growth rates, Return on Total Invested Capital (ROTIC) and Return on Capital Employed (ROCE) are non-GAAP performance measures used by management in measuring the returns achieved from the Group's asset base. See note 9 for details.

Investment Proposition

Halma has an impressive record of creating sustained shareholder value through the economic cycle. Our reputation is built on consistently delivering record profits, high returns, strong cash flows, low levels of balance sheet gearing and a 30+ year track record of growing dividend payments by 5% or more every year. We are one of only three companies quoted on the London Stock Exchange with this record of dividend increases.

Halma's ability to achieve record profits through the recent period of unprecedented economic turbulence is derived from our strategy of operating in specialised global markets with resilient growth drivers and diverse end customers. Growth drivers include Health, Safety and Environmental regulation which stimulate 'non-discretionary' purchase of products whose quality and reliability requirements enable us to build competitive advantage.

In the past five years, closely targeted strategic investments have generated growth momentum to supplement our long-standing defensive qualities.

Organic growth momentum has been created by significantly increasing investment in management development, new product development and establishing platforms for growth in Asia, where Health, Safety and Environmental regulation is starting to emerge.

Organic growth generates the financial and business resources to fund acquisitions in our existing sectors. Through acquisitions we add value to our businesses by bringing new intellectual assets and a wider technological and geographic footprint.

Halma's defensive qualities, organic growth momentum and potential to acquire new businesses position us strongly to continue to create shareholder value and achieve even higher levels of performance in the future.

Front cover: a tag cloud derived from our Investment Proposition

Chairman's Statement

Half year results maintain momentum

Geoff Unwin Chairman

Interim Dividend per Share +7%	3.54p
Adjusted Earnings per Share[1] +32%	9.75p

Halma: what we do and our strategy

Our business is to make products which protect lives and improve the quality of life for people worldwide. We do this through continuous innovation in market-leading products, which meet the increasing demands for improvements to health, safety and the environment. We build strong positions in market niches where the demand is global. Our businesses are autonomous and highly entrepreneurial.

Results

For the first half, revenue from continuing operations of £249.1m was 12% up compared with the prior year (2009/10: £222.1m); organic revenue[1] growth was 12% and, at constant currency, was 10%.

Adjusted[1] profit before tax from continuing operations increased 29% to £49.3m (2009/10: £38.1m), almost entirely organic growth, and including 1% benefit from currency translation. Statutory profit before tax increased by 34% to £47.3m.

Return on Total Invested Capital[1] was 15.5% (2009/10: 12.6%). Cash flow continued to be strong in the half year, resulting in a net cash balance of £27.6m compared with £9.1m at 3 April 2010.

Dividends

The Board declares a 7% increase in the interim dividend to 3.54 pence per share, maintaining the higher rate of dividend increase established last year. This dividend will be paid on 9 February 2011 to shareholders on the register at 7 January 2011. This increase reflects the Board's continuing confidence in Halma's long-term growth prospects.

Progress

Halma's half year results reflect the efforts of our employees over the past 18+ months to improve our effectiveness, controlling costs yet still delivering revenue growth. This is demonstrated by the 2.7% improvement in the Group's half-year Return on Sales to 19.8% (2009/10: 17.1%).

We invest strongly in products, markets and people and expect to continue to see the results of these investments, particularly in new products and in China, in the short to medium term.

Acquisition

Earlier this month, Halma purchased Alicat Scientific, Inc. for $25.2m (£15.7m). Alicat provides Halma with complementary technology for its Fluid Technology sub-sector and is a first step in investing some of the £100m we identified as available for acquisitions.

Outlook

After the volatility of the past two years, there is greater stability in our markets although customer visibility is still shorter-term than before the credit crunch. Prospects for the deployment of further capital in quality acquisitions continue to improve.

Looking at our performance sequentially, following a strong second half last year (£48.1m adjusted profit), we have continued to make progress in the first half of this year (£49.3m adjusted[1] profit). We are well placed to perform equally strongly in the second half of 2010/11.

Geoff Unwin
Chairman

[1] See Financial Highlights.

Chief Executive's Review

Growth in every sector and all geographic regions

Andrew Williams Chief Executive

Revenue +12%	£249m
Adjusted profit before taxation[1] +29%	£49.3m

Record performance with strong organic growth

Halma performed strongly during the first half year, achieving record revenue and profit with growth in every sector and all geographic regions. We achieved revenue growth of 12% and this, together with continued good control of costs, enabled us to deliver adjusted[1] profit growth of 29%. There was only a small positive contribution from currency exchange movement and acquisitions. Therefore, underlying organic revenue and profit growth at constant currency was impressive, at 10% and 28% respectively.

We have continued to achieve record levels of performance throughout the downturn. After the significant volatility experienced in 2009, there was a clear change in demand levels at the start of 2010. We saw both a step-up in order intake and greater month-to-month stability. This has continued throughout the year. We expect to make further progress in the second half, with a more evenly balanced first half to second half trading pattern than we saw last year.

High and increased levels of return

All three sectors increased Return on Sales[1], which for the Group improved to 19.8% (2009/10: 17.1%). Our companies maintained product margins even though some experienced raw material cost rises whilst certain suppliers struggled to ramp-up their output to keep pace with rapidly increasing demand. Overhead costs grew more slowly than revenue and we will continue to balance this cost control with the need for investment to ensure we meet our longer-term strategic growth objectives.

Solid cash generation reflected good operational discipline by our subsidiary management teams. Return on Capital Employed[1] increased to 72% (2009/10: 52%) whilst Return on Total Invested Capital[1] was 15.5% (2009/10: 12.6%) – both excellent performances given the level of revenue growth achieved. We ended the first half with net cash of £27.6m and our financial position remains strong.

Growth in all sectors

All three sectors grew revenue and profit at the interim stage.

Infrastructure Sensors made solid progress, growing revenue 5% to £96.0m (2009/10: £91.3m) and profit[2] by 8% to £17.9m (2009/10: £16.6m). All four sub-sector businesses, Fire Detection, Security Sensors, Automatic Door Sensors and Elevator Safety increased revenue. Unsurprisingly, this good performance across the sector was driven by growth in developing regions. Outside UK/USA/Mainland Europe revenue was up by 24%, more than compensating for flat revenue in these developed markets. We will continue to increase resources and investment in faster growing countries like China and India.

Health and Analysis performed very impressively becoming our largest sector, with revenue up 22% to £102.4m (2009/10: £83.6m) and profit[2] up 39% to £22.1m (2009/10: £15.9m). All four sub-sector businesses increased revenue and profit. There were particularly strong performances in Photonics, Fluid Technology and Water whilst Health Optics made steady progress. Encouragingly, the geographic growth trends were good in both developed and developing regions. There was double-digit revenue growth in both the UK and the USA whilst Mainland Europe was slightly ahead of the prior year. Outside of these regions, revenue grew by 40% with Far East and Australasia revenue rising by 48%. Here our photonics businesses are achieving high levels of growth, benefiting from the fast growing market in low energy lighting and displays.

Industrial Safety grew revenue by 8% to £50.8m (2009/10: £47.2m) and, impressively, increased profit[2] by 36% to £11.4m (2009/10: £8.4m). All four sub-sector businesses grew revenue and profit. Gas Detection, Bursting Disks and Asset Monitoring performed strongly, whilst Safety Interlocks made steadier progress. These businesses delivered 8% revenue growth in UK/USA/Mainland Europe combined and 5% growth elsewhere. Clearly, the regional trends in Industrial Safety are different to our other two sectors since industrial Health and Safety regulation tends to be introduced later in the growth cycle in developing countries than, for example, basic healthcare. However, we remain committed to investing in these new territories and working with our customers towards improving safety in the workplace.

Growth in all major geographic regions

The strong performance in Health and Analysis boosted the Group's total revenue from the USA by 15% and the UK by 6%. Revenue from Mainland Europe rose by 4% with the major contributor being improved demand for our Industrial Safety products.

Outside of UK/USA/Mainland Europe, revenue increased 26% to £58.1m (2009/10: £46.2m) contributing 23% to total Group revenue (2009/10: 21%). This improvement is in line with our goal for these regions to represent over 30% of the Group by 2015.

In China revenue increased by 34% to £10.6m, double that of two years ago although still only a step towards our objective of it being 10% of the Group by 2015. We continue to look at new ways to help our companies grow faster here.

Greater investment in strategic growth initiatives

We have successfully maintained investment for growth throughout the downturn and are clearly seeing the benefit of this in our financial performance. We are committed to further increased investment aligned with our key strategic objectives. Notable features of the first half included:

- High rate of innovation – our R&D expenditure increased in line with revenue growth by 12% to £12.2m (2009/10: £10.9m). At 4.9% of revenue, this is well above our minimum 4% KPI target level.

- International expansion with focus on Asia – we opened new China regional offices in Chengdu (western China) and Guangzhou (southern China) supplementing our existing presence in Shanghai and Beijing. A further regional office in Shenyang for northern China will become operational before the year end.

- Management development – 20 engineers and scientists from our subsidiary companies started the first module of the new Halma Certificate in Applied Technology (HCAT) training programme in June 2010. HCAT will develop engineering talent across the Group with a particular focus on improving the return from our investment in innovation.

Acquisition completed, stronger pipeline of opportunities

Following the period end, in November 2010, we acquired Alicat Scientific, Inc. for $25.2m (£15.7m). Based in Arizona, USA, Alicat adds new precision flow control technology to our Fluid Technology sub-sector within Health and Analysis. In their last unaudited accounts for the financial year to end of September 2010, Alicat produced operating profit of $3.2m and has sustained a Return on Sales above our 18% – 22% target range for the past five years.

We have a stronger pipeline of acquisition opportunities than a year ago and vendor valuation expectations are becoming better aligned with our own.

Risks and uncertainties

There are no significant changes to the risks and uncertainties outlined in our Annual Report and on our website, www.halma.com. These are summarised in note 11 of this Half Year Report.

Outlook

We have seen increased revenue and profit in each of our sectors, continuing the earnings momentum we maintained throughout the financial downturn. Market conditions are much steadier than they have been over the previous two years and, therefore, this year we expect a much more evenly balanced split between first half and second half trading. We made an attractive acquisition following the period end and continue to search for other high quality opportunities within our existing markets.

Andrew Williams
Chief Executive

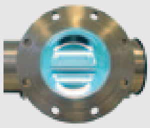
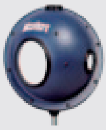
[1] See Financial Highlights.

[2] See note 2 to the Condensed Financial Statements.

Our Business

Diverse Markets

Halma is a global business operating in 22 countries and selling to over 150 countries. Our customer base is also diverse with our largest customer representing less than 2% of total Group revenue. We have three major Business Sectors each with four sub-sector market niches which offer long-term growth and sustainable high returns. Our diversity gives us many opportunities for growth.

	Infrastructure Sensors		**Health and Analysis**		**Industrial Safety**	
	Detecting hazards and protecting assets and people in buildings.		Improving public and personal health; protecting the environment.		Protecting assets and people at work.	
Revenue	£96m	39% of Group	£102m	41% of Group	£51m	20% of Group
Profit[1]	£18m	35% of Group	£22m	43% of Group	£11m	22% of Group
Sub-sectors	Fire Detection 	Fire and smoke detectors and audible/visual warning devices.	Water 	Products to detect leaks in water pipes. UV technology for disinfecting water and water quality test kits.	Gas Detection 	Portable instruments and fixed systems which detect flammable and hazardous gases.
	Security Sensors 	Security sensors and signals used in public and commercial property.	Photonics 	Opto-electronic technology for scientific, medical, environmental and other applications.	Bursting Disks 	'One time use' pressure relief devices to protect large vessels and pipework in process industries.
	Automatic Door Sensors 	Sensors used on automatic doors in public and commercial buildings.	Health Optics 	Devices used to assess eye health, diagnose disease, assist with eye surgery and general medical applications.	Safety Interlocks 	Specialised mechanical, electrical and electromechanical locks which ensure that critical processes operate safely.
	Elevator Safety 	Elevator/lift door safety sensors, emergency communication devices, displays and control panels for elevators.	Fluid Technology 	Critical components such as pumps, probes, valves, connectors and tubing used by scientific, environmental and medical diagnostic OEMs.	Asset Monitoring 	Products for monitoring physical assets above ground and under water using sensors and communications technologies.

Common Characteristics

Global Niche Markets
We choose to operate in specialist markets where technology and application know-how provide the opportunity to generate sustainable high returns and strong competitive advantage.

Long-term Market Growth Drivers
Demand in each of our markets is driven by one or more of the following:
- Increasing demand for energy and water
- Increasing urbanisation and ageing of population
- Increasing demand for healthcare
- Increasing health and safety regulation

[1] See note 2 to the Condensed Financial Statements.

Global Capability

Our global capability is developing as we seek to keep our resources close to our customers. In recent years, we have established new commercial and manufacturing platforms in Asia to meet the growing need in the emerging markets for Health, Safety and Environmental products.

	United States of America	United Kingdom	Mainland Europe
Revenue by destination	£74m +15%	£51m +6%	£66m +4%
Employees	1,045	1,630	671

	Africa, Near and Middle East	Asia Pacific and Australasia	Other countries*
Revenue by destination	£14m +26%	£35m +25%	£9m +27%
Employees	33	405	2

* Canada and South America.

Condensed Financial Statements
Consolidated Income Statement

	Notes	Unaudited 26 weeks to 2 October 2010 Before acquired intangibles amortisation £000	Unaudited 26 weeks to 2 October 2010 Amortisation of acquired intangibles £000	Unaudited 26 weeks to 2 October 2010 Total £000	Unaudited 27 weeks to 3 October 2009 Before acquired intangibles amortisation £000	Unaudited 27 weeks to 3 October 2009 Amortisation of acquired intangibles £000	Unaudited 27 weeks to 3 October 2009 Total £000	Audited 53 weeks to 3 April 2010 Total £000
Continuing operations								
Revenue	2	**249,080**	**–**	**249,080**	222,050	–	222,050	459,118
Operating profit		**49,645**	**(1,987)**	**47,658**	39,732	(2,693)	37,039	84,295
Finance income	3	**4,758**	**–**	**4,758**	3,332	–	3,332	6,566
Finance expense	4	**(5,144)**	**–**	**(5,144)**	(5,001)	–	(5,001)	(9,487)
Profit before taxation		**49,259**	**(1,987)**	**47,272**	38,063	(2,693)	35,370	81,374
Taxation	5	**(12,561)**	**596**	**(11,965)**	(10,468)	824	(9,644)	(20,937)
Profit for the period from continuing operations attributable to equity shareholders		**36,698**	**(1,391)**	**35,307**	27,595	(1,869)	25,726	60,437
Earnings per ordinary share	6							
From continuing operations								
Basic		**9.75p**		**9.38p**	7.37p		6.87p	16.10p
Diluted				**9.36p**			6.85p	16.05p
Dividends in respect of the period	7							
Declared (£000)				**13,336**			12,459	32,009
Declared per share				**3.54p**			3.31p	8.50p

Consolidated Statement of Comprehensive Income and Expenditure

	Unaudited 26 weeks to 2 October 2010 £000	Unaudited 27 weeks to 3 October 2009 £000	Audited 53 weeks to 3 April 2010 £000
Profit for the period	**35,307**	25,726	60,437
Exchange differences on translation of foreign operations	**(5,762)**	(9,902)	(8,613)
Actuarial losses on defined benefit pension plans	**(8,396)**	(4,709)	(4,644)
Effective portion of changes in fair value of cash flow hedges	**137**	(186)	(47)
Tax relating to components of other comprehensive income	**1,836**	2,803	2,917
Other comprehensive expense for the period	**(12,185)**	(11,994)	(10,387)
Total comprehensive income for the period attributable to equity shareholders	**23,122**	13,732	50,050

Consolidated Balance Sheet

	Unaudited 2 October 2010 £000	(Restated)* Unaudited 3 October 2009 £000	Audited 3 April 2010 £000
Non-current assets			
Goodwill	**194,203**	191,317	195,334
Other intangible assets	**30,849**	36,797	33,705
Property, plant and equipment	**65,923**	68,009	66,786
Deferred tax assets	**13,095**	12,766	10,612
	304,070	308,889	306,437
Current assets			
Inventories	**51,325**	45,792	47,014
Trade and other receivables	**96,901**	90,078	98,077
Tax receivable	**97**	–	1,067
Cash and cash equivalents	**41,210**	40,420	31,323
Derivative financial instruments	**320**	22	232
	189,853	176,312	177,713
Total assets	**493,923**	485,201	484,150
Current liabilities			
Borrowings	**517**	–	317
Trade and other payables	**71,095**	54,284	66,955
Provisions	**2,138**	1,724	1,515
Tax liabilities	**15,014**	6,535	7,843
Derivative financial instruments	**247**	367	331
	89,011	62,910	76,961
Net current assets	**100,842**	113,402	100,752
Non-current liabilities			
Borrowings	**13,054**	61,843	21,924
Retirement benefit obligations	**48,497**	45,591	43,071
Trade and other payables	**3,858**	1,490	4,554
Provisions	**1,897**	1,480	1,954
Deferred tax liabilities	**13,329**	15,490	13,193
	80,635	125,894	84,696
Total liabilities	**169,646**	188,804	161,657
Net assets	**324,277**	296,397	322,493
Equity			
Share capital	**37,802**	37,632	37,765
Share premium account	**21,426**	19,239	20,959
Treasury shares	**(3,163)**	(1,786)	(2,581)
Capital redemption reserve	**185**	185	185
Hedging and translation reserve	**33,388**	37,585	39,013
Other reserves	**2,261**	3,072	4,178
Retained earnings	**232,378**	200,470	222,974
Shareholders' funds	**324,277**	296,397	322,493

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

Consolidated Statement of Changes in Equity

	Share capital £000	Share premium account £000	Treasury shares £000	Capital redemption reserve £000	Hedging and translation reserve £000	Other reserves £000	Retained earnings £000	Total £000
At 3 April 2010 (audited)	37,765	20,959	(2,581)	185	39,013	4,178	222,974	322,493
Profit for the period	–	–	–	–	–	–	**35,307**	**35,307**
Other comprehensive income and expense:								
Exchange differences on translation of foreign operations	–	–	–	–	**(5,762)**	–	–	**(5,762)**
Actuarial losses on defined benefit pension plans	–	–	–	–	–	–	**(8,396)**	**(8,396)**
Effective portion of changes in fair value of cash flow hedges	–	–	–	–	**137**	–	–	**137**
Tax relating to components of other comprehensive income	–	–	–	–	–	–	**1,836**	**1,836**
Total other comprehensive income and expense	–	–	–	–	**(5,625)**	–	**(6,560)**	**(12,185)**
Share options exercised	**37**	**467**	–	–	–	–	–	**504**
Dividends paid	–	–	–	–	–	–	**(19,550)**	**(19,550)**
Share-based payments	–	–	–	–	–	**(1,808)**	–	**(1,808)**
Deferred tax on share-based payment transactions	–	–	–	–	–	**(109)**	–	**(109)**
Excess tax deductions relating to share-based payments on exercised options	–	–	–	–	–	–	**207**	**207**
Net movement in treasury shares	–	–	**(582)**	–	–	–	–	**(582)**
At 2 October 2010 (unaudited)	**37,802**	**21,426**	**(3,163)**	**185**	**33,388**	**2,261**	**232,378**	**324,277**

Consolidated Statement of Changes in Equity
continued

	Share capital £000	Share premium account £000	Treasury shares £000	Capital redemption reserve £000	Hedging and translation reserve £000	Other reserves £000	Retained earnings £000	Total £000
At 28 March 2009 (audited)	37,539	18,146	(2,759)	185	47,673	4,246	194,585	299,615
Profit for the period	–	–	–	–	–	–	25,726	25,726
Total other comprehensive income and expense	–	–	–	–	(10,088)	–	(1,906)	(11,994)
Share options exercised	93	1,093	–	–	–	–	–	1,186
Dividends paid	–	–	–	–	–	–	(17,935)	(17,935)
Share-based payments	–	–	–	–	–	(1,682)	–	(1,682)
Deferred tax on share-based payment transactions	–	–	–	–	–	508	–	508
Net movement in treasury shares	–	–	973	–	–	–	–	973
At 3 October 2009 (unaudited)	37,632	19,239	(1,786)	185	37,585	3,072	200,470	296,397
At 28 March 2009 (audited)	37,539	18,146	(2,759)	185	47,673	4,246	194,585	299,615
Profit for the period	–	–	–	–	–	–	60,437	60,437
Total other comprehensive income and expense	–	–	–	–	(8,660)	–	(1,727)	(10,387)
Share options exercised	226	2,813	–	–	–	–	–	3,039
Dividends paid	–	–	–	–	–	–	(30,394)	(30,394)
Share-based payments	–	–	–	–	–	(1,017)	–	(1,017)
Deferred tax on share-based payment transactions	–	–	–	–	–	949	–	949
Excess tax deductions relating to share-based payments on exercised options	–	–	–	–	–	–	73	73
Net movement in treasury shares	–	–	178	–	–	–	–	178
At 3 April 2010 (audited)	37,765	20,959	(2,581)	185	39,013	4,178	222,974	322,493

Consolidated Cash Flow Statement

	Notes	Unaudited 26 weeks to 2 October 2010 £000	Unaudited 27 weeks to 3 October 2009 £000	Audited 53 weeks to 3 April 2010 £000
Net cash inflow from operating activities	8	**49,460**	51,637	100,338
Cash flows from investing activities				
Purchase of property, plant and equipment		**(5,906)**	(5,560)	(9,781)
Purchase of computer software		**(522)**	(576)	(1,260)
Purchase of intangibles		**(17)**	(33)	(38)
Proceeds from sale of property, plant and equipment		**344**	498	854
Development costs capitalised		**(1,994)**	(1,703)	(3,072)
Interest received		**184**	108	189
Acquisition of businesses		**(241)**	(5)	(1,676)
Disposal of businesses		**–**	267	520
Net cash used in investing activities		**(8,152)**	(7,004)	(14,264)
Financing activities				
Dividends paid		**(19,550)**	(17,935)	(30,394)
Proceeds from issue of share capital		**504**	1,186	3,039
Net purchase of treasury shares		**(3,469)**	(1,426)	(2,252)
Interest paid		**(331)**	(606)	(1,047)
Repayment of borrowings		**(8,348)**	(19,316)	(58,845)
Net cash used in financing activities		**(31,194)**	(38,097)	(89,499)
Increase/(decrease) in cash and cash equivalents	8	**10,114**	6,536	(3,425)
Cash and cash equivalents brought forward		**31,006**	34,987	34,987
Exchange adjustments		**(427)**	(1,103)	(556)
Cash and cash equivalents carried forward		**40,693**	40,420	31,006

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 2 October 2010, has not been audited or reviewed by the Group's auditors and was approved by the Directors on 30 November 2010.

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 53 weeks to 3 April 2010, except as noted below.

The figures shown for the 53 weeks to 3 April 2010 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. They were unqualified, did not include a reference to any matters for which the auditors 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. 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 Condensed Financial Statements.

Accounting policies

The Group has adopted IFRS 3 (Revised) 'Business Combinations' for transactions arising after 3 April 2010.

This has changed the Group's definition of the cost of business combinations and the treatment of deferred and contingent consideration as follows:

a) previously, acquisition costs were included in the cost of investment, but under IFRS 3 (Revised) these costs are expensed; and

b) previously, subsequent adjustments to deferred or contingent consideration were made against goodwill, but under IFRS 3 (Revised) may now be expensed depending on whether the deferred or contingent consideration is initially recognised as equity or as a liability and whether the event is considered a measurement period adjustment.

The adoption of IFRS 3 (Revised) has not had a material impact on assets, profit or earnings per share in the current interim period, but may impact the Group's accounting for any future business combinations.

Notes to the Condensed Financial Statements continued

2 Segmental analysis

Sector analysis

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

These reportable segments remain unchanged from the 3 April 2010 consolidated accounts.

Segment revenue and results

	Revenue (all continuing operations)		
	Unaudited 26 weeks to 2 October 2010 £000	Unaudited 27 weeks to 3 October 2009 £000	Audited 53 weeks to 3 April 2010 £000
Infrastructure Sensors	**96,008**	91,260	182,923
Health and Analysis	**102,405**	83,649	175,988
Industrial Safety	**50,781**	47,214	100,462
Inter-segmental sales	**(114)**	(73)	(255)
Revenue for the period	**249,080**	222,050	459,118

	Profit (all continuing operations)		
	Unaudited 26 weeks to 2 October 2010 £000	Unaudited 27 weeks to 3 October 2009 £000	Audited 53 weeks to 3 April 2010 £000
Segment profit before allocation of amortisation of acquired intangible assets			
Infrastructure Sensors	**17,911**	16,574	35,510
Health and Analysis	**22,063**	15,867	35,254
Industrial Safety	**11,391**	8,354	19,795
	51,365	40,795	90,559
Segment profit after allocation of amortisation of acquired intangible assets			
Infrastructure Sensors	**17,911**	16,574	35,510
Health and Analysis	**20,355**	14,126	31,755
Industrial Safety	**11,112**	7,402	18,454
Segment profit	**49,378**	38,102	85,719
Central administration costs	**(1,720)**	(1,063)	(1,424)
Net finance expense	**(386)**	(1,669)	(2,921)
Group profit before taxation	**47,272**	35,370	81,374
Taxation	**(11,965)**	(9,644)	(20,937)
Profit for the period	**35,307**	25,726	60,437

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.

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

The total assets have not been disclosed as there have been no material changes to those disclosed in the 2010 Annual Report.

2 Segmental analysis continued

Geographical analysis

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

	Revenue by destination		
	Unaudited 26 weeks to 2 October 2010 £000	Unaudited 27 weeks to 3 October 2009 £000	Audited 53 weeks to 3 April 2010 £000
United Kingdom	**51,220**	48,466	135,676
United States of America	**74,400**	64,696	127,152
Mainland Europe	**65,404**	62,641	98,339
Asia Pacific and Australasia	**35,061**	28,080	59,143
Africa, Near and Middle East	**14,037**	11,112	23,695
Other countries	**8,958**	7,055	15,113
Group revenue	**249,080**	222,050	459,118

3 Finance income

	Unaudited 26 weeks to 2 October 2010 £000	Unaudited 27 weeks to 3 October 2009 £000	Audited 53 weeks to 3 April 2010 £000
Interest receivable	**184**	108	189
Expected return on pension assets	**4,539**	3,224	6,377
	4,723	3,332	6,566
Fair value movement on derivative financial instruments	**35**	–	–
	4,758	3,332	6,566

4 Finance expense

	Unaudited 26 weeks to 2 October 2010 £000	Unaudited 27 weeks to 3 October 2009 £000	Audited 53 weeks to 3 April 2010 £000
Interest payable on bank loans and overdrafts	**313**	584	972
Interest charge on pension scheme liabilities	**4,760**	4,236	8,375
Other interest payable	**18**	22	75
	5,091	4,842	9,422
Fair value movement on derivative financial instruments	**–**	159	52
Unwinding of discount on provisions	**53**	–	13
	5,144	5,001	9,487

Notes to the Condensed Financial Statements
continued

5 Taxation

The total Group tax charge for the 26 weeks to 2 October 2010 of £11,965,000 (27 weeks to 3 October 2009: £9,644,000; 53 weeks to 3 April 2010: £20,937,000) comprises a current tax charge of £12,245,000 (27 weeks to 3 October 2009: £9,460,000; 53 weeks to 3 April 2010: £19,787,000) and a deferred tax credit of £280,000 (27 weeks to 3 October 2009: charge of £184,000; 53 weeks to 3 April 2010: charge of £1,150,000). The tax charge is based on the estimated effective tax rate for the year.

The tax charge includes £7,202,000 (27 weeks to 3 October 2009: £5,933,000; 53 weeks to 3 April 2010: £10,941,000) in respect of overseas tax.

Deferred tax assets have been recognised at the rate at which they are expected to reverse. In the UK, this is at the standard rate of corporation tax, which from 1 April 2011 will reduce from 28% to 27%. This reduction in rate has resulted in a debit to deferred tax of £368,000, of which £431,000 was taken to Other Comprehensive Income and £63,000 credited to the Income Statement.

6 Earnings per ordinary share

Basic earnings per ordinary share are calculated using the weighted average of 376,493,113 (3 October 2009: 374,670,385; 3 April 2010: 375,485,642) 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 377,361,172 (3 October 2009: 375,570,655; 3 April 2010: 376,513,219) shares which includes dilutive potential ordinary shares of 868,059 (3 October 2009: 900,270; 3 April 2010: 1,027,577). 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 after tax. The Directors consider that adjusted earnings represent a more consistent measure of underlying performance. A reconciliation of earnings and the effect on basic earnings per share figures are presented below:

	Unaudited 26 weeks to 2 October 2010 £000	Unaudited 27 weeks to 3 October 2009 £000	Audited 53 weeks to 3 April 2010 £000
Earnings from continuing operations	**35,307**	25,726	60,437
Add back amortisation of acquired intangible assets after taxation	**1,391**	1,869	2,970
Adjusted earnings	**36,698**	27,595	63,407

	Per ordinary share		
	Unaudited 26 weeks to 2 October 2010 pence	Unaudited 27 weeks to 3 October 2009 pence	Audited 53 weeks to 3 April 2010 pence
Earnings from continuing operations	**9.38**	6.87	16.10
Add back amortisation of acquired intangible assets after taxation	**0.37**	0.50	0.79
Adjusted earnings	**9.75**	7.37	16.89

7 Dividends

	Per ordinary share		
	Unaudited 26 weeks to 2 October 2010 pence	Unaudited 27 weeks to 3 October 2009 pence	Audited 53 weeks to 3 April 2010 pence
Amounts recognised as distributions to shareholders in the period			
Final dividend for the year to 3 April 2010 (28 March 2009)	**5.19**	4.78	4.78
Interim dividend for the year to 3 April 2010	**–**	–	3.31
	5.19	4.78	8.09
Dividends declared in respect of the period			
Interim dividend for the year to 2 April 2011 (3 April 2010)	**3.54**	3.31	3.31
Final dividend for the year to 3 April 2010	**–**	–	5.19
	3.54	3.31	8.50

	Unaudited 26 weeks to 2 October 2010 £000	Unaudited 27 weeks to 3 October 2009 £000	Audited 53 weeks to 3 April 2010 £000
Amounts recognised as distributions to shareholders in the period			
Final dividend for the year to 3 April 2010 (28 March 2009)	**19,550**	17,935	17,935
Interim dividend for the year to 3 April 2010	**–**	–	12,459
	19,550	17,935	30,394
Dividends declared in respect of the period			
Interim dividend for the year to 2 April 2011 (3 April 2010)	**13,336**	12,459	12,459
Final dividend for the year to 3 April 2010	**–**	–	19,550
	13,336	12,459	32,009

Notes to the Condensed Financial Statements continued

8 Notes to the Consolidated Cash Flow Statement

	Unaudited 26 weeks to 2 October 2010 £000	Unaudited 27 weeks to 3 October 2009 £000	Audited 53 weeks to 3 April 2010 £000
Reconciliation of profit from operations to net cash inflow from operating activities			
Profit from continuing operations before finance income and expense	**47,658**	37,039	84,295
Profit on disposal of operations before taxation	**–**	–	(382)
Depreciation of property, plant and equipment	**5,665**	5,747	11,461
Amortisation of computer software	**616**	542	1,116
Amortisation of capitalised development costs and other intangibles	**2,142**	1,710	3,815
Retirement of capitalised development costs	**30**	–	19
Amortisation of acquired intangible assets	**1,987**	2,693	4,840
Share-based payment expense in excess of amounts paid	**1,162**	694	1,333
Additional payments to pension scheme	**(3,191)**	(3,166)	(6,902)
(Profit)/loss on sale of property, plant and equipment and computer software	**(114)**	131	42
Operating cash flows before movement in working capital	**55,955**	45,390	99,637
(Increase)/decrease in inventories	**(4,934)**	3,585	2,990
(Increase)/decrease in receivables	**(181)**	9,530	3,636
Increase/(decrease) in payables	**2,852**	(5,238)	6,427
Cash generated from operations	**53,692**	53,267	112,690
Taxation paid	**(4,232)**	(1,630)	(12,352)
Net cash inflow from operating activities	**49,460**	51,637	100,338
Reconciliation of net cash flow to movement in net cash/(debt)			
Increase/(decrease) in cash and cash equivalents	**10,114**	6,536	(3,425)
Cash outflow from borrowings	**8,348**	19,316	58,845
Exchange adjustments	**95**	3,911	4,848
	18,557	29,763	60,268
Net cash/(debt) brought forward	**9,082**	(51,186)	(51,186)
Net cash/(debt) carried forward	**27,639**	(21,423)	9,082
Analysis of net cash/(debt)			
Cash and cash equivalents	**40,693**	40,420	31,006
Bank loans falling due after one year	**(13,054)**	(61,843)	(21,924)
	27,639	(21,423)	9,082

9 Non-GAAP measures

Return on Capital Employed

	Unaudited 26 weeks to 2 October 2010 £000	(Restated)* Unaudited 27 weeks to 3 October 2009 £000	Audited 53 weeks to 3 April 2010 £000
Operating profit from continuing operations before amortisation of acquired intangible assets	**49,645**	39,732	89,135
Computer software costs within intangible assets	**2,907**	2,893	3,050
Capitalised development costs within intangible assets	**8,997**	9,929	9,202
Other intangibles within intangible assets	**177**	236	223
Property, plant and equipment	**65,923**	68,009	66,786
Inventories	**51,325**	45,792	47,014
Trade and other receivables	**96,901**	90,078	98,077
Trade and other payables	**(71,095)**	(54,284)	(66,955)
Provisions	**(2,138)**	(1,724)	(1,515)
Net tax liabilities	**(14,917)**	(6,535)	(6,776)
Non-current trade and other payables	**(3,858)**	(1,490)	(4,554)
Non-current provisions	**(1,897)**	(1,480)	(1,954)
Add back retirement benefit accruals included within payables	**–**	295	–
Add back accrued deferred purchase consideration	**5,047**	55	2,921
Capital employed	**137,372**	151,774	145,519
Return on Capital Employed (annualised)	**72.3%**	52.4%	61.3%

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

Return on Total Invested Capital

	Unaudited 26 weeks to 3 October 2010 £000	Unaudited 27 weeks to 3 October 2009 £000	Audited 53 weeks to 3 April 2010 £000
Post-tax profit from continuing operations before amortisation of acquired intangibles	**36,698**	27,595	63,407
Total shareholders' funds	**324,277**	296,397	322,493
Add back retirement benefit accruals included within payables	**–**	295	–
Add back retirement benefit obligations	**48,497**	45,591	43,071
Less associated deferred tax assets	**(13,095)**	(12,766)	(12,060)
Cumulative amortisation of acquired intangible assets	**23,723**	19,864	21,919
Goodwill on disposals	**5,441**	5,441	5,441
Goodwill amortised prior to 3 April 2004	**13,177**	13,177	13,177
Goodwill taken to reserves prior to 3 April 1998	**70,931**	70,931	70,931
Total invested capital	**472,951**	438,930	464,972
Return on Total Invested Capital (annualised)	**15.5%**	12.6%	13.6%

Organic growth

Organic growth measures the change in revenue and profit from continuing operations. The effect of acquisitions and disposals during the current and prior financial periods has been equalised by adjusting for their contributions based on their revenue and profit at the dates of acquisition and disposal.

Notes to the Condensed Financial Statements
continued

10 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 p.l.c.'s ordinary shares and drawdowns and repayments of borrowings are shown in the Consolidated Cash Flow Statement.

Related party transactions
There were no significant changes in the nature and size of related party transactions for the period to those reported in the 2010 Annual Report.

Events after the balance sheet date
On 2 November 2010 the Group acquired the entire share capital of Alicat Scientific, Incorporated (Alicat) for a cash consideration of $25.2m (£15.7m). The cash consideration is adjustable $1 for $1 if the completion accounts demonstrate net tangible assets above or below $1.5m. Due to the proximity of the acquisition date to the date of approval of the Half Year Report, it is impracticable to provide further information as the accounting for the business combination is not complete.

Alicat designs and manufactures mass flow meters and controllers which are used in life science and industrial applications for high-precision measurement of fluid flows. Alicat provides Halma with complementary technology for its Fluid Technology sub-sector.

11 Principal 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 in the 2010 Annual Report on pages 40 and 41 which is available on the Group's website at www.halma.com.

The principal risks and uncertainties relate to:

- Operational risk
- Organic growth, supplier risk and competition
- Research and Development
- Intangible resources
- Laws and regulations
- Information Technology/Business Interruption
- Acquisitions
- Financial irregularities and increasing span of control
- Treasury and cash risks
- Current economic conditions
- Pension deficit.

The Directors do not consider that the principal risks and uncertainties have changed since the publication of the 2010 Annual Report.

12 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
30 November 2010

Kevin Thompson
Finance Director

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Secretary
Carol T Chesney

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