

HALMA

Adding value



Financial highlights

	CHANGE	2009/10	2008/09
Continuing operations			
Revenue	+0%	£222.1m	£221.7m
Adjusted profit before taxation ⁽¹⁾	-2%	£38.1m	£39.0m
Statutory profit before taxation	-1%	£35.4m	£35.6m
Adjusted earnings per share ⁽²⁾	-2%	7.37p	7.52p
Statutory earnings per share	+0%	6.87p	6.85p
Interim dividend per share	+5%	3.31p	3.15p
Return on sales ⁽³⁾		17.1%	17.6%
Return on total invested capital ⁽⁴⁾		12.6%	14.7%
Return on capital employed ⁽⁴⁾		52.4%	57.1%

Pro-forma information:

(1) Adjusted to remove the amortisation of acquired intangible assets of £2.7m (2008/09: £3.4m).

(2) Adjusted to remove the amortisation of acquired intangible assets and the associated tax. See note 4 for details.

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

(4) 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 7 for details.

OUR STRATEGY

Create sustained shareholder value by operating in markets offering consistent high returns and long-term growth

STRATEGIC DIRECTIONS

Organic growth

Acquisitions

DELIVERING THE STRATEGY

- Niche market focus
- Entrepreneurial culture
- Decentralised decision making
- High quality management
- Intercompany collaboration
- Strong financial resources
- Investment in innovation
- International operations
- Acquisition/disposal expertise
- Progressive dividend policy

We achieve sustainable competitive advantage by operating in relatively non-cyclical, specialised global markets. Our chosen markets have significant barriers to entry for competitors, are underpinned by resilient growth drivers and must offer the potential for high returns and strong long-term growth.

Chairman's statement

Half year results reflect Halma's resilience



Geoff Unwin
Chairman

INTERIM DIVIDEND PER SHARE pence

3.31p +5%

2009/10	3.31
2008/09	3.15
2007/08	3.00
2006/07	2.85
2005/06	2.71

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

Results

For the first half, revenue from continuing operations was level compared with the prior year (2009/10: £222.1m; 2008/09: £221.7m) and adjusted¹ profit before tax from continuing operations decreased 2% to £38.1m (2008/09: £39.0m). Statutory profit before tax decreased by 1% to £35.4m. Organic revenue¹ was 1% lower and 9% lower than the prior year at constant currency. Organic profit¹ was 3% lower; down 12% at constant currency. Return on total invested capital¹ was 12.6% (2008/09: 14.7%). Cash flow was very strong in the half year, reducing net debt to £21.4m from £51.2m at March 2009.

Dividends

The Board declares an interim dividend of 3.31 pence per share, an increase of 5%, which will be paid on 10 February 2010 to shareholders on the register at 8 January 2010. This increase reflects the Board's confidence in Halma's long-term growth prospects.

Progress

Despite the turbulent economic conditions the world has faced, Halma has performed well and relative to the market as a whole, even better. In part, this has been helped by favourable currency trends, particularly the weakness of Sterling against the major currencies. Internally we have worked hard to improve our effectiveness and are delivering against our stated objectives which are to deliver fixed cost savings of £15m on an annualised basis relative to our overhead base during the second half of 2008/09; and to achieve £5m of product cost savings – however we are not being penny-wise and pound-foolish, we continue to invest strongly in products, markets and people.

Outlook

Our visibility of short-term demand is better than 12 months ago but it is still too early to claim that our customers have anything like their normal levels of visibility and hence confidence for the medium term. Given this market uncertainty, our actions to reduce costs and maintain targeted investment give us even greater resilience as we go into the second half together with the opportunity for improving performance.

Geoff Unwin
Chairman

¹ See Financial highlights

Chief Executive's review

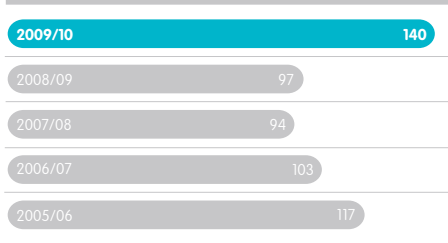
Strong margins maintained with investment for the future



Andrew Williams
Chief Executive

OPERATING CASH TO PROFIT %

140%



A solid first half

We have continued to achieve a resilient performance in the six-month period to September 2009 and are well placed to continue this through the second half of the year.

Revenues for the 27-week period were flat at £222.1m (2008/09: £221.7m) assisted by a 1% contribution from recent acquisitions (net of disposals) and 8% positive impact from currency translation. Therefore, the underlying trend was organic revenue decline of 9%. Order intake in the first half was 2% ahead of revenue.

Profit¹ reduced slightly by 2% to £38.1m (2008/09: £39.0m). Recent acquisitions (net of disposals) boosted profit¹ by 1% and there was a currency translation benefit of 9%. Organic profit at constant currency was therefore 12% lower than last year.

Strong operational management maintains good margins

Profit¹ in the first half was reduced by £1.7m (4%) as a result of the reorganisation actions across the Group targeted at reducing annualised operating costs by £15m compared with the run-rate through the second half of 2008/09. In addition, we have continued to improve our manufacturing efficiencies. The benefits of these cost reductions started to show through with improved profitability towards the end of this first half.

Our success in reducing costs is reflected in the stability of our margins with Return on sales remaining strong at 17% (2008/09: 18%) – well within our stated 16% to 20% target range. We have the opportunity to edge up our Return on sales % in the second half, should the current demand levels remain stable.

In anticipation of the current demand levels, reducing our cost base has been an important priority for management throughout 2009. I have been impressed by their response in tackling this difficult task which, inevitably, involves some headcount reduction. Their success in reducing resources quickly and cost-effectively reflects both our flexible approach to manufacturing and our decentralised organisational structure. Keeping decision making and management action at the subsidiary board level encourages faster responses which are appropriate to the specific business needs. Clearly this will also be advantageous when resource needs to be selectively added to address future growth opportunities.

Strong cash generation

Cash generation exceeded expectations, which was especially pleasing as it was a key priority given to management at the start of the year. Excellent control of working capital, lower tax payments and some benefit from currency exchange rate movement has reduced our net debt to £21.4m compared to £51.2m at the end of March 2009.

Sector performances

Whilst our diversity has ensured overall resilience, a feature of trading over the past 12 months has been the increased variation in conditions across our different market sectors and world regions.

As expected, Infrastructure Sensors delivered a solid performance with profits up 2% to £16.6m (2008/09: £16.2m) on revenue down by 1% to £91.3m (2008/09: £92.3m). Return on sales increased from 17.6% to 18.2%. Strong performances from Automatic Door Sensors and Elevator Safety compensated for a weaker performance in Fire Detection and continued tough conditions in Security Sensors.

Encouragingly Health and Analysis performed ahead of expectations, growing profit by 12% to £15.9m (2008/09: £14.2m). Revenue of £83.6m was 9% ahead (2008/09: £76.4m), ensuring that Return on sales improved from 18.6% to 19.0%. Health Optics, Fluid Technology and Photonics all made good progress with Photonics, in particular, benefiting from the action taken to reduce overhead costs earlier in 2009. We expect the performance of our Water businesses to improve in 2010/11 as the UK water utilities begin their next 5-year investment cycle.

Industrial Safety had a tougher first half, achieving revenue of £47.2m (2008/09: £53.3m) – a decline of 11%. Despite aggressive cost cutting, profit was down by 29% to £8.4m (2008/09: £11.7m), although this still represented a very satisfactory Return on sales of 17.7%. All four businesses within this sector had reduced profit with particularly challenging market conditions in Asset Monitoring (North Sea oil and gas) and Bursting Disks (European and US process industries). If the current levels of trading persist we expect profitability to improve in the second half due to our lower cost base.

R&D AS A PERCENTAGE OF REVENUE

%

4.9%

2009/10	4.9
2008/09	5.0
2007/08	5.0
2006/07	4.4
2005/06	4.3

Geographic revenue trends

As with our sectors, the geographic performance trends were also mixed but broadly consistent with the underlying trends we have reported previously in 2009.

The UK remained the weakest region with 11% revenue decline whilst revenue from the USA was more resilient, growing by 16%. Mainland Europe revenue dropped by 2% with the major adverse impact coming from the Industrial Safety sector.

Although combined revenue from markets outside the UK, USA and Mainland Europe was down by 3%, the underlying trend was more positive since last year's comparative included revenue from the two small business disposals we completed early in 2009. Excluding this, underlying revenue from these markets increased by 4% boosted by continued momentum in China where revenue grew by an impressive 52% to £7.9m (2008/09: £5.2m).

Continued investment in strategic growth initiatives

Despite the significant action taken to reduce operating costs, we are determined that investment in innovation, people development and geographic expansion continues to ensure growth in the medium term:

- Strong expenditure in R&D was maintained at £10.9m (2008/09: £11.0m) representing 4.9% of revenue;
- The Halma Innovation and Technology Exposition held in May 2009 has increased the collaboration and networking between subsidiaries across all business sectors;
- A full schedule of management development programmes has continued and we are launching a new programme targeted at developing our technical and engineering staff in 2010;
- Four additional companies now have a direct technical or sales presence in India through our Halma hub in Mumbai adding to the two companies already there; and
- We now have over 220 employees located in China and by the end of the financial year, seven sub-sectors, within our three sectors, will have established local manufacturing.

Focused search for acquisitions

We are in a strong position to seek further acquisitions although our criteria remain the same, focused on businesses operating in our existing market niches with good long-term track records. Compared to a year ago, we have a clearer understanding of what a 'good' performance means in the current economic climate. This, in turn, provides greater clarity to our selection and valuation processes. We would be willing to invest in making bolt-on acquisitions in all three sectors, although Health and Analysis remains the sector where we see the greatest scope for activity.

Risks and uncertainties

There are no significant changes to the risks and uncertainties outlined in the 2009 Annual report. These are summarised in Note 9 in this Half year report.

As stated previously, during the first half of this year, favourable currency translation benefited revenue by 8% and profit by 9%. If the exchange rates at the start of the second half persisted, the full year-on-year benefit will be lower than the first half, although still positive overall.

Outlook

Our current operational priorities are to maintain strong cash generation, consolidate the cost savings already made and continue to invest in new products, people development and geographic market expansion. As planned, a further reorganisation charge of £0.8m is expected in the second half to achieve our overall cost saving objectives.

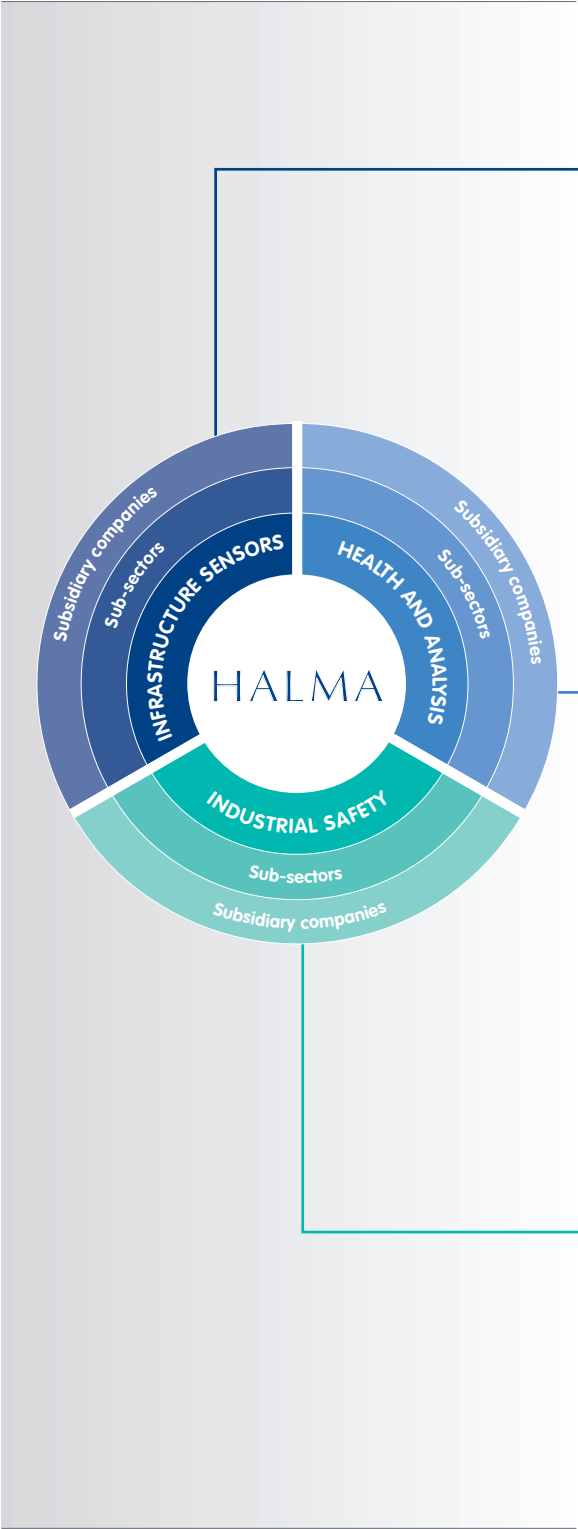
We are not assuming any recovery in our markets in the remainder of this financial year, although order intake during the first half was slightly ahead of revenue. After a solid first half and with our reduced cost base, if current demand levels remain stable, we have the opportunity to achieve an improved performance in the second half.

Andrew Williams

Chief Executive

¹ See Financial highlights

What we do



Infrastructure Sensors

Detecting hazards and protecting assets and people in buildings.

PROFIT* CONTRIBUTION

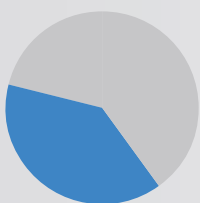


£17m
41%

Health and Analysis

Improving public and personal health; protecting the environment.

PROFIT* CONTRIBUTION



£16m
39%

Industrial Safety

Protecting assets and people at work.

PROFIT* CONTRIBUTION



£8m
20%

* See note 2

SUB-SECTORS



FIRE DETECTION

Fire and smoke detectors and audible/visual warning devices. World's second largest manufacturer of point smoke detectors used in public and commercial property.



SECURITY SENSORS

Security sensors used in public and commercial property. Market leaders in the UK and South Africa.



AUTOMATIC DOOR SENSORS

World leader in sensors used on automatic doors in public and commercial buildings.



ELEVATOR SAFETY

World leader in elevator/lift door safety sensors. We also make emergency communication devices, displays and control panels for elevators.

SUB-SECTORS



WATER

World leader in monitoring and finding leaks in underground water pipelines. Among the world leaders in UV technology for disinfecting and treating water.



PHOTONICS

Market leading technologies and products which generate, measure and condition light and analyse the interaction of light with substances.



HEALTH OPTICS

Handheld devices used to assess eye health, diagnose disease and assist with eye surgery as well as diagnostic devices for general medical applications.



FLUID TECHNOLOGY

Critical components such as pumps, probes, valves, connectors and tubing used by scientific, environmental and medical diagnostic OEMs for demanding applications.

SUB-SECTORS



GAS DETECTION

Portable instruments and fixed systems which detect flammable and hazardous gases.



BURSTING DISKS

'One time use' pressure relief devices to protect large vessels and pipework in process industries.



SAFETY INTERLOCKS

Specialised mechanical, electrical and electromechanical locks which ensure that critical processes operate safely.



ASSET MONITORING

Products for monitoring physical assets above ground and under water using innovative sensors and communications technologies.

Condensed financial statements

Consolidated income statement

			Unaudited 27 weeks to 3 October 2009			Unaudited 26 weeks to 27 September 2008	Audited 52 weeks to 28 March 2009
	Notes	Before acquired intangibles amortisation £000	Amortisation of acquired intangibles £000	Total £000	Before acquired intangibles amortisation £000	Amortisation of acquired intangibles £000	Total £000
Continuing operations							
Revenue	2	222,050	–	222,050	221,704	–	221,704
Operating profit		39,732	(2,693)	37,039	40,859	(3,399)	37,460
Finance income		3,332	–	3,332	4,277	–	4,277
Finance expense		(5,001)	–	(5,001)	(6,117)	–	(6,117)
Profit before taxation		38,063	(2,693)	35,370	39,019	(3,399)	35,620
Taxation	3	(10,468)	824	(9,644)	(10,925)	904	(10,021)
Profit for the period from continuing operations attributable to equity shareholders		27,595	(1,869)	25,726	28,094	(2,495)	25,599
Earnings per ordinary share	4						
From continuing operations							
Basic		7.37p		6.87p	7.52p		6.85p
Diluted				6.85p			6.83p
Dividends in respect of the period	5						
Declared (£000)				12,429			11,788
Declared per share				3.31p			3.15p

Consolidated statement of comprehensive income and expenditure

	Unaudited 27 weeks to 3 October 2009 £000	Unaudited 26 weeks to 27 September 2008 £000	Audited 52 weeks to 28 March 2009 £000
Profit for the period	25,726	25,599	52,581
Exchange differences on translation of foreign operations	(9,902)	5,393	40,336
Exchange differences transferred to profit on disposal of foreign operations	–	–	193
Actuarial losses on defined benefit pension plans	(4,709)	(15,146)	(11,092)
Effective portion of changes in fair value of cash flow hedges	(186)	–	–
Tax on items taken directly to reserves	2,803	4,309	6,315
Other comprehensive income for the period	(11,994)	(5,444)	35,752
Total comprehensive income for the period attributable to equity shareholders	13,732	20,155	88,333

Consolidated statement of changes in equity

	Share capital £000	Share premium account £000	Treasury shares £000	Capital redemption reserve £000	Hedging and translation reserve £000	Other reserves £000	Retained earnings £000	Total £000
At 28 March 2009 (audited)	37,539	18,146	(2,759)	185	47,673	4,246	194,585	299,615
Profit for the period	–	–	–	–	–	–	25,726	25,726
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 29 March 2008 (audited)	37,446	16,949	(3,292)	185	7,144	5,106	175,566	239,104
Profit for the period	–	–	–	–	–	–	25,599	25,599
Other comprehensive income and expense	–	–	–	–	5,393	–	(10,837)	(5,444)
Share options exercised	75	977	–	–	–	–	–	1,052
Dividends paid	–	–	–	–	–	–	(16,997)	(16,997)
Share-based payments	–	–	–	–	–	(1,258)	–	(1,258)
Deferred tax on share-based payment transactions	–	–	–	–	–	93	–	93
Net movement in treasury shares	–	–	1,095	–	–	–	–	1,095
At 27 September 2008 (unaudited)	37,521	17,926	(2,197)	185	12,537	3,941	173,331	243,244
At 29 March 2008 (audited)	37,446	16,949	(3,292)	185	7,144	5,106	175,566	239,104
Profit for the period	–	–	–	–	–	–	52,581	52,581
Other comprehensive income and expense	–	–	–	–	40,529	–	(4,777)	35,752
Share options exercised	93	1,197	–	–	–	–	–	1,290
Dividends paid	–	–	–	–	–	–	(28,785)	(28,785)
Share-based payments	–	–	–	–	–	(201)	–	(201)
Deferred tax on share-based payment transactions	–	–	–	–	–	(659)	–	(659)
Net movement in treasury shares	–	–	533	–	–	–	–	533
At 28 March 2009 (audited)	37,539	18,146	(2,759)	185	47,673	4,246	194,585	299,615

Consolidated balance sheet

	Unaudited 3 October 2009 £000	Unaudited 27 September 2008 £000	Audited 28 March 2009 £000
Non-current assets			
Goodwill	191,317	164,723	198,084
Other intangible assets	36,797	35,980	40,894
Property, plant and equipment	68,009	59,930	71,408
Deferred tax assets	12,766	13,665	10,003
	308,889	274,298	320,389
Current assets			
Inventories	45,792	47,879	51,381
Trade and other receivables	90,078	98,366	103,544
Tax receivable	–	–	3,275
Cash and cash equivalents	40,420	22,210	34,987
Derivative financial instruments	22	–	–
	176,312	168,455	193,187
Total assets	485,201	442,753	513,576
Current liabilities			
Borrowings	–	4,882	6,559
Trade and other payables	56,008	62,928	63,379
Tax liabilities	6,535	10,977	3,756
Derivative financial instruments	367	–	–
	62,910	78,787	73,694
Net current assets	113,402	89,668	119,493
Non-current liabilities			
Borrowings	61,843	65,142	79,614
Retirement benefit obligations	45,591	48,804	42,568
Trade and other payables	2,970	2,670	3,732
Deferred tax liabilities	15,490	4,106	14,353
	125,894	120,722	140,267
Total liabilities	188,804	199,509	213,961
Net assets	296,397	243,244	299,615
Capital and reserves			
Share capital	37,632	37,521	37,539
Share premium account	19,239	17,926	18,146
Treasury shares	(1,786)	(2,197)	(2,759)
Capital redemption reserve	185	185	185
Hedging and translation reserve	37,585	12,537	47,673
Other reserves	3,072	3,941	4,246
Retained earnings	200,470	173,331	194,585
Shareholders' funds	296,397	243,244	299,615

Consolidated cash flow statement

		Unaudited 27 weeks to 3 October 2009 £000	Unaudited 26 weeks to 27 September 2008 £000	Audited 52 weeks to 28 March 2009 £000
	Note			
Net cash inflow from operating activities	6	51,637	29,927	65,931
Cash flows from investing activities				
Purchase of property, plant and equipment		(5,560)	(6,073)	(15,209)
Purchase of computer software		(576)	(928)	(1,631)
Purchase of intangibles		(33)	–	(220)
Proceeds from sale of property, plant and equipment		498	1,683	1,884
Development costs capitalised		(1,703)	(1,694)	(3,846)
Interest received		108	379	566
Acquisition of businesses		(5)	(8,064)	(12,388)
Disposal of businesses		267	309	2,867
Net cash used in investing activities		(7,004)	(14,388)	(27,977)
Financing activities				
Dividends paid		(17,935)	(16,997)	(28,785)
Proceeds from issue of share capital		1,186	1,052	1,290
Net purchase of treasury shares		(1,426)	(474)	(1,442)
Interest paid		(606)	(1,917)	(3,305)
Repayment of borrowings		(19,316)	(3,809)	(3,519)
Net cash used in financing activities		(38,097)	(22,145)	(35,761)
Increase/(decrease) in cash and cash equivalents	6	6,536	(6,606)	2,193
Cash and cash equivalents brought forward		34,987	28,118	28,118
Exchange adjustments		(1,103)	698	4,676
Cash and cash equivalents carried forward		40,420	22,210	34,987

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 27 weeks to 3 October 2009, has not been audited or reviewed by the Group's auditors and was approved by the Directors on 3 December 2009.

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 28 March 2009, except as noted below.

The figures shown for the 52 weeks to 28 March 2009 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 240 of the Companies Act 1985. 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 237(2) or (3) of the Companies Act 1985.

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

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

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

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

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

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.

These reportable segments remain unchanged from the 28 March 2009 consolidated accounts.

Segment revenue and results

	Revenue (all continuing operations)		
	Unaudited 27 weeks to 3 October 2009 £000	Unaudited 26 weeks to 27 September 2008 £000	Audited 52 weeks to 28 March 2009 £000
Infrastructure Sensors	91,260	92,298	186,042
Health and Analysis	83,649	76,397	165,123
Industrial Safety	47,214	53,325	105,026
Inter-segmental sales	(73)	(316)	(263)
Revenue for the period	222,050	221,704	455,928

Notes to the condensed financial statements (continued)

2 Segmental analysis (continued)

	Profit (all continuing operations)		
	Unaudited 27 weeks to 3 October 2009 £000	Unaudited 26 weeks to 27 September 2008 £000	Audited 52 weeks to 28 March 2009 £000
Segment profit before allocation of amortisation of acquired intangible assets			
Infrastructure Sensors	16,574	16,248	32,950
Health and Analysis	15,867	14,175	28,738
Industrial Safety	8,354	11,740	22,159
	40,795	42,163	83,847
Segment profit after allocation of amortisation of acquired intangible assets			
Infrastructure Sensors	16,574	15,080	31,588
Health and Analysis	14,126	12,953	25,764
Industrial Safety	7,402	10,731	20,194
Segment profit	38,102	38,764	77,546
Central administration costs	(1,063)	(1,304)	(1,339)
Net finance expense	(1,669)	(1,840)	(3,421)
Group profit before taxation	35,370	35,620	72,786
Taxation	(9,644)	(10,021)	(20,205)
Profit for the year	25,726	25,599	52,581

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 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 2009 Annual report.

Geographical analysis

	Revenue by destination		
	Unaudited 27 weeks to 3 October 2009 £000	Unaudited 26 weeks to 27 September 2008 £000	Audited 52 weeks to 28 March 2009 £000
United Kingdom	48,466	54,363	104,406
United States of America	64,696	55,753	120,681
Mainland Europe	62,641	63,957	132,556
Asia Pacific and Australasia	28,080	26,306	54,071
Africa, Near and Middle East	11,112	13,717	27,556
Other countries	7,055	7,608	16,658
Group revenue	222,050	221,704	455,928

Notes to the condensed financial statements (continued)

3 Taxation

The total Group tax charge for the 27 weeks to 3 October 2009 of £9,644,000 (26 weeks to 27 September 2008: £10,021,000; 52 weeks to 28 March 2009: £20,205,000) comprises a current tax charge of £9,460,000 (26 weeks to 27 September 2008: £10,516,000; 52 weeks to 28 March 2009: £16,198,000) and a deferred tax charge of £184,000 (26 weeks to 27 September 2008: credit of £495,000; 52 weeks to 28 March 2009: charge of £4,007,000). The tax charge is based on the estimated effective tax rate for the year.

The tax charge includes £5,933,000 (26 weeks to 27 September 2008: £6,580,000; 52 weeks to 28 March 2009: £8,782,000) in respect of overseas tax.

4 Earnings per ordinary share

Basic earnings per ordinary share are calculated using the weighted average of 374,670,385 (September 2008: 373,508,685; March 2009: 373,831,805) 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 375,570,655 (September 2008: 374,816,680; March 2009: 374,893,326) shares which includes dilutive potential ordinary shares of 900,270 (September 2008: 1,307,995; March 2009: 1,061,521). Dilutive potential ordinary shares are calculated from those exercisable share options where the exercise price is less than the average price of the Company's ordinary shares during the 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 is presented below:

	Unaudited 27 weeks to 3 October 2009 £000	Unaudited 26 weeks to 27 September 2008 £000	Audited 52 weeks to 28 March 2009 £000
Earnings from continuing operations	25,726	25,599	52,581
Add back amortisation of acquired intangible assets after taxation	1,869	2,495	4,618
Adjusted earnings	27,595	28,094	57,199

	Per ordinary share		
	Unaudited 27 weeks to 3 October 2009 pence	Unaudited 26 weeks to 27 September 2008 pence	Audited 52 weeks to 28 March 2009 pence
Earnings from continuing operations	6.87	6.85	14.07
Add back amortisation of acquired intangible assets after taxation	0.50	0.67	1.23
Adjusted earnings	7.37	7.52	15.30

5 Dividends

	Per ordinary share		
	Unaudited 27 weeks to 3 October 2009 pence	Unaudited 26 weeks to 27 September 2008 pence	Audited 52 weeks to 28 March 2009 pence
Amounts recognised as distributions to shareholders in the period			
Final dividend for the year to 28 March 2009 (29 March 2008)	4.78	4.55	4.55
Interim dividend for the year to 28 March 2009	—	—	3.15
	4.78	4.55	7.70
Dividends declared in respect of the period			
Interim dividend for the year to 3 April 2010 (28 March 2009)	3.31	3.15	3.15
Final dividend for the year to 28 March 2009	—	—	4.78
	3.31	3.15	7.93

Notes to the condensed financial statements (continued)

5 Dividends (continued)

	Unaudited 27 weeks to 3 October 2009 £000	Unaudited 26 weeks to 27 September 2008 £000	Audited 52 weeks to 28 March 2009 £000
Amounts recognised as distributions to shareholders in the period			
Final dividend for the year to 28 March 2009 (29 March 2008)	17,935	16,997	16,997
Interim dividend for the year to 28 March 2009	–	–	11,788
	17,935	16,997	28,785
Dividends declared in respect of the period			
Interim dividend for the year to 3 April 2010 (28 March 2009)	12,429	11,788	11,788
Final dividend for the year to 28 March 2009	–	–	17,935
	12,429	11,788	29,723

6 Notes to the consolidated cash flow statement

	Unaudited 27 weeks to 3 October 2009 £000	Unaudited 26 weeks to 27 September 2008 £000	Audited 52 weeks to 28 March 2009 £000
Reconciliation of profit from operations to net cash inflow from operating activities			
Profit from continuing operations before taxation	37,039	37,460	76,207
Profit on disposal of operations before taxation	–	–	(357)
Depreciation of property, plant and equipment	5,747	4,634	10,260
Amortisation of computer software	542	404	903
Amortisation of capitalised development costs and other intangibles	1,710	1,295	2,876
Retirement of capitalised development costs	–	–	233
Amortisation of acquired intangible assets	2,693	3,399	6,301
Share-based payment expense in excess of amounts paid	694	472	1,634
Additional payments to pension scheme	(3,166)	(3,162)	(6,224)
Loss/(profit) on sale of property, plant and equipment and computer software	131	(27)	(14)
Operating cash flows before movement in working capital	45,390	44,475	91,819
Decrease/(increase) in inventories	3,585	(1,825)	(1,055)
Decrease/(increase) in receivables	9,530	2,292	7,440
Decrease in payables	(5,238)	(7,172)	(11,779)
Cash generated from operations	53,267	37,770	86,425
Taxation paid	(1,630)	(7,843)	(20,494)
Net cash inflow from operating activities	51,637	29,927	65,931
Reconciliation of net cash flow to movement in net debt			
Increase/(decrease) in cash and cash equivalents	6,536	(6,606)	2,193
Cash outflow from borrowings	19,316	3,809	3,519
Exchange adjustments	3,911	(742)	(12,623)
	29,763	(3,539)	(6,911)
Net debt brought forward	(51,186)	(44,275)	(44,275)
Net debt carried forward	(21,423)	(47,814)	(51,186)
Analysis of net debt:			
Cash and cash equivalents	40,420	22,210	34,987
Bank loans falling due within one year	–	(4,882)	(6,559)
Bank loans falling due after one year	(61,843)	(65,142)	(79,614)
	(21,423)	(47,814)	(51,186)

Notes to the condensed financial statements (continued)

7 Non-GAAP measures

	Unaudited 27 weeks to 3 October 2009 £000	Unaudited 26 weeks to 27 September 2008 £000	Audited 52 weeks to 28 March 2009 £000
Return on capital employed			
Operating profit from continuing operations before amortisation of acquired intangible assets	39,732	40,859	82,508
Computer software costs within intangible assets	2,893	2,521	3,022
Capitalised development costs within intangible assets	9,929	8,784	10,194
Other intangibles within intangible assets	236	—	—
Property, plant and equipment	68,009	59,930	71,408
Inventories	45,792	47,879	51,381
Trade and other receivables	90,078	98,366	103,544
Trade and other payables	(56,008)	(62,928)	(63,379)
Net tax liabilities	(6,535)	(10,977)	(481)
Non-current trade and other payables	(2,970)	(2,670)	(3,732)
Add back retirement benefit accruals included within payables	295	1,595	1,103
Add back accrued deferred purchase consideration	55	603	68
Capital employed	151,774	143,103	173,128
Return on capital employed (annualised)	52.4%	57.1%	47.7%
Return on total invested capital			
Post-tax profit from continuing operations before amortisation of acquired intangibles	27,595	28,094	57,199
Total shareholders' funds	296,397	243,244	299,615
Add back retirement benefit accruals included within payables	295	1,595	1,103
Add back retirement benefit obligations	45,591	48,804	42,568
Less associated deferred tax assets	(12,766)	(13,665)	(11,920)
Cumulative amortisation of acquired intangible assets	19,864	13,597	17,360
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 28 March 1998	70,931	70,931	70,931
Total invested capital	438,930	383,124	438,275
Return on total invested capital (annualised)	12.6%	14.7%	13.1%

Organic growth

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

Notes to the condensed financial statements (continued)

8 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 2009 Annual report.

Events after the balance sheet date

There were no significant events after the balance sheet date.

9 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 2009 Annual report on pages 20 and 21 which is available on the Group's website at www.halma.com.

The principal risks and uncertainties relate to:

- Operational risk
- Organic growth 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
- Pension deficit
- Current economic conditions.

The Directors do not consider that the principal risks and uncertainties have changed since the publication of the 2009 Annual report.

10 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';
- (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
3 December 2009

Kevin Thompson
Finance Director

Directors, executive team and advisers

Registered office

Misbourne Court
Rectory Way
Amersham
Bucks HP7 0DE

Tel: +44 (0)1494 721111

Fax: +44 (0)1494 728032

Website: www.halma.com

Registered in England and Wales, number 40932

Board of Directors

E Geoffrey Unwin *Chairman*

Andrew J Williams *Chief Executive*

E Jane Aikman BEng FCA*

Adam J Meyers BSc MBA

Stephen R Pettit MSc*

Neil Quinn BSc

Richard A Stone MA FCA*

Kevin J Thompson BSc FCA

* *Non-executive*

Secretary

Carol T Chesney BA FCA

Executive Board

Andrew J Williams *Chief Executive*

Kevin J Thompson *Finance Director*

John S Campbell *Elevator Safety*

Charles E Dubois *Fluid Technology*

Mark Lavelle *Process Safety*

Adam J Meyers *Health Optics and Photonics*

Neil Quinn *Safety Sensors*

Allan Stamper *Water and Asset Monitoring*

Nigel J B Trodd *Fire and Security*

Investor relations contacts

Andrew Williams

Halma p.l.c.

Misbourne Court

Rectory Way

Amersham

Bucks HP7 0DE

Tel: +44 (0)1494 721111

Fax: +44 (0)1494 728032

E-mail: investor.relations@halma.com

Rachel Hirst/Andrew Jaques

Hogarth Partnership Limited

2nd Floor

No 1 London Bridge

London SE1 9BG

Tel: +44 (0)20 7357 9477

Fax: +44 (0)20 7357 8533

Auditors

Deloitte LLP

Abbots House, Abbey Street

Reading RG1 3BD

Bankers

The Royal Bank of Scotland plc

280 Bishopsgate

London EC2M 4RB

Brokers

J.P. Morgan Cazenove Limited

20 Moorgate

London EC2R 6DA

Tel: +44 (0)20 7588 2828

Fax: +44 (0)20 7155 9000

Financial advisers

Lazard & Co., Limited

50 Stratton Street

London W1J 8LL

Registrars

Computershare Investor Services PLC

The Pavilions

Bridgwater Road

Bristol BS99 6ZZ

Tel: +44 (0)870 707 1046

Fax: +44 (0)870 703 6101

Website: www.investorcentre.co.uk

Solicitors

CMS Cameron McKenna

Mitre House

160 Aldersgate Street

London EC1A 4DD