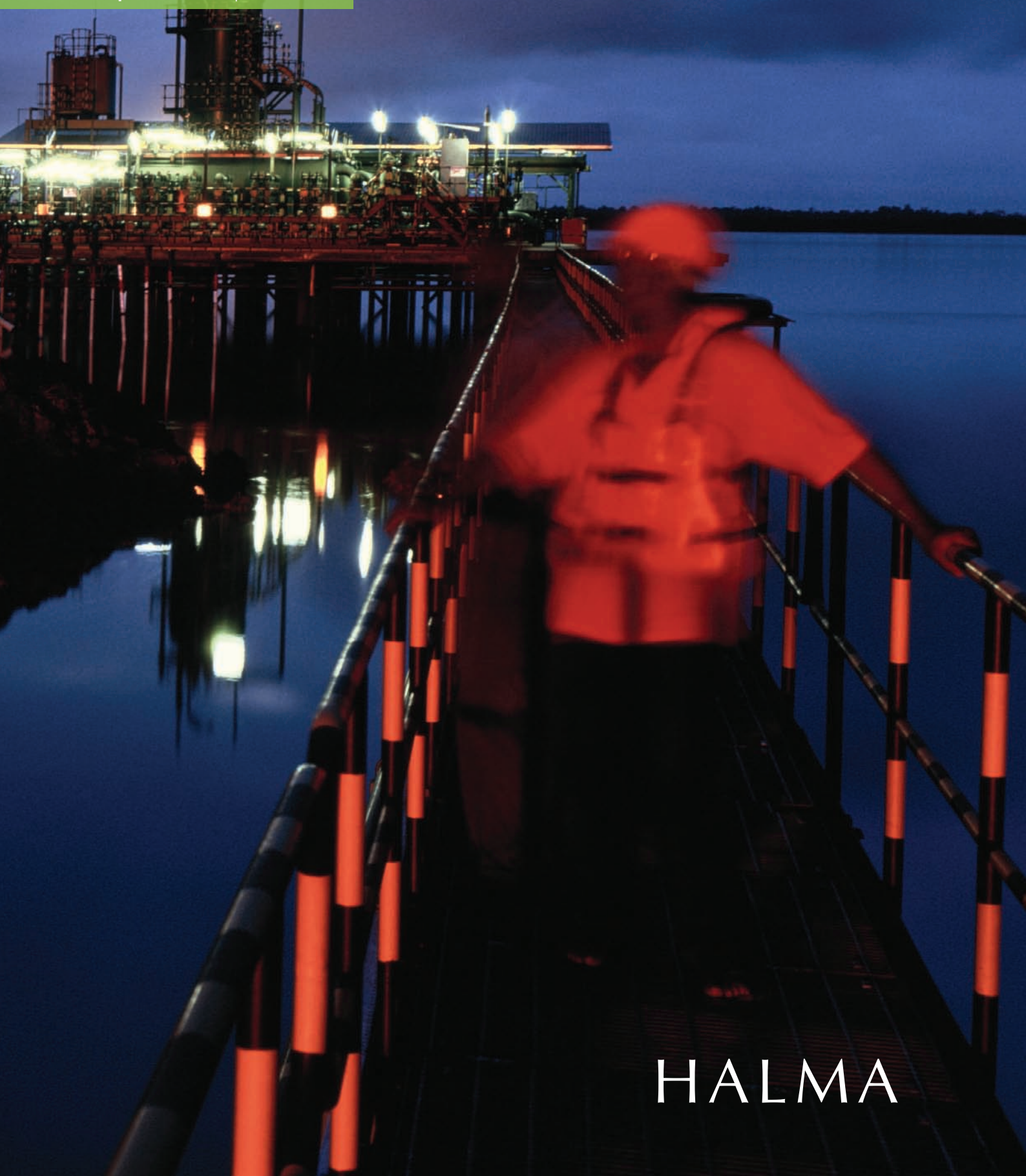


GROWTH THROUGH INNOVATION

Halma plc Half Year Report 2012/13



HALMA

GROUP AT A GLANCE

Revenue

£298.1m

Growth +6%

Adjusted profit before taxation

£60.8m

Growth +6%

Return on sales

20.4%

Interim dividend declared

4.06p

Growth +7%

Continuing operations	2012	2011	Change
Revenue	£298.1m	£280.0m	+6%
Adjusted Profit before Taxation ¹	£60.8m	£57.5m	+6%
Statutory Profit before Taxation	£62.2m	£51.3m	+21%
Adjusted Earnings per Share ²	12.34p	11.75p	+5%
Statutory Earnings per Share	13.14p	10.52p	+25%
Interim Dividend per Share ³	4.06p	3.79p	+7%
Return on Sales ⁴	20.4%	20.5%	
Return on Total Invested Capital ⁵	16.4%	16.9%	
Return on Capital Employed ⁵	71.6%	68.8%	

Pro-forma information:

1 Adjusted to remove the amortisation of acquired intangible assets, acquisition transaction costs, movement on contingent consideration and profit on disposal of operations of £1.4m credit (2011/12: £6.2m charge). See note 2 for details.

2 Adjusted to remove the amortisation of acquired intangible assets, acquisition transaction costs, movement on contingent consideration, profit on disposal of operations and the associated tax. See note 6 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 for details.

CHAIRMAN'S STATEMENT

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 safety, health and the environment. Our businesses are autonomous and entrepreneurial, building strong positions in market niches where the demand is global.

Half year results

In the first half, revenue from continuing operations of £298.1m increased by 6% compared with the prior year (2011/12: £280.0m); this included a net 4% contribution from acquisitions less disposals, and a negative currency impact of 1%, giving organic revenue¹ growth at constant currency of 3%. Adjusted¹ profit before tax from continuing operations also increased by 6% to £60.8m (2011/12: £57.5m), with organic growth of 3% at constant currency. Statutory profit before tax increased by 21% to £62.2m (2011/12: £51.3m). Return on Total Invested Capital¹ was 16.4% (2011/12: 16.9%).

We spent £65.6m (excluding £3.5m of cash but including £1.4m of debt acquired) on three acquisitions (2011/12: £14.5m) and £15.8m on earnouts for

the Board's continuing confidence in Halma's long-term growth prospects.

Progress

Despite weak economic growth and uncertainties in both Europe and the USA, Halma has made further progress, thanks to the continuous efforts of our employees to innovate. Return on Sales¹ was virtually unchanged at 20.4% (2011/12: 20.5%). Our investment in China again produced good results with sales growth of 32%. We continue to actively manage our portfolio of companies in line with our strategic objectives as illustrated by the following summary of acquisitions and disposals.

Acquisitions and disposals

During the first half year, Halma made three acquisitions: Accutome, a manufacturer of ophthalmic instruments, for US\$20m (including US\$2.3m of bank loans) plus an earnout of up to US\$5m; Sensorex, a manufacturer of water analysis sensors, for US\$38m; and Suntech Medical Group, a supplier of non-invasive blood pressure monitoring devices, for US\$46m (plus US\$5m for cash retained in the business) and up to US\$6m earnout. We also sold Trittech (subsea asset monitoring equipment) for £21.8m, following the disposal at the very end of 2011/12 of Volumatic (cash counting equipment).



“Halma remains on track to make further progress in the second half of the year.”

acquisitions made in previous years (2011/12: £5.4m). We also disposed of a business for £21.8m including £2.1m of deferred consideration. This resulted in a net debt of £74.1m at the end of the period compared with £18.7m at 31 March 2012. Our financial position remains strong.

Dividends

The Board declares a 7% increase in the interim dividend to 4.06 pence per share which will be paid on 6 February 2013 to shareholders on the register at 4 January 2013. This increase reflects

Outlook

Despite continuing global economic uncertainties, our structure of decentralised, market responsive management and the underpinning of demand from fundamental growth drivers have once more proved resilient in challenging markets. Halma remains on track to make further progress in the second half of the year.

Geoff Unwin
Chairman

¹ See Financial Highlights

Investment proposition

Halma has an impressive record of creating sustained shareholder value through the economic cycle. We have consistently delivered 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.

Our ability to achieve record profits through the recent periods of economic turbulence is derived from our strategy of having a group of businesses building strong competitive advantage in specialised safety, health and environmental technology markets with resilient growth drivers. These growth drivers, such as increasing Health and Safety regulation, mean that demand for our products is resilient, in both developed and developing regions, through periods of significant macro-economic change.

Organic growth generates the financial and business resources we need to fund acquisitions and keep increasing dividends.

We generate organic growth momentum by increasing levels of investment in people development, new products and establishing platforms for growth in developing markets. Here, the need for Safety, Health and Environmental regulation is increasingly recognised by governments and the wider population.

Over the long term, we actively manage the mix of businesses in our Group to ensure we can sustain strong growth and returns. Whilst acquisitions accelerate entry into 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, organic growth momentum and active portfolio management position us strongly to create shareholder value and achieve high levels of performance in the future.

CHIEF EXECUTIVE'S REVIEW

Halma made good progress during the period, achieving record revenue and profit and strong returns. Our focus on safety, health and environmental markets with long-term growth drivers is enabling us to continue to find growth opportunities.

Trading trends

We achieved strong revenue growth of 17% in Asia Pacific and Australasia including 32% revenue growth in China. Revenue growth of 6% in Africa, Near and Middle East and the Americas (ex-USA) contributed to the proportion of revenue from outside the UK/Europe/USA increasing to 25% of the Group total (2011/12: 23%), making further progress towards our goal of 30% by 2015. In absolute terms, half of our revenue growth during the period was generated from those regions.

There was a resilient trading performance in developed markets. Revenue grew by 19% in the USA which offset the performances in Europe and the UK, where revenue was down by 3% and 6% respectively. Acquisitions, disposals and currency rate changes had a significant impact on these figures. Taking these factors into account, we estimate that the

Return on Sales remained strong at 22.9% (2011/12: 23.1%).

Our Water and Health Optics sub-sectors performed well, although we expect growth in Water to slow in the second half as UK water utilities move into the latter phases of their 5-year budget cycle. As forecast, Fluid Technology achieved a steady recovery as we progressed through 2012, although this was in contrast to Photonics where strong growth in Asia was insufficient to fully mitigate the impact of lower demand from US government research customers.

Infrastructure Sensor revenue was 1% lower at £100.5m (2011/12: £101.1m) whilst profit was down by 2% at £18.9m (2011/12: £19.4m). Return on Sales was slightly lower at 18.8% (2011/12: 19.2%). As forecast, there were one-off costs of £1m during the period, predominantly to complete the reorganisation of our European and Asian Elevator Safety businesses. This was completed on schedule in September 2012 so we expect to see the benefit of these changes emerge more strongly during the second half. Fire Detection, Elevator Safety and Security Sensors all achieved modest revenue increases

regions outside the UK/Europe/USA. The disposal of our Asset Monitoring business in August 2012 (see details below) will further increase the proportion of this sector's revenues from developing markets. In the longer term, this will be boosted further by the increased internal collaboration to serve Industrial customers in South America.

Acquisitions and disposals

During the period we spent £66m (plus up to £7m in earn-outs based on future growth) acquiring three companies for our Health and Analysis sector, details of which were given in Halma's Annual Report 2012 and this Half Year Report. All three businesses are trading well, with Accutome and SunTech already progressing new opportunities through collaboration with our other Health Optics companies and Sensorex continuing to grow sales of its water quality sensors.

In August 2012, we sold our Asset Monitoring business, Trittech, to a UK subsidiary of Moog Inc. for a total consideration of £21.8m. We acquired Trittech in 2006 as our first entry into the subsea asset market and, whilst it has performed well, we believe we can create greater shareholder value

"Although the first half was a busy period for M&A, our search for acquisition opportunities continues."



underlying organic¹ growth rates at constant currency were as follows: USA up 2%, Europe up 0.3% and UK down 2%.

Order intake in the first half was slightly ahead of revenue – a trading pattern which has continued into the second half.

Sector performances

Health & Analysis grew revenue by 12% to £135.2m (2011/12: £121.1m) and profit by 10% to £30.9m (2011/12: £28.0m).

whilst our Automatic Door Sensors business saw lower revenue due to weakness in European markets.

Industrial Safety had another strong performance with revenue increasing by 8% to £62.5m (2011/12: £58.0m) and profit up by 13% to £15.3m (2011/12: £13.6m). Return on Sales of 24.5% (2011/12: 23.4%) remained the highest of our three sectors. Gas Detection, Safety Interlocks and Bursting Disks all performed strongly and it was pleasing to see higher growth from

by reallocating resources to other sub-sectors. Moog's presence in marine energy markets will enable Trittech to make strong progress under their ownership. A gain of £8.2m has been recognised in the Group Income Statement after accounting for the disposal of these assets, including the associated goodwill.

Although the first half was a busy period for M&A, our search for acquisition opportunities continues. We are aiming to increase the number of prospects

within our two safety-related sectors (Infrastructure Sensors and Industrial Safety) although currently the majority of opportunities in our pipeline are still within our Medical and Environmental related sector (Health and Analysis).

Cash generation and financial resources

There was good cash generation during the first half year, when dividend payments tend to be greater than those made in the second half. We ended the period with net debt of £74.1m (March 2012: £18.7m) after funding acquisitions (net of disposals) of £62.5m (2011/12: £19.9m) and capital expenditure of £8.1m (2011/12: £8.4m). We have a £260m 5-year revolving credit facility in place until October 2016 so we are in a strong financial position to support our future investment.

Investment for growth

Halma increased investment in each of the three strategic initiatives which underpin the sustainability of our growth and high returns:

- Investment in Innovation increased across all three sectors. R&D expenditure grew by 11% to £14.9m (2011/12: £13.4m).

- Halma companies are working together to accelerate the pace of International Expansion. In China, our Fluid Technology companies have created a combined manufacturing company, whilst in Brazil our Industrial Safety businesses are together establishing a trading company to serve key Oil, Gas and Process industry customers in that region.

Risks and uncertainties

There are no significant changes to the risks and uncertainties in the Annual Report and on our website, www.halma.com. These are summarised in note 13 of this Half Year Report.

Summary

To meet the challenge of sustaining growth and high returns, the need to create competitive advantage is more critical than ever. Halma's business model is to operate with a diverse group of global businesses. Each has a management team empowered to adapt and allocate resources as the needs of their niche markets change leaving them well positioned to succeed.

Adjusted profit before taxation

£60.8m

Growth +6%

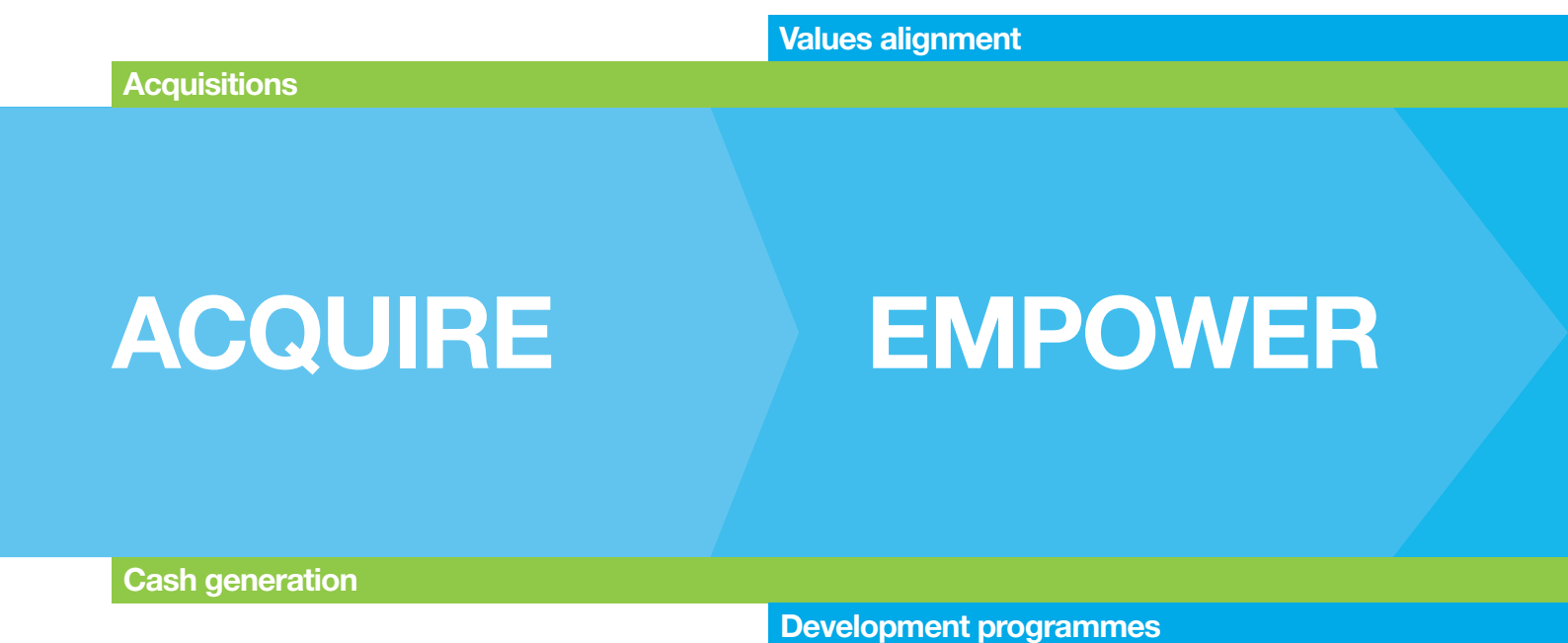
- In October 2012, a group of graduates started the first Halma Graduate Development Programme (HGDP) underpinning our commitment to People Development. This programme will provide them with a series of six-month placements in Halma companies across the world. The first group of nine technical graduates includes a mix from leading universities in the UK and USA. Recruitment for the 2013 HGDP is already underway.

Our focus on building strong positions in markets with sustainable, long-term growth drivers such as Health and Safety regulation, increasing demand for healthcare and the need for life-critical resources (including energy and water) is providing both resilience and opportunities to grow. Order intake continues to be slightly ahead of revenue and Halma remains on track to make further progress in the second half of the year.

Andrew Williams
Chief Executive

¹ See Financial Highlights

STRATEGY AND BUSINESS MODEL



Business model

What is Halma's growth objective?

We aim to double Group revenue and profit every five years.

Historically we have aimed 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 provide the opportunity to generate growth, sustainable high returns and strong competitive advantage. Our chosen markets have significant barriers to entry. Demand for our products is underpinned by long-term, resilient growth drivers.

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

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

Strategic priorities

Where do we invest?

We are making the following key strategic investments across the Group to sustain growth above market rates:

- Acquisitions
- Innovation (products and process)
- People development
- International expansion (especially Asia)

RODIC

Return on sales

Organic revenue growth

High rate of innovation

INNOVATE

GROW

CO₂ emissions reduction

Organic profit growth

International expansion

ROCE

Growth drivers

What drives long-term growth in our chosen markets?

Demand in each of our markets is driven by one or more of the following long-term growth drivers:

- Increasing demand for healthcare
- Increasing demand for energy and water
- Increasing urbanisation of population
- Increasing health and safety regulation

Values

How do we maintain a consistent culture across the Group?

Our values help to ensure a consistent set of standards and behaviours throughout the Group. This is particularly important given the Group's decentralised structure. Our core values are Achievement, Innovation, Empowerment and Customer Satisfaction. Our employees are required to act fairly in their dealings with fellow employees, customers, suppliers and business partners; these principles are included within our Code of Conduct which has been signed by each Group employee.

Our performance culture is underpinned by the alignment of reward and incentive plans.

Organisational structure

How does our structure help deliver competitive advantage?

Halma's three sectors are composed of around 40 autonomous businesses, each with their own board of directors. These are grouped into operating divisions, each chaired by a Halma Divisional Chief Executive (DCE), responsible for its own growth. DCEs understand the market needs of their companies and contribute broadly to their strategies. Through regular interaction between Executive Board members, common challenges and opportunities are identified. A small head office team focuses on setting the strategic framework and maintains a standard process of financial planning, reporting and control.

CONSOLIDATED INCOME STATEMENT

		Unaudited 26 weeks to 29 September 2012			Unaudited 26 weeks to 1 October 2011			Audited 52 weeks to 31 March 2012
	Notes	Before adjustments* £000	Adjustments* (note 2) £000	Total £000	Before adjustments* £000	Adjustments* (note 2) £000	Total £000	Total £000
Continuing operations								
Revenue	2	298,078	–	298,078	279,997	–	279,997	579,883
Operating profit		62,700	(6,771)	55,929	58,158	(6,218)	51,940	109,910
Share of results of associates		(120)	–	(120)	(94)	–	(94)	(37)
Profit on disposal of continuing operations		–	8,188	8,188	–	–	–	3,543
Finance income	3	4,407	–	4,407	4,919	–	4,919	10,070
Finance expense	4	(6,209)	–	(6,209)	(5,482)	–	(5,482)	(11,512)
Profit before taxation		60,778	1,417	62,195	57,501	(6,218)	51,283	111,974
Taxation	5	(14,222)	1,632	(12,590)	(13,258)	1,612	(11,646)	(25,260)
Profit for the year attributable to equity shareholders		46,556	3,049	49,605	44,243	(4,606)	39,637	86,714
Earnings per share	6							
From continuing operations								
Basic		12.34p		13.14p	11.75p		10.52p	23.01p
Diluted				13.13p			10.50p	22.97p
Dividends in respect of the period	7							
Dividends (£000)				15,342			14,298	36,723
Per share				4.06p			3.79p	9.74p

* Adjustments include the amortisation of acquired intangible assets, acquisition transaction costs, movement on contingent consideration, profit on disposal of continuing operations, and the associated taxation thereon.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE

	Unaudited 26 weeks to 29 September 2012 £000	Unaudited 26 weeks to 1 October 2011 £000	Audited 52 weeks to 31 March 2012 £000
Profit for the period	49,605	39,637	86,714
Exchange differences on translation of foreign operations	(10,862)	3,384	(5,707)
Actuarial losses on defined benefit pension plans	(10,700)	(11,440)	(3,024)
Effective portion of changes in fair value of cash flow hedges	(162)	244	545
Tax relating to components of other comprehensive income	2,162	2,529	(11)
Other comprehensive expense for the period	(19,562)	(5,283)	(8,197)
Total comprehensive income for the period attributable to equity shareholders	30,043	34,354	78,517

The exchange differences of (£10,862,000) (26 weeks to 1 October 2011: £3,384,000; 52 weeks to 31 March 2012: (£5,707,000)) comprises £1,488,000 (26 weeks to 1 October 2011: (£1,120,000); 52 weeks to 31 March 2012: (£776,000)) which relate to net investment hedges.

CONSOLIDATED BALANCE SHEET

	Unaudited 29 September 2012 £000	Unaudited 1 October 2011 £000	Audited 31 March 2012 £000
Non-current assets			
Goodwill	290,106	273,049	267,471
Other intangible assets	96,874	80,665	74,483
Property, plant and equipment	72,860	72,508	72,118
Interests in associates	5,023	1,914	1,968
Deferred tax asset	9,341	11,148	11,039
	474,204	439,284	427,079
Current assets			
Inventories	63,269	63,310	57,368
Trade and other receivables	116,286	109,029	114,674
Tax receivable	138	448	288
Cash and cash equivalents	43,000	41,674	45,305
Derivative financial instruments	355	108	469
	223,048	214,569	218,104
Total assets	697,252	653,853	645,183
Current liabilities			
Borrowings	–	2,051	–
Loan notes	2,515	–	–
Trade and other payables	84,379	86,304	93,499
Provisions	1,762	2,691	2,618
Tax liabilities	12,238	12,627	11,870
Derivative financial instruments	277	380	126
	101,171	104,053	108,113
Net current assets	121,877	110,516	109,991
Non-current liabilities			
Borrowings	114,594	95,649	64,014
Retirement benefit obligations	40,611	44,590	32,997
Trade and other payables	6,253	14,971	13,388
Provisions	3,193	2,108	2,301
Deferred tax liabilities	27,167	24,927	26,258
	191,818	182,245	138,958
Total liabilities	292,989	286,298	247,071
Net assets	404,263	367,555	398,112
Equity			
Share capital	37,869	37,841	37,856
Share premium account	22,350	21,993	22,177
Treasury shares	(2,958)	(3,665)	(4,569)
Capital redemption reserve	185	185	185
Hedging and translation reserve	18,149	38,078	29,212
Other reserves	(2,905)	(96)	1,346
Retained earnings	331,573	273,219	311,905
Shareholders' funds	404,263	367,555	398,112

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the 26 weeks ended 29 September 2012								
	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 31 March 2012 (audited)	37,856	22,177	(4,569)	185	29,212	1,346	311,905	398,112
Profit for the period	-	-	-	-	-	-	49,605	49,605
Other comprehensive income and expense:								
Exchange differences on translation of foreign operations	-	-	-	-	(10,862)	-	-	(10,862)
Actuarial losses on defined benefit pension plans	-	-	-	-	-	-	(10,700)	(10,700)
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	(162)	-	-	(162)
Tax relating to components of other comprehensive income	-	-	-	-	(39)	-	2,201	2,162
Total other comprehensive income and expense	-	-	-	-	(11,063)	-	(8,499)	(19,562)
Share options exercised	13	173	-	-	-	-	-	186
Dividends paid	-	-	-	-	-	-	(22,425)	(22,425)
Share-based payments	-	-	-	-	-	(3,991)	-	(3,991)
Deferred tax on share-based payment transactions	-	-	-	-	-	(260)	-	(260)
Excess tax deductions related to share-based payments on exercised options	-	-	-	-	-	-	987	987
Net movement in treasury shares	-	-	1,611	-	-	-	-	1,611
At 29 September 2012 (unaudited)	37,869	22,350	(2,958)	185	18,149	(2,905)	331,573	404,263

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CONTINUED

	For the 26 weeks ended 1 October 2011							
	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 2 April 2011 (audited)	37,824	21,744	(5,016)	185	34,511	3,634	262,503	355,385
Profit for the period	–	–	–	–	–	–	39,637	39,637
Other comprehensive income and expense:								
Exchange differences on translation of foreign operations	–	–	–	–	3,384	–	–	3,384
Actuarial losses on defined benefit pension plans	–	–	–	–	–	–	(11,440)	(11,440)
Effective portion of changes in fair value of cash flow hedges	–	–	–	–	244	–	–	244
Tax relating to components of other comprehensive income	–	–	–	–	(61)	–	2,590	2,529
Total other comprehensive income and expense	–	–	–	–	3,567	–	(8,850)	(5,283)
Share options exercised	17	249	–	–	–	–	–	266
Dividends paid	–	–	–	–	–	–	(20,935)	(20,935)
Share-based payments	–	–	–	–	–	(3,261)	–	(3,261)
Deferred tax on share-based payment transactions	–	–	–	–	–	(469)	–	(469)
Excess tax deductions related to share-based payments on exercised options	–	–	–	–	–	–	864	864
Net movement in treasury shares	–	–	1,351	–	–	–	–	1,351
At 1 October 2011 (unaudited)	37,841	21,993	(3,665)	185	38,078	(96)	273,219	367,555

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CONTINUED

	For the 52 weeks ended 31 March 2012							
	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 2 April 2011 (audited)	37,824	21,744	(5,016)	185	34,511	3,634	262,503	355,385
Profit for the period	–	–	–	–	–	–	86,714	86,714
Other comprehensive income and expense:								
Exchange differences on translation of foreign operations	–	–	–	–	(5,707)	–	–	(5,707)
Actuarial losses on defined benefit pension plans	–	–	–	–	–	–	(3,024)	(3,024)
Effective portion of changes in fair value of cash flow hedges	–	–	–	–	545	–	–	545
Tax relating to components of other comprehensive income	–	–	–	–	(137)	–	126	(11)
Total other comprehensive income and expense	–	–	–	–	(5,299)	–	(2,898)	(8,197)
Share options exercised	32	433	–	–	–	–	–	465
Dividends paid	–	–	–	–	–	–	(35,232)	(35,232)
Share-based payments	–	–	–	–	–	(2,082)	–	(2,082)
Deferred tax on share-based payment transactions	–	–	–	–	–	(206)	–	(206)
Excess tax deductions related to share-based payments on exercised options	–	–	–	–	–	–	818	818
Net movement in treasury shares	–	–	447	–	–	–	–	447
At 31 March 2012 (audited)	37,856	22,177	(4,569)	185	29,212	1,346	311,905	398,112

CONSOLIDATED CASH FLOW STATEMENT

	Notes	Unaudited 26 weeks to 29 September 2012 £000	Unaudited 26 weeks to 1 October 2011 £000	Audited 52 weeks to 31 March 2012 £000
Net cash inflow from operating activities	8	49,050	36,571	97,687
Cash flows from investing activities				
Purchase of property, plant and equipment		(7,595)	(7,658)	(15,196)
Purchase of computer software		(469)	(753)	(1,293)
Purchase of other intangibles		(6)	–	(46)
Proceeds from sale of property, plant and equipment		347	370	1,244
Development costs capitalised		(2,369)	(2,005)	(4,718)
Interest received		52	132	212
Acquisition of businesses, net of cash acquired	10	(80,004)	(18,729)	(18,667)
Acquisition of investments in associates		(3,187)	–	–
Disposal of business, net of cash disposed	11	18,955	–	3,554
Net cash used in investing activities		(74,276)	(28,643)	(34,910)
Financing activities				
Dividends paid		(22,425)	(20,935)	(35,232)
Proceeds from issue of share capital		186	266	465
Purchase of treasury shares		(3,700)	(3,045)	(3,985)
Interest paid		(1,150)	(580)	(1,490)
Loan arrangement fee		–	–	(1,903)
Proceeds from borrowings		50,630	19,975	76,456
Repayment of borrowings		–	(4,305)	(94,050)
Net cash from/(used in) financing activities		23,541	(8,624)	(59,739)
(Decrease)/increase in cash and cash equivalents	8	(1,685)	(696)	3,038
Cash and cash equivalents brought forward		45,305	42,610	42,610
Exchange adjustments		(620)	(240)	(343)
Cash and cash equivalents carried forward		43,000	41,674	45,305

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 29 September 2012, has not been audited or reviewed by the Group's auditors and was approved by the Directors on 20 November 2012.

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 31 March 2012.

The figures shown for the 52 weeks to 31 March 2012 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 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, which includes a £260m five-year revolving credit facility due to expire in October 2016. 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.

2 Segmental analysis

Sector analysis

The Group has three main reportable segments (Health and Analysis, Infrastructure Sensors 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 31 March 2012 consolidated accounts.

Segment revenue and results

	Revenue (all continuing operations)		
	Unaudited 26 weeks to 29 September 2012 £000	Unaudited 26 weeks to 1 October 2011 £000	Audited 52 weeks to 31 March 2012 £000
Health and Analysis	135,157	121,070	253,647
Infrastructure Sensors	100,509	101,102	204,280
Industrial Safety	62,535	58,007	122,240
Inter-segmental sales	(123)	(182)	(284)
Revenue for the period	298,078	279,997	579,883

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.

2 Segmental analysis continued

	Unaudited 26 weeks to 29 September 2012 £000	Profit (all continuing operations)	
		Unaudited 26 weeks to 1 October 2011 £000	Audited 52 weeks to 31 March 2012 £000
Segment profit before allocation of amortisation of acquired intangible assets, acquisition costs and profit on disposal of continuing operations			
Health and Analysis	30,886	27,953	57,848
Infrastructure Sensors	18,907	19,364	39,099
Industrial Safety	15,335	13,596	29,226
	65,128	60,913	126,173
Segment profit after allocation of amortisation of acquired intangible assets, acquisition costs and profit on disposal of continuing operations			
Health and Analysis	24,416	22,024	49,779
Infrastructure Sensors	18,907	19,364	39,276
Industrial Safety	23,222	13,307	28,627
Segment profit	66,545	54,695	117,682
Central administration costs	(2,548)	(2,849)	(4,266)
Net finance expense	(1,802)	(563)	(1,442)
Group profit before taxation	62,195	51,283	111,974
Taxation	(12,590)	(11,646)	(25,260)
Profit for the period	49,605	39,637	86,714

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 on disposal of continuing operations 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 amortisation of acquired intangible assets, acquisition transaction costs, movements on contingent consideration (including any arising from foreign exchange revaluation) and profit on disposal of continuing operations are analysed as follows:

	For the 26 weeks ended 29 September 2012					
	Amortisation of acquired intangible assets £000	Acquisition costs		Total amortisation charge and acquisition costs £000	Disposal of continuing operations (note 11) £000	Total £000
		Transaction costs £000	Adjustments to contingent consideration £000			
Health and Analysis	(6,128)	(1,468)	1,126	(6,470)	–	(6,470)
Infrastructure Sensors	–	–	–	–	–	–
Industrial Safety	(301)	–	–	(301)	8,188	7,887
Total Group	(6,429)	(1,468)	1,126	(6,771)	8,188	1,417

The transaction costs mainly arose on the acquisitions in note 10 of Accutome, Inc. (£225,000), Sensorex Inc. (£295,000) and SunTech Medical Group Limited (£939,000).

	For the 26 weeks ended 1 October 2011					
	Amortisation of acquired intangible assets £000	Acquisition costs		Total amortisation charge and acquisition costs £000	Disposal of continuing operations (note 11) £000	Total £000
		Transaction costs £000	Adjustments to contingent consideration £000			
Health and Analysis	(4,901)	(66)	(962)	(5,929)	–	(5,929)
Infrastructure Sensors	–	–	–	–	–	–
Industrial Safety	(244)	(45)	–	(289)	–	(289)
Total Group	(5,145)	(111)	(962)	(6,218)	–	(6,218)

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

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2 Segmental analysis continued

	For the 52 weeks ended 31 March 2012					
	Amortisation of acquired intangible assets £000	Acquisition costs		Total amortisation charge and acquisition costs £000	Disposal of continuing operations (note 11) £000	Total £000
		Transaction costs £000	Adjustments to contingent consideration £000			
Health and Analysis	(9,804)	(667)	(1,141)	(11,612)	3,543	(8,069)
Infrastructure Sensors	–	–	177	177	–	177
Industrial Safety	(548)	(51)	–	(599)	–	(599)
Total Group	(10,352)	(718)	(964)	(12,034)	3,543	(8,491)

The total assets of the Health and Analysis sector were £385,299,000 at 29 September 2012 (£332,051,000 at 1 October 2011; £317,280,000 at 31 March 2012), the increase in the period being primarily due to additional goodwill and acquired intangible assets arising from the three 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 2012 Annual Report.

Geographical information

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

	Revenue by destination		
	Unaudited 26 weeks to 29 September 2012 £000	Unaudited 26 weeks to 1 October 2011 £000	Audited 52 weeks to 31 March 2012 £000
United States of America	93,491	78,598	161,951
Mainland Europe	73,306	75,264	154,428
United Kingdom	57,213	60,638	125,613
Asia Pacific and Australasia	48,826	41,611	87,277
Africa, Near and Middle East	14,240	13,024	27,750
Other countries	11,002	10,862	22,864
Group revenue	298,078	279,997	579,883

3 Finance income

	Unaudited 26 weeks to 29 September 2012 £000	Unaudited 26 weeks to 1 October 2011 £000	Audited 52 weeks to 31 March 2012 £000
Interest receivable	52	132	212
Expected return on pension assets	4,355	4,772	9,529
	4,407	4,904	9,741
Fair value movement on derivative financial instruments	–	15	329
	4,407	4,919	10,070

4 Finance expense

	Unaudited 26 weeks to 29 September 2012 £000	Unaudited 26 weeks to 1 October 2011 £000	Audited 52 weeks to 31 March 2012 £000
Interest payable on bank loans and overdrafts	1,107	543	1,383
Amortisation of finance costs	317	–	282
Interest charge on pension scheme liabilities	4,615	4,845	9,684
Other interest payable	43	37	107
	6,082	5,425	11,456
Fair value movement on derivative financial instruments	108	–	–
Unwinding of discount on provisions	19	57	56
	6,209	5,482	11,512

5 Taxation

The total Group tax charge for the 26 weeks to 29 September 2012 of £12,590,000 (26 weeks to 1 October 2011: £11,646,000; 52 weeks to 31 March 2012: £25,260,000) comprises a current tax charge of £13,130,000 (26 weeks to 1 October 2011: £11,457,000; 52 weeks to 31 March 2012: £25,409,000) and a deferred tax credit of £540,000 (26 weeks to 1 October 2011: charge of £189,000; 52 weeks to 31 March 2012: credit of £149,000). The tax charge is based on the estimated effective tax rate for the year.

The tax charge includes £9,501,000 (26 weeks to 1 October 2011: £7,903,000; 52 weeks to 31 March 2012: £15,635,000) 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 2013 will reduce from 24% to 23%. This reduction in rate has resulted in a credit to the deferred tax asset of £282,000, of which £406,000 was charged to Other Comprehensive Income and £124,000 credited to the Income Statement.

6 Earnings per ordinary share

Basic earnings per ordinary share are calculated using the weighted average of 377,388,541 (1 October 2011: 376,659,210; 31 March 2012: 376,926,013) 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 377,927,267 (1 October 2011: 377,319,197; 31 March 2012: 377,473,142) shares which includes dilutive potential ordinary shares of 538,726 (1 October 2011: 659,987; 31 March 2012: 547,129). 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 transaction costs, movement on contingent consideration and profit on disposal of continuing operations after tax. The Directors consider that adjusted earnings represent a more consistent measure of underlying performance. A reconciliation of earnings and the effect on basic earnings per share figures is presented below:

	Unaudited 26 weeks to 29 September 2012 £000	Unaudited 26 weeks to 1 October 2011 £000	Audited 52 weeks to 31 March 2012 £000
Earnings from continuing operations	49,605	39,637	86,714
Add back amortisation of acquired intangible assets (after tax)	4,530	3,783	7,561
Acquisition transaction costs (after tax)	1,468	111	691
Adjustments to contingent consideration (after tax)	(859)	712	786
Profit on disposal of continuing operations (after tax)	(8,188)	–	(3,543)
Adjusted earnings	46,556	44,243	92,209

	Per ordinary share		
	Unaudited 26 weeks to 29 September 2012 pence	Unaudited 26 weeks to 1 October 2011 pence	Audited 52 weeks to 31 March 2012 pence
Earnings from continuing operations	13.14	10.52	23.01
Add back amortisation of acquired intangible assets (after tax)	1.21	1.01	2.00
Acquisition transaction costs (after tax)	0.39	0.03	0.18
Adjustments to contingent consideration (after tax)	(0.23)	0.19	0.21
Profit on disposal of continuing operations (after tax)	(2.17)	–	(0.94)
Adjusted earnings	12.34	11.75	24.46

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

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7 Dividends

	Per ordinary share		
	Unaudited 26 weeks to 29 September 2012 £000	Unaudited 26 weeks to 1 October 2011 £000	Audited 52 weeks to 31 March 2012 £000
Amounts recognised as distributions to shareholders in the period			
Final dividend for the year to 31 March 2012 (2 April 2011)	5.95	5.56	5.56
Interim dividend for the year to 31 March 2012	–	–	3.79
	5.95	5.56	9.35
Dividends in respect of the period			
Interim dividend for the year to 30 March 2013 (31 March 2012)	4.06	3.79	3.79
Final dividend for the year to 31 March 2012	–	–	5.95
	4.06	3.79	9.74

	Unaudited 26 weeks to 29 September 2012 £000	Unaudited 26 weeks to 1 October 2011 £000	Audited 52 weeks to 31 March 2012 £000
Amounts recognised as distributions to shareholders in the period			
Final dividend for the year to 31 March 2012 (2 April 2011)	22,425	20,935	20,934
Interim dividend for the year to 31 March 2012	–	–	14,298
	22,425	20,935	35,232
Dividends in respect of the period			
Interim dividend for the year to 30 March 2013 (31 March 2012)	15,342	14,298	14,298
Final dividend for the year to 31 March 2012	–	–	22,425
	15,342	14,298	36,723

8 Notes to the Consolidated Cash Flow Statement

	Unaudited 26 weeks to 29 September 2012 £000	Unaudited 26 weeks to 1 October 2011 £000	Audited 52 weeks to 31 March 2012 £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 on disposal of continuing operations	55,929	51,940	109,910
Depreciation of property, plant and equipment	6,262	6,077	12,178
Amortisation of computer software	677	588	1,319
Amortisation of capitalised development costs and other intangibles	1,824	1,879	3,820
Amortisation of acquired intangible assets	6,429	5,145	10,352
Share-based payment expense in excess of amounts paid	1,378	1,250	2,432
Additional payments to pension scheme	(3,346)	(3,160)	(6,419)
Loss/(profit) on sale of property, plant and equipment and computer software	13	(64)	(495)
Operating cash flows before movement in working capital	69,166	63,655	133,097
Increase in inventories	(3,021)	(7,504)	(3,777)
Decrease/(increase) in receivables	1,831	3,140	(1,190)
Decrease in payables	(7,543)	(9,553)	(2,671)
Cash generated from operations	60,433	49,738	125,459
Taxation paid	(11,383)	(13,167)	(27,772)
Net cash inflow from operating activities	49,050	36,571	97,687
Reconciliation of net cash flow to movement in net debt			
(Decrease)/increase in cash and cash equivalents	(1,685)	(696)	3,038
Cash (inflow)/outflow from (drawdowns)/repayment of borrowings	(50,630)	(15,670)	17,594
Bank loan acquired	(1,438)	(1,144)	(1,144)
Loan notes issued	(2,515)	–	–
Exchange adjustments	868	(1,438)	(1,119)
	(55,400)	(18,948)	18,369
Net debt brought forward	(18,709)	(37,078)	(37,078)
Net debt carried forward	(74,109)	(56,026)	(18,709)
Analysis of net debt			
Cash and cash equivalents	43,000	41,674	45,305
Loan notes falling due within one year*	(2,515)	–	–
Bank loans falling due within one year	–	(2,051)	–
Bank loans falling due after more than one year	(114,594)	(95,649)	(64,014)
	(74,109)	(56,026)	(18,709)

* The loan notes were issued on 6 June 2012 and are convertible at par into cash at any time between six and twelve months from date of issue.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

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9 Non-GAAP measures

Return on capital employed

	Unaudited 26 weeks to 29 September 2012 £000	Unaudited 26 weeks to 1 October 2011 £000	Audited 52 weeks to 31 March 2012 £000
Operating profit before amortisation of acquired intangible assets, acquisition transaction costs and movement on contingent consideration, but after share of results of associates	62,580	58,064	121,907
Computer software costs within intangible assets	2,421	2,948	2,678
Capitalised development costs within intangible assets	10,602	9,823	10,508
Other intangibles within intangible assets	179	216	215
Property, plant and equipment	72,860	72,508	72,118
Inventories	63,269	63,310	57,368
Trade and other receivables	116,286	109,029	114,674
Trade and other payables	(84,379)	(86,304)	(93,499)
Provisions	(1,762)	(2,691)	(2,618)
Net tax liabilities	(12,100)	(12,179)	(11,582)
Non-current trade and other payables	(6,253)	(14,971)	(13,388)
Non-current provisions	(3,193)	(2,108)	(2,301)
Add back accrued contingent purchase consideration	16,870	29,142	29,110
Capital employed	174,800	168,723	163,283
Return on capital employed (annualised)	71.6%	68.8%	74.7%

Return on total invested capital

	Unaudited 26 weeks to 29 September 2012 £000	Unaudited 26 weeks to 1 October 2011 £000	Audited 52 weeks to 31 March 2012 £000
Post-tax profit before amortisation of acquired intangible assets, acquisition transaction costs, movement on contingent consideration and profit on disposal of continuing operations	46,556	44,243	92,209
Total shareholders' funds	404,263	367,555	398,112
Add back retirement benefit obligations	40,611	44,590	32,997
Less associated deferred tax assets	(9,341)	(11,148)	(7,920)
Cumulative amortisation of acquired intangible assets	41,850	31,663	36,306
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	566,932	522,209	549,044
Return on total invested capital (annualised)	16.4%	16.9%	16.8%

Organic growth

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

10 Acquisitions

The Group made three acquisitions during the period. Below are summaries of the assets and liabilities acquired and the purchase consideration of:

- the total of all three acquisitions, including an adjustment to a prior period acquisition;
- the three acquisitions, namely Accutome, Inc., Sensorex Inc. and SunTech Medical Group Limited.

(A) Total of all three acquisitions and adjustments to prior period acquisition

	Book value £000	Provisional fair value adjustments £000	Total £000
Non-current assets			
Intangible assets	12	31,436	31,448
Property, plant and equipment	1,641	(305)	1,336
Deferred tax	212	698	910
Current assets			
Inventories	7,379	(1,211)	6,168
Trade and other receivables	6,132	494	6,626
Cash and cash equivalents	3,641	(5)	3,636
Total assets	19,017	31,107	50,124
Current liabilities			
Trade and other payables	(3,219)	(595)	(3,814)
Overdrafts	(116)	–	(116)
Bank loans	(1,307)	–	(1,307)
Provisions	(100)	(316)	(416)
Corporation tax	(44)	539	495
Non-current liabilities			
Bank loans	(131)	–	(131)
Provisions	(21)	(25)	(46)
Deferred tax	–	(7,123)	(7,123)
Total liabilities	(4,938)	(7,520)	(12,458)
Net assets of businesses acquired	14,079	23,587	37,666
Cash consideration paid			67,760
Cash consideration to be paid (estimated)			804
Contingent purchase consideration (current period acquisitions)			6,977
Total consideration			75,541
Goodwill arising on current period acquisitions			37,875
Goodwill arising on prior period acquisitions			–
Goodwill arising on acquisitions			37,875

Due to their contractual dates, the fair value of receivables acquired (shown above) approximates 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).

£9,586,000 of the goodwill arising on acquisitions in the period is expected to be deductible for tax purposes.

Together, all three acquisitions contributed £16,647,000 of revenue and £2,502,000 of profit after tax for the 26 weeks ended 29 September 2012. 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 £2,621,000 and £418,000 higher, respectively.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

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10 Acquisitions continued

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

The adjustment to a prior period acquisition resulted in a reclassification of balances between asset and liability categories, although overall the net asset adjustment was £nil.

Analysis of cash outflow in the Consolidated Cash Flow Statement

	Unaudited 26 weeks to 29 September 2012 £000	Unaudited 26 weeks to 1 October 2011 £000	Audited 52 weeks to 31 March 2012 £000
Cash consideration in respect of current period acquisitions	67,760	13,383	13,305
Cash acquired on acquisitions	(3,636)	(49)	(49)
Overdrafts acquired on acquisitions	116	–	–
Contingent consideration paid in relation to prior period acquisitions*	15,764	5,395	5,411
Net cash outflow relating to acquisitions (per cash flow statement)	80,004	18,729	18,667
Bank loans acquired	1,438	1,144	1,144
Net cash outflow, including repayment of acquired bank loans	81,442	19,873	19,811

* Of the £15,764,000 (26 weeks to 1 October 2011: £5,395,000; 52 weeks to 31 March 2012: £5,411,000) contingent purchase consideration payment, £15,764,000 (26 weeks to 1 October 2011: £5,395,000; 52 weeks to 31 March 2012: £5,411,000) was provided in the prior period's financial statements.

(Bi) Accutome, Inc.

	Book value £000	Provisional fair value adjustments £000	Total £000
Non-current assets			
Intangible assets	3	6,161	6,164
Property, plant and equipment	683	(39)	644
Deferred tax	–	375	375
Current assets			
Inventories	2,768	111	2,879
Trade and other receivables	1,809	(527)	1,282
Total assets	5,263	6,081	11,344
Current liabilities			
Trade and other payables	(1,418)	(392)	(1,810)
Overdrafts	(116)	–	(116)
Bank loans	(1,307)	–	(1,307)
Provisions	(49)	(94)	(143)
Non-current liabilities			
Bank loans	(131)	–	(131)
Provisions	–	(25)	(25)
Deferred tax	–	(2,342)	(2,342)
Total liabilities	(3,021)	(2,853)	(5,874)
Net assets of businesses acquired	2,242	3,228	5,470
Cash consideration			11,230
Contingent purchase consideration			3,120
Total consideration			14,350
Goodwill arising on acquisition			8,880

10 Acquisitions continued

On 2 April 2012, the Group acquired 100% of the issued share capital of Accutome, Inc. (Accutome) for US\$17,995,000 (US\$20,298,000 including repayment of US\$2,303,000 bank loans). Accutome, based in Pennsylvania, USA, with a wholly owned subsidiary located in The Netherlands, designs, manufactures and sells surgical and diagnostic instruments and a variety of pharmaceuticals for the ophthalmic marketplace. Accutome is best known for its leading ultrasound diagnostic equipment (used prior to cataract surgery and to diagnose certain eye conditions) and for its surgical instrumentation, featuring its leading diamond bladed surgical knives. Accutome forms part of the Health and Analysis sector and was acquired to further expand Halma's footprint in ophthalmic diagnostic and surgical instrumentation. The excess of the fair value of the consideration paid over the fair value of the assets acquired is represented by supplier arrangement intangibles of £2,102,000, customer-related intangibles of £2,861,000 and brand intangibles of £1,201,000 with residual goodwill arising of £8,880,000. The goodwill represents:

- the value of the acquired workforce;
- the ability to exploit Accutome's distribution arrangements;
- potential synergies with other Halma companies within the ophthalmic market; and
- the ability to exploit the Group's existing distribution arrangements, particularly outside North America.

Contingent consideration of between US\$nil and US\$5,000,000 is payable dependent on the profits of the acquired business for the period up to September 2013. The Directors estimate that contingent consideration of US\$5,000,000 will be paid.

(Bii) Sensorex Inc.

	Book value £000	Provisional fair value adjustments £000	Total £000
Non-current assets			
Intangible assets	–	12,689	12,689
Property, plant and equipment	286	–	286
Current assets			
Inventories	564	(110)	454
Trade and other receivables	1,177	(5)	1,172
Total assets	2,027	12,574	14,601
Current liabilities			
Trade and other payables	(268)	(10)	(278)
Provisions	–	(193)	(193)
Total liabilities	(268)	(203)	(471)
Net assets of businesses acquired	1,759	12,371	14,130
Cash consideration			23,716
Contingent purchase consideration			–
Total consideration			23,716
Goodwill arising on acquisition			9,586

On 2 April 2012, the Group acquired the trade and assets of Sensorex Inc. (Sensorex) for US\$38,003,000. Sensorex, based in California, USA, manufactures electrochemical sensors for water analysis applications. Sensorex forms part of the Health and Analysis sector and was acquired for its range of sensors and associated accessories, which are incorporated by OEMs manufacturing single and multi-parameter probes and instruments for monitoring water quality, a market that is forecast to see continued growth. 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 £9,998,000 and technological know-how intangibles of £2,691,000 with residual goodwill arising of £9,586,000. The goodwill represents:

- the value of the acquired workforce;
- potential synergies with other Halma companies within the Water market, especially the hubs in China and India; and
- the ability to exploit the Group's existing distribution arrangements, particularly outside the USA.

There are no contingent consideration payment arrangements.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

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10 Acquisitions continued

(Biii) SunTech Medical Group Limited

	Book value £000	Provisional fair value adjustments £000	Total £000
Non-current assets			
Intangible assets	9	12,586	12,595
Property, plant and equipment	672	(266)	406
Deferred tax	212	323	535
Current assets			
Inventories	4,047	(1,212)	2,835
Trade and other receivables	3,146	1,026	4,172
Cash and cash equivalents	3,641	(5)	3,636
Total assets	11,727	12,452	24,179
Current liabilities			
Trade and other payables	(1,540)	(191)	(1,731)
Provisions	(51)	(29)	(80)
Corporation tax	(37)	539	502
Non-current liabilities			
Provisions	(21)	–	(21)
Deferred tax	–	(4,783)	(4,783)
Total liabilities	(1,649)	(4,464)	(6,113)
Net assets of businesses acquired	10,078	7,988	18,066
Cash consideration			32,814
Cash consideration to be paid (estimated)			804
Contingent purchase consideration			3,857
Total consideration			37,475
Goodwill arising on acquisition			19,409

On 31 May 2012 the Group acquired 100% of the issued share capital of the SunTech Medical Group Limited (SunTech), which is primarily based in the USA, UK and China. The initial cash consideration of US\$51,000,000 is adjustable based on the final level of agreed working capital. SunTech forms part of the Health and Analysis sector and is a pre-eminent supplier of clinical grade non-invasive blood pressure monitoring products and technologies. 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 £6,103,000, technological know-how intangibles of £3,641,000 and brand intangibles of £2,842,000 with residual goodwill arising of £19,409,000. The goodwill represents:

- a) the value of the acquired workforce; and
- b) potential synergies with other Halma companies within the blood pressure monitoring market.

Contingent consideration of between US\$nil and US\$6,000,000 is payable dependent on the profits of the acquired business for the twelve months to December 2012. The Directors estimate that contingent consideration of US\$6,000,000 will be paid.

11 Disposal of business

On 22 August 2012, the Group disposed of its Asset Monitoring sub-sector, comprising Trittech Holdings Limited and its subsidiary Trittech International Limited (together known as "Trittech"), for an initial cash consideration of £18.9 million. A further £0.8 million was paid in October 2012 in respect of cash and working capital held in the business at the time of sale. In addition, £2.1 million is retained in escrow and will be released to Halma on the anniversary of the transaction subject to any valid warranty/indemnity claims being made by the purchaser. The Directors estimate that the entire £2.1 million will be received. The profit on disposal is estimated to be £8.2 million, being the total £21.8 million consideration above less £1.3 million of transaction costs, £8.0 million of goodwill and £4.3 million of net assets. Due to the nature and size of the disposed operation, it has not been separately disclosed as a discontinued operation as defined by IFRS 5.

The cash inflow in the Consolidated Cash Flow Statement of £18,955,000 comprises £18,900,000 initial consideration for Trittech and £1,500,000 released from escrow for the prior year disposal of Volumatic Limited less £1,249,000 of transaction costs and £196,000 cash held by the disposed business.

The profit on disposal of £3.5 million and cash inflow of £3,554,000 in the 52 weeks to 31 March 2012 related entirely to the disposal of Volumatic Limited on 30 March 2012. Due to the nature and size of the disposed operation, it was not separately disclosed as a discontinued operation as defined by IFRS 5.

12 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 2012 Annual Report.

13 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 on pages 61 to 63 in the 2012 Annual Report, 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
- Acquisitions
- Information Technology/Business Interruption
- Financial irregularities and international expansion
- Cash
- Treasury risks
- Economic conditions
- Pension deficit.

The Directors do not consider that the principal risks and uncertainties have changed since the publication of the 2012 Annual Report. However macro-economic uncertainty continues and movements in foreign exchange rates remain a risk to financial performance.

The macro-economic and political circumstances particularly in the Eurozone, but also globally, continue to generate uncertainty for our business. The Group operates in a broad spread of markets, which substantially limits the risk associated with instability in any given territory. Sales into Greece, Ireland, Italy, Portugal and Spain represented just £12 million in the first half of 2012/13 (4% of total Group sales). The Group does not have any significant operations within these countries. Group sales into Mainland Europe were £73 million (25% of total Group sales).

13 Principal risks and uncertainties continued

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 targetting 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 year, the US\$ was on average 3% stronger and the Euro and Swiss Franc on average 10% weaker relative to Sterling than in the first half of the previous year. The net result was a 2% negative impact on reported profit.

14 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

20 November 2012

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Norman R Blackwell*
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Adam J Meyers
Stephen R Pettit*
Neil Quinn
Kevin J Thompson

*Non-executive

Secretary

Carol T Chesney

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Kevin J Thompson *Finance Director*
Charles E Dubois *Fluid Technology*
Philippe Felten *Security and Door Sensors*
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