

A microscopic image of plant cells, showing a network of cell walls and numerous small, dark, circular structures (likely chloroplasts or vacuoles) scattered throughout. The entire image is overlaid with a semi-transparent blue filter.

HALMA

PROTECTING LIFE AND
IMPROVING QUALITY
OF LIFE

Halma plc Half Year Report 2013/14

FINANCIAL HIGHLIGHTS

Revenue

£333.1m +12%

(2012/13: £298.1m)

Adjusted profit before taxation

£65.1m +9%

(2012/13: £59.7m)

Return on sales

19.5%

(2012/13: 20.0%)

Interim dividend declared (per share)

4.35p +7%

(2012/13: 4.06p)

Continuing operations	2013	(Restated) ⁷ 2012	Change
Revenue	£333.1m	£298.1m	+12%
Adjusted Profit before Taxation ¹	£65.1m	£59.7m	+9%
Statutory Profit before Taxation ²	£55.9m	£61.1m	-8%
Adjusted Earnings per Share ³	12.99p	12.12p	+7%
Statutory Earnings per Share ²	11.28p	12.93p	-13%
Interim Dividend per Share ⁴	4.35p	4.06p	+7%
Return on Sales ⁵	19.5%	20.0%	
Return on Total Invested Capital ⁶	15.6%	16.1%	
Return on Capital Employed ⁶	71.3%	71.0%	
Net debt	£109.8m	£74.1m	

Notes:

¹ Adjusted to remove the amortisation of acquired intangible assets, acquisition transaction costs, movement on contingent consideration and profit on disposal of operations of £9.1m charge (2012/13: £1.4m credit). See note 2 to the Condensed Financial Statements for details.

² The decrease in statutory figures is primarily due to the prior period benefitting from a £8.2m gain on disposal of operations. See notes 2, 6 and 11 to the Condensed Financial Statements for details.

³ 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 to the Condensed Financial Statements for details.

⁴ Interim dividend declared per share.

⁵ Return on Sales is defined as adjusted¹ profit before taxation from continuing operations expressed as a percentage of revenue from continuing operations.

⁶ Organic growth rates, Return on Total Invested Capital and Return on Capital Employed are non-GAAP performance measures used by management in measuring the returns achieved from the Group's asset base. See note 9 to the Condensed Financial Statements for details.

⁷ The Group adopted IAS 19 (revised) in 2013/14, which changed the accounting for defined benefit pension plans. The prior period has been restated resulting in a £1.1m reduction in its adjusted profit¹. The consequent change to the prior period's adjusted earnings per share³ is shown in note 1 to the Condensed Financial Statements.

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 with low levels of balance sheet gearing and have 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 sustained, 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 product development and establishing platforms for growth in developing markets. Here, the need for improving Safety, Health and Environmental regulation is increasingly recognised by governments and demanded by 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. We acquire businesses to accelerate penetration of more attractive market niches, we merge businesses when market characteristics change and we exit markets which offer less attractive long-term growth and returns through carefully planned disposals.

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

2014 STRATEGIC PRIORITIES

1

Innovation

In early May 2013, we held our third HITE event in Florida, USA which included a two-day Halma 'trade-show' where all the Group's companies showcased their innovation and technologies to one another. HITE is a catalyst for collaboration between our businesses and is a visible example of how Halma's culture has changed, and continues to evolve. Collaboration and learning from each other is increasing the rate of innovation and, consequently, building competitive advantage in our chosen markets.

2

People Development

Subsidiary company strategic objectives, annual performance goals and management incentives are aligned with Halma's and are underpinned with a relentless commitment to attract and develop high quality talent. We will continue to invest in our HEDP, HMDP and HCAT programmes as well as the new HGDP. Through HGDP, we aim to increase the depth of talent coming through our management ranks and also expect it to contribute to an increase in management diversity in the medium term.

3

International Expansion

We choose to operate in niches within markets with robust, long-term growth drivers on a global scale. This gives our businesses the opportunity to sustain growth in all regions of the world. Our strategic objective is for at least 30% of revenue to come from outside the UK, Mainland Europe and the USA by 2015.

4

Portfolio Management

We actively manage our business portfolio through acquiring in (or adjacent to) our existing markets, merging companies as market needs change and selling businesses where we do not see the medium-term prospects for sustaining high returns or growth.

We are continuing to add new opportunities to our acquisition pipeline process in all four of our new reporting sectors. Although the past year has been productive, we are working to both integrate newly acquired businesses and progress further opportunities into the later stages of our acquisition process. We remain confident in our ability to find and acquire high quality businesses within our chosen markets over the medium term.

REVIEW OF OPERATIONS

Halma made strong progress during the period, achieving record revenue and profit while continuing to increase investment in Innovation, People Development and International Expansion.

Strong half year results

Revenue growth was encouraging. Total revenue increased by 12% to £333m (2012/13: £298m) with organic growth¹ of 8% including a 2% positive benefit from currency movements. Excluding disposed companies, total revenue growth was 14%.

Adjusted¹ profit before tax increased by 9% to £65.1m (2012/13: £59.7m) with organic growth of 5% including a 3% positive benefit from currency movements. Excluding disposed companies, profit growth was 11%. Statutory profit before tax was lower at £55.9m (2012/13: £61.1m), due to the £8m gain on the disposal in 2012/13 of our Asset Monitoring business, Tritech (see note 11 to the Condensed Financial Statements for details).

Return on Sales¹ remained strong at 19.5% (2012/13: 20.0%) albeit marginally lower than the prior year mainly due to increasing strategic investment to support future growth. This included the Halma Innovation & Technology Exposition (HITE) 2013, the second-year roll out of the Halma Graduate Development Programme and expansion in Brazil and China.

As flagged in the 2013 Annual Report and Accounts, IAS 19 (revised) 'Employee Benefits' has been adopted amending the accounting for pensions, in particular, within the Consolidated Income Statement. We have restated the prior year figures to reflect this change. In broad terms, IAS 19 has reduced 2013/14 first half adjusted profit by £1.2m (2012/13 restatement: £1.1m reduction) when compared with the previous basis of accounting and the full year profit impact is expected to be a £2.4m reduction (2013 restatement: £2.1m reduction). Further details are given in note 1 to the Condensed Financial Statements.

Increasing Dividends

The Board declares a 7% increase in the interim dividend to 4.35 pence per share which will be paid on 5 February 2014 to shareholders on the register at 3 January 2014. This increase reflects the Board's ongoing confidence in Halma's long-term growth prospects.

Organic revenue growth in all regions

Revenue from Asia Pacific increased by 15% to £56m (2012/13: £49m) including 32% growth in China. Revenue from outside our traditional home markets in the USA, Mainland Europe and UK contributed 25.2% of the Group total (2012/13: 24.8%). However, growth within the USA, Mainland Europe and UK was also encouraging. In the USA, revenue grew by 15% to £108m (2012/13: £93m) whilst Mainland Europe and UK revenue was up by 8% and 9% respectively. Organic revenue growth at constant currency was 6% in the USA, 4% in Mainland Europe and 6% in the UK.

Organic revenue growth in all sectors

Process Safety revenue from continuing operations (excluding the prior year disposal) increased by 8% to £62m (2012/13: £57m) including 7% organic growth at constant currency. Profit from continuing operations (excluding the prior year disposal) improved 11% to £16.1m (2012/13: £14.5m). Strong growth in the USA, Asia Pacific and Near/Middle East more than compensated for lower growth in the UK and Mainland Europe. All major product lines made good progress with a particularly strong performance from our Bursting Disk explosion protection businesses. We are seeing good opportunities in the oil and gas markets as operators seek to improve the safety of their processes.

Infrastructure Safety revenue grew by 7% to £107m (2012/13: £101m) including 4% organic growth at constant currency. Profit improved by 10% to £20.6m (2012/13: £18.8m). Revenue was up in all geographic regions with the highest rates of growth in the USA and Mainland Europe. All major product lines contributed to growth supported by strengthening Health and Safety regulation and increasing Halma investment to diversify into new market niches both organically and through acquisition.

Our Medical sector achieved another strong performance boosted by recent acquisitions. Revenue increased by 36% to £81m (2012/13: £60m) including 11% organic growth at constant currency. Profit grew by 27% to £19.6m (2012/13: £15.4m). Profit growth was below revenue growth due to a combination of increased investment in international expansion and recent acquisitions having slightly lower net margins than the sector. Growth was delivered in all regions with the highest growth in the USA, Asia Pacific and Near/Middle East.

External revenue by destination	Half year 2013/14		Half year 2012/13			
	£m	% of total	£m	% of total	Change £m	% growth
United States of America	107.6	32%	93.5	31%	14.1	15%
Mainland Europe	79.3	24%	73.3	25%	6.0	8%
United Kingdom	62.2	19%	57.2	19%	5.0	9%
Asia Pacific	56.0	17%	48.8	16%	7.2	15%
Other Countries	28.0	8%	25.3	9%	2.7	11%
	333.1	100%	298.1	100%	35.0	12%

External revenue by sector	Half year 2013/14	Half year 2012/13				
	£m	£m	Change £m	% growth	% organic growth	% organic growth at constant currency
Process Safety	62.2	62.5	(0.3)	(1)%	+8%	+7%
Infrastructure Safety	107.3	100.5	+6.8	+7%	+6%	+4%
Medical	81.1	59.7	+21.4	+36%	+15%	+11%
Environmental & Analysis	82.5	75.4	+7.1	+9%	+5%	+3%
Total Group	333.1	298.1	35.0	+12%	+8%	+6%

REVIEW OF OPERATIONS CONTINUED

Although there have been some macro-economic headwind factors in our largest market, the USA, the performance of our recent acquisitions has been good. Our Chinese based business Longer Pump, acquired in January 2013, is trading in line with expectations.

Environmental & Analysis revenue increased by 9% to £83m (2012/13: £75m) with organic growth at constant currency of 3%. Profit reduced by 3% to £15.0m (2012/13: £15.5m) predominantly due to the previously announced restructuring within our Photonics companies and the cost of addressing a supplier component quality issue within our Water Monitoring business. The Photonics reorganisation, which includes both consolidation in the USA and the creation of a new standalone company in China, is proceeding satisfactorily with completion now expected by the end of the financial year. Taking these adverse factors into account, the rate of revenue growth within the Environmental & Analysis sector during the first half has been encouraging, and we believe we will end the year well placed to resume profit growth.

Good cash generation

Our operating companies maintained good cash generation in line with the typical pattern we see in the first half of the year. Cash conversion (adjusted operating cash flow as a % of adjusted operating profit – see note 9 to the Condensed Financial Statements for details) was 86% (2012/13: 85%) which, together with investment, dividend and tax payments, resulted in net debt of £109.8m (2012/13: £74.1m) at the end of the period. We remain in a strong financial position and our objective is to keep headroom within our financial resources for investment, with moderate levels of gearing relative to the size of our business. We aim to operate with net debt of up to 1.25x EBITDA giving flexibility should suitable investment opportunities arise.

Healthy acquisition pipeline

Following the six acquisitions completed in 2012/13, the first half of 2013/14 was quieter with one small bolt-on deal completed.

In April 2013, we acquired Talentum Developments Limited for an initial consideration of £2.6m. Talentum, based in the UK, manufactures flame detectors and is being merged with our fire beam detector business, Fire Fighting Enterprises. This adds a new product line to our Fire business which forms part of the Infrastructure Safety sector.

Our search effort for new additions to the Group has been maintained and, as targeted, we are finding more opportunities in our Safety sectors and in Asia. Our pipeline is good in both quality and quantity, providing sufficient opportunities for further acquisitions to meet our medium-term growth objectives.

Investment for organic growth

Within our financial and business model, organic growth is the factor which determines our sustainable rate of shareholder return over the long term. Although from year to year the relative rates of revenue and profit growth might fluctuate, our goal is to increase profits by growing revenue while maintaining our already high rate of return. This requires a sustained investment in people, products and markets. Highlights of this investment during the half year included:

- Investment in innovation grew across all four sectors with total R&D expenditure up by 10% to £16.4m (2012/13: £14.9m). HITE 2013, held in Orlando, was attended by over 250 subsidiary company employees and demonstrated clearly the increased technical, commercial and operational collaboration embedded within Halma's culture. Notable areas of significant technical collaboration included wireless technology and optical sensing.

- Following a successful launch in October 2012, the second intake of nine graduates for the Halma Graduate Development Programme has joined us and commenced their two-year programme of six-month placements in Halma businesses across the world. Our first graduate intake has made a very positive impact on our organisation and they are starting to set their sights on potential permanent opportunities within our business starting in the second half of 2014.
- The new Medical sector and Process Safety sector hubs in Brazil are operational while in China, subsidiaries are recruiting new engineers under the Halma China R&D subsidy programme launched in April 2013. Here, Halma supports the cost of companies employing additional engineers for two years to work on developing new products targeted specifically at local customers.

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 53 to 55 in the 2013 Annual Report and Accounts, which is available on the Group's website at www.halma.com. The principal risks and uncertainties relate to operational, strategic, legal, financial and economic issues. See note 14 to the Condensed Financial Statements for further details. The Directors do not consider that the principal risks and uncertainties have changed since the publication of the 2013 Annual Report and Accounts and that they remain relevant for the second half of the financial year. However macro-economic uncertainty and movements in foreign exchange rates remain a risk to financial performance.

Going concern

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

Board changes

In April 2013, we welcomed Paul Walker to the Board and he assumed the role of Chairman following Geoff Unwin's retirement after the AGM in July 2013. Paul's induction has proceeded very well including his attendance at HITE 2013, Halma subsidiary site visits and supporting our People Development programmes.

Outlook

We operate in markets which offer us the opportunity to sustain growth and high returns providing we implement our strategy effectively. To do so requires us to maintain a balance between growth and investment and, as such, we have made good progress during the first half of the year. Order intake since the period end has continued to be slightly ahead of revenue and in line with our expectations. Halma remains on track to make further progress in the second half of the year.

Andrew Williams
Chief Executive

Kevin Thompson
Finance Director

¹ see Financial Highlights.



How we run our business

Business model

What is Halma's growth objective?

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

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

Strategy

How do we grow?

We operate in relatively non-cyclical, specialised global niche markets. Our technology and application know-how deliver strong competitive advantage to sustain growth and high returns. Our chosen markets have significant barriers to entry. Demand for our products is underpinned by long-term, resilient growth drivers.

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

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

CONSOLIDATED INCOME STATEMENT

	Notes	Unaudited 26 weeks to 28 September 2013			Unaudited 26 weeks to 29 September 2012			(Restated)** Audited 52 weeks to 30 March 2013
		Before adjustments* £000	Adjustments* (note 2) £000	Total £000	Before adjustments* £000	Adjustments* (note 2) £000	Total £000	Total £000
Continuing operations								
Revenue	2	333,066	–	333,066	298,078	–	298,078	619,210
Operating profit		67,586	(8,941)	58,645	62,165	(6,771)	55,394	117,297
Share of results of associates		(215)	–	(215)	(120)	–	(120)	(352)
(Loss)/profit on disposal of continuing operations		–	(175)	(175)	–	8,188	8,188	8,070
Finance income	3	4,404	–	4,404	3,883	–	3,883	7,916
Finance expense	4	(6,717)	–	(6,717)	(6,209)	–	(6,209)	(12,795)
Profit before taxation		65,058	(9,116)	55,942	59,719	1,417	61,136	120,136
Taxation	5	(16,003)	2,678	(13,325)	(13,968)	1,632	(12,336)	(26,530)
Profit for the period attributable to equity shareholders		49,055	(6,438)	42,617	45,751	3,049	48,800	93,606
Earnings per share	6							
From continuing operations								
Basic		12.99p		11.28p	12.12p		12.93p	24.79p
Diluted				11.27p			12.91p	24.76p
Dividends in respect of the period	7							
Dividends (£000)				16,444			15,340	39,389
Per share				4.35p			4.06p	10.43p

* 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.

** Details of the restatement are disclosed in note 1.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE

	Unaudited 26 weeks to 28 September 2013 £000	(Restated) Unaudited 26 weeks to 29 September 2012 £000	(Restated) Audited 52 weeks to 30 March 2013 £000
Profit for the period	42,617	48,800	93,606
Items that will not be reclassified subsequently to the income statement:			
Actuarial gains/(losses) on defined benefit pension plans	4,331	(9,641)	(19,852)
Tax relating to components of other comprehensive income that will not be reclassified	(2,138)	1,947	4,292
Items that may be reclassified subsequently to the income statement:			
Effective portion of changes in fair value of cash flow hedges	651	(162)	(504)
Exchange (losses)/gains on translation of foreign operations	(18,874)	(10,862)	16,534
Tax relating to components of other comprehensive income that may be reclassified	(157)	(39)	130
Other comprehensive (expense)/income for the period	(16,187)	(18,757)	600
Total comprehensive income for the period attributable to equity shareholders	26,430	30,043	94,206

The exchange loss of £18,874,000 (26 weeks to 29 September 2012: loss of £10,862,000; 52 weeks to 30 March 2013: gain of £16,534,000) comprises gains of £127,000 (26 weeks to 29 September 2012: gains of £1,488,000; 52 weeks to 30 March 2013: gains of £113,000) which relate to net investment hedges.

CONSOLIDATED BALANCE SHEET

	Unaudited 28 September 2013 £000	(Restated) Unaudited 29 September 2012 £000	(Restated) Audited 30 March 2013 £000
Non-current assets			
Goodwill	341,586	290,106	351,785
Other intangible assets	122,800	96,874	134,457
Property, plant and equipment	75,421	72,860	76,725
Interests in associates	4,571	5,023	4,792
Deferred tax asset	24,886	9,341	28,749
	569,264	474,204	596,508
Current assets			
Inventories	72,500	63,269	69,713
Trade and other receivables	123,968	116,286	133,605
Tax receivable	567	138	69
Cash and cash equivalents	41,141	43,000	49,723
Derivative financial instruments	499	355	256
	238,675	223,048	253,366
Total assets	807,939	697,252	849,874
Current liabilities			
Trade and other payables	85,128	84,379	100,929
Borrowings	2,939	2,515	5,147
Provisions	2,840	1,762	2,420
Tax liabilities	13,419	12,238	11,331
Derivative financial instruments	28	277	796
	104,354	101,171	120,623
Net current assets	134,321	121,877	132,743
Non-current liabilities			
Borrowings	147,969	114,594	154,866
Retirement benefit obligations	40,754	40,611	47,172
Trade and other payables	14,996	6,253	22,649
Provisions	1,862	3,193	2,100
Deferred tax liabilities	45,491	27,167	49,197
	251,072	191,818	275,984
Total liabilities	355,426	292,989	396,607
Net assets	452,513	404,263	453,267
Equity			
Share capital	37,901	37,869	37,888
Share premium account	22,762	22,350	22,598
Treasury shares	(5,264)	(2,958)	(4,534)
Capital redemption reserve	185	185	185
Hedging and translation reserve	26,992	18,149	45,372
Other reserves	(5,120)	(2,905)	(1,484)
Retained earnings	375,057	331,573	353,242
Shareholders' funds	452,513	404,263	453,267

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	For the 26 weeks ended 28 September 2013							
	Share capital £000	Share premium account £000	Treasury shares £000	Capital redemption reserve £000	Hedging and translation reserve £000	Other reserves £000	Retained earnings £000	Total £000
At 30 March 2013 (audited)	37,888	22,598	(4,534)	185	45,372	(1,484)	353,242	453,267
Profit for the period	–	–	–	–	–	–	42,617	42,617
Other comprehensive income and expense:								
Exchange differences on translation of foreign operations	–	–	–	–	(18,874)	–	–	(18,874)
Actuarial gains on defined benefit pension plans	–	–	–	–	–	–	4,331	4,331
Effective portion of changes in fair value of cash flow hedges	–	–	–	–	651	–	–	651
Tax relating to components of other comprehensive income	–	–	–	–	(157)	–	(2,138)	(2,295)
Total other comprehensive income and expense	–	–	–	–	(18,380)	–	2,193	(16,187)
Share options exercised	13	164	–	–	–	–	–	177
Dividends paid	–	–	–	–	–	–	(24,049)	(24,049)
Share-based payments	–	–	–	–	–	(3,316)	–	(3,316)
Deferred tax on share-based payment transactions	–	–	–	–	–	(320)	–	(320)
Excess tax deductions related to share-based payments on exercised options	–	–	–	–	–	–	1,054	1,054
Net movement in treasury shares	–	–	(730)	–	–	–	–	(730)
At 28 September 2013 (unaudited)	37,901	22,762	(5,264)	185	26,992	(5,120)	375,057	452,513

	(Restated) 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	–	–	–	–	–	–	48,800	48,800
Other comprehensive income and expense:								
Exchange differences on translation of foreign operations	–	–	–	–	(10,862)	–	–	(10,862)
Actuarial losses on defined benefit pension plans	–	–	–	–	–	–	(9,641)	(9,641)
Effective portion of changes in fair value of cash flow hedges	–	–	–	–	(162)	–	–	(162)
Tax relating to components of other comprehensive income	–	–	–	–	(39)	–	1,947	1,908
Total other comprehensive income and expense	–	–	–	–	(11,063)	–	(7,694)	(18,757)
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

	(Restated) For the 52 weeks ended 30 March 2013							
	Share capital £000	Share premium account £000	Treasury shares £000	Capital redemption reserve £000	Hedging and translation reserve £000	Other reserves £000	Retained earnings £000	Total £000
At 31 March 2012 (audited)	37,856	22,177	(4,569)	185	29,212	1,346	311,905	398,112
Profit for the period	–	–	–	–	–	–	93,606	93,606
Other comprehensive income and expense:								
Exchange differences on translation of foreign operations	–	–	–	–	16,534	–	–	16,534
Actuarial losses on defined benefit pension plans	–	–	–	–	–	–	(19,852)	(19,852)
Effective portion of changes in fair value of cash flow hedges	–	–	–	–	(504)	–	–	(504)
Tax relating to components of other comprehensive income	–	–	–	–	130	–	4,292	4,422
Total other comprehensive income and expense	–	–	–	–	16,160	–	(15,560)	600
Share options exercised	32	421	–	–	–	–	–	453
Dividends paid	–	–	–	–	–	–	(37,765)	(37,765)
Share-based payments	–	–	–	–	–	(2,835)	–	(2,835)
Deferred tax on share-based payment transactions	–	–	–	–	–	5	–	5
Excess tax deductions related to share-based payments on exercised options	–	–	–	–	–	–	1,056	1,056
Net movement in treasury shares	–	–	35	–	–	–	–	35
At 30 March 2013 (audited)	37,888	22,598	(4,534)	185	45,372	(1,484)	353,242	453,267

CONSOLIDATED CASH FLOW STATEMENT

	Notes	Unaudited 26 weeks to 28 September 2013 £000	(Restated) Unaudited 26 weeks to 29 September 2012 £000	(Restated) Audited 52 weeks to 30 March 2013 £000
Net cash inflow from operating activities	8	55,934	49,050	108,244
Cash flows from investing activities				
Purchase of property, plant and equipment		(7,266)	(7,595)	(14,472)
Purchase of computer software		(585)	(469)	(1,044)
Purchase of other intangibles		(4)	(6)	(9)
Proceeds from sale of property, plant and equipment		271	347	917
Development costs capitalised		(2,447)	(2,369)	(5,443)
Interest received		116	52	195
Acquisition of businesses, net of cash acquired	10	(16,669)	(80,004)	(145,641)
Acquisition of investments in associates		–	(3,187)	(3,187)
Disposal of business, net of cash disposed	11	1,925	18,955	19,608
Net cash used in investing activities		(24,659)	(74,276)	(149,076)
Financing activities				
Dividends paid		(24,049)	(22,425)	(37,765)
Proceeds from issue of share capital		177	186	453
Purchase of treasury shares		(5,715)	(3,700)	(5,525)
Interest paid		(1,390)	(1,150)	(2,502)
Proceeds from borrowings		7,434	50,630	92,298
Repayment of borrowings		(15,329)	–	(2,942)
Net cash (used in)/from financing activities		(38,872)	23,541	44,017
(Decrease)/increase in cash and cash equivalents		(7,597)	(1,685)	3,185
Cash and cash equivalents brought forward		49,723	45,305	45,305
Exchange adjustments		(1,193)	(620)	1,233
Cash and cash equivalents carried forward		40,933	43,000	49,723

	Unaudited 28 September 2013 £000	(Restated) Unaudited 29 September 2012 £000	(Restated) Audited 30 March 2013 £000
Reconciliation of net cash flow to movement in net debt			
(Decrease)/increase in cash and cash equivalents	(7,597)	(1,685)	3,185
Cash outflow/(inflow) from repayment/(drawdowns) of borrowings	7,895	(50,630)	(89,356)
Net debt acquired	–	(1,438)	(2,406)
Loan notes issued*	(2,731)	(2,515)	(2,515)
Loan notes repaid*	2,515	–	–
Exchange adjustments	441	868	(489)
	523	(55,400)	(91,581)
Net debt brought forward	(110,290)	(18,709)	(18,709)
Net debt carried forward	(109,767)	(74,109)	(110,290)

* The £2,515,000 loan note issued in the prior period was converted at par into cash on 31 May 2013. A new loan note was issued for £2,731,000 on 3 June 2013. This is convertible to cash at par at any time between six and twelve months from date of issue.

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 28 September 2013, has not been audited or reviewed by the Group's auditors and was approved by the Directors on 19 November 2013.

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 30 March 2013, with the exception of IAS 1 (revised), IAS 19 (revised) and IFRS 13, all of which were applied for the first time from 31 March 2013.

The application of IAS 19 (revised) affects the accounting for defined benefit pension plans and, to aid comparison, the Condensed Financial Statements and affected notes for the 26 weeks to 29 September 2012 and 52 weeks to 30 March 2013 have been restated as if IAS 19 (revised) had always applied.

The impact of adopting IAS 19 (revised) was a net reduction to profit after tax of £805,000 for the 26 weeks ended 29 September 2012 and £1,610,000 for the 52 weeks ended 30 March 2013 comprising:

- a. an increase in administrative expenses for the 26 weeks to 29 September 2012 of £535,000 (52 weeks to 30 March 2013: £1,070,000);
- b. a decrease in the expected return on pension scheme assets for the 26 weeks to 29 September 2012 of £524,000 (52 weeks to 30 March 2013: £1,048,000); and
- c. a reduction in the tax charge of £254,000 for the 26 weeks to 29 September 2012 (52 weeks to 30 March 2013: £508,000).

The corresponding entries to a. and b. were to actuarial gains and to c. were to deferred tax taken to equity.

The impact on adjusted earnings per share of the above changes for the 26 weeks to 29 September 2012 was a reduction of 0.22p (52 weeks to 30 March 2013: 0.43p). The impact on diluted earnings per share was 0.22p and 0.43p respectively.

The impact on non-GAAP measures is detailed in note 9. There was no net effect on net cash flow from operations as a result of the change in accounting policy.

IAS 1 (revised) requires that items of Other Comprehensive Income that may in future be recycled to the Income Statement are presented separately from those which will not be. This presentational change has been made to the Consolidated Statement of Comprehensive Income in the current period.

Additional disclosure required by IFRS 13 is also shown in note 12.

The figures shown for the 52 weeks to 30 March 2013 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 four main reportable segments (Process Safety, Infrastructure Safety, Medical and Environmental & Analysis), which are defined by markets rather than product type. Each segment includes businesses with similar operating and market characteristics. These segments are consistent with the internal reporting as reviewed by the Chief Executive Officer.

In the Annual Report and Accounts for the 52 weeks to 30 March 2013, the reportable segments were revised to provide greater understanding of the Group's activities. The main change from previous periods was the separation of the former Health & Analysis sector into two sectors, namely the Medical and Environmental & Analysis sectors. This separation reflected the Group's growing presence in the medical devices market, in particular in ophthalmology and blood pressure monitoring. The Process Safety and Infrastructure Safety sectors (formerly named Industrial Safety and Infrastructure Sensors respectively) were unchanged. The comparative results for the 26 weeks to 29 September 2012 have been restated to reflect this change.

Segment revenue and results

	Revenue (all continuing operations)		
	Unaudited 26 weeks to 28 September 2013 £000	(Restated) Unaudited 26 weeks to 29 September 2012 £000	Audited 52 weeks to 30 March 2013 £000
Process Safety	62,173	62,535	125,656
Infrastructure Safety	107,299	100,509	205,315
Medical	81,062	59,787	136,054
Environmental & Analysis	82,607	75,499	152,448
Inter-segmental sales	(75)	(252)	(263)
Revenue for the period	333,066	298,078	619,210

Inter-segmental sales are charged at prevailing market prices and have not been disclosed separately by segment as they are not considered material. The Group does not analyse revenue by product group and has no material revenue derived from the rendering of services.

	Profit (all continuing operations)		
	Unaudited 26 weeks to 28 September 2013 £000	(Restated) Unaudited 26 weeks to 29 September 2012 £000	(Restated) Audited 52 weeks to 30 March 2013 £000
Segment profit before allocation of amortisation of acquired intangible assets, acquisition costs and profit on disposal of continuing operations			
Process Safety	16,137	15,335	32,310
Infrastructure Safety	20,608	18,775	41,523
Medical	19,586	15,388	35,934
Environmental & Analysis	15,005	15,498	30,385
	71,336	64,996	140,152
Segment profit after allocation of amortisation of acquired intangible assets, acquisition costs and profit on disposal of continuing operations			
Process Safety	15,692	23,222	39,848
Infrastructure Safety	20,399	18,775	41,469
Medical	13,358	11,043	24,146
Environmental & Analysis	12,771	13,373	26,282
Segment profit	62,220	66,413	131,745
Central administration costs	(3,965)	(2,951)	(6,730)
Net finance expense	(2,313)	(2,326)	(4,879)
Group profit before taxation	55,942	61,136	120,136
Taxation	(13,325)	(12,336)	(26,530)
Profit for the period	42,617	48,800	93,606

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

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

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2 Segmental analysis continued

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 28 September 2013						
	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			
Process Safety	(309)	–	–	(309)	(136)	(445)
Infrastructure Safety	(72)	(98)	–	(170)	(39)	(209)
Medical	(6,402)	(2)	176	(6,228)	–	(6,228)
Environmental & Analysis	(2,184)	(50)	–	(2,234)	–	(2,234)
Total Group	(8,967)	(150)	176	(8,941)	(175)	(9,116)

The transaction costs mainly arose on the acquisitions of Talentum Developments Limited (£98,000) and ASL Holdings Limited (£50,000).

(Restated) 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			
Process Safety	(301)	–	–	(301)	8,188	7,887
Infrastructure Safety	–	–	–	–	–	–
Medical	(4,298)	(1,173)	1,126	(4,345)	–	(4,345)
Environmental & Analysis	(1,830)	(295)	–	(2,125)	–	(2,125)
Total Group	(6,429)	(1,468)	1,126	(6,771)	8,188	1,417

For the 52 weeks ended 30 March 2013						
	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			
Process Safety	(602)	–	(16)	(618)	8,156	7,538
Infrastructure Safety	–	(54)	–	(54)	–	(54)
Medical	(9,947)	(2,272)	517	(11,702)	(86)	(11,788)
Environmental & Analysis	(3,686)	(417)	–	(4,103)	–	(4,103)
Total Group	(14,235)	(2,743)	501	(16,477)	8,070	(8,407)

The total assets and liabilities of all four sectors have not been disclosed as there have been no material changes to those disclosed in the 2013 Annual Report and Accounts.

2 Segmental analysis continued

Geographical information

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

	Revenue by destination		
	Unaudited 26 weeks to 28 September 2013 £000	Unaudited 26 weeks to 29 September 2012 £000	Audited 52 weeks to 30 March 2013 £000
United States of America	107,597	93,491	194,990
Mainland Europe	79,304	73,306	151,631
United Kingdom	62,215	57,213	115,575
Asia Pacific*	55,965	48,826	100,532
Africa, Near and Middle East	16,219	14,240	31,380
Other countries	11,766	11,002	25,102
Group revenue	333,066	298,078	619,210

* Formerly Asia Pacific and Australasia.

3 Finance income

	Unaudited 26 weeks to 28 September 2013 £000	(Restated) Unaudited 26 weeks to 29 September 2012 £000	(Restated) Audited 52 weeks to 30 March 2013 £000
Interest receivable	116	52	195
Expected return on pension assets	3,930	3,831	7,721
	4,046	3,883	7,916
Fair value movement on derivative financial instruments	358	–	–
	4,404	3,883	7,916

4 Finance expense

	Unaudited 26 weeks to 28 September 2013 £000	(Restated) Unaudited 26 weeks to 29 September 2012 £000	(Restated) Audited 52 weeks to 30 March 2013 £000
Interest payable on bank loans and overdrafts	1,384	1,107	2,366
Amortisation of finance costs	317	317	634
Interest charge on pension scheme liabilities	4,915	4,615	9,239
Other interest payable	4	43	90
	6,620	6,082	12,329
Fair value movement on derivative financial instruments	–	108	384
Unwinding of discount on provisions	97	19	82
	6,717	6,209	12,795

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

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5 Taxation

The total Group tax charge for the 26 weeks to 28 September 2013 of £13,325,000 (26 weeks to 29 September 2012: £12,336,000; 52 weeks to 30 March 2013: £26,530,000) comprises a current tax charge of £14,951,000 (26 weeks to 29 September 2012: £13,130,000; 52 weeks to 30 March 2013: £26,949,000) and a deferred tax credit of £1,626,000 (26 weeks to 29 September 2012: credit of £794,000; 52 weeks to 30 March 2013: credit of £419,000). The tax charge is based on the estimated effective tax rate for the year.

The amounts stated above for the comparative periods to 29 September 2012 and 30 March 2013 have been restated to reflect the changes required under IAS 19 (revised), which was adopted from 31 March 2013. In the 26 weeks to 29 September 2012, these changes resulted in a reduction in profit before tax of £1,059,000 (52 weeks to 30 March 2013: £2,118,000). This gave rise to a tax credit arising on this reduction of £254,000 and £508,000 respectively, the corresponding entries to which were debits to equity.

The tax charge includes £10,708,000 (26 weeks to 29 September 2012: £9,501,000; 52 weeks to 30 March 2013: £19,046,000) in respect of overseas tax.

Reductions in the UK corporation tax rate from 26% to 24% (effective from 1 April 2012) and to 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. The deferred tax asset at 28 September 2013 has been calculated based on the rates of 21% and 20% substantively enacted at the balance sheet date. The reductions in rate have resulted in a credit to the deferred tax asset of £942,000, of which £1,142,000 was charged to Other Comprehensive Income and £200,000 credited to the Consolidated Income Statement.

6 Earnings per ordinary share

Basic earnings per ordinary share are calculated using the weighted average of 377,750,281 (29 September 2012: 377,388,541; 30 March 2013: 377,597,126) shares in issue during the period (net of shares purchased by the Company and held as treasury shares). Diluted earnings per ordinary share are calculated using 378,101,945 (29 September 2012: 377,927,267; 30 March 2013: 378,009,506) shares which includes dilutive potential ordinary shares of 351,664 (29 September 2012: 538,726; 30 March 2013: 412,380). 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 28 September 2013 £000	(Restated) Unaudited 26 weeks to 29 September 2012 £000	(Restated) Audited 52 weeks to 30 March 2013 £000
Earnings from continuing operations	42,617	48,800	93,606
Add back amortisation of acquired intangible assets (after tax)	6,249	4,530	9,978
Acquisition transaction costs (after tax)	150	1,468	2,252
Adjustments to contingent consideration (after tax)	(136)	(859)	(385)
Loss/(profit) on disposal of continuing operations (after tax)	175	(8,188)	(8,070)
Adjusted earnings	49,055	45,751	97,381

	Per ordinary share		
	Unaudited 26 weeks to 28 September 2013 pence	(Restated) Unaudited 26 weeks to 29 September 2012 pence	(Restated) Audited 52 weeks to 30 March 2013 pence
Earnings from continuing operations	11.28	12.93	24.79
Add back amortisation of acquired intangible assets (after tax)	1.66	1.20	2.64
Acquisition transaction costs (after tax)	0.04	0.39	0.60
Adjustments to contingent consideration (after tax)	(0.04)	(0.23)	(0.10)
Loss/(profit) on disposal of continuing operations (after tax)	0.05	(2.17)	(2.14)
Adjusted earnings	12.99	12.12	25.79

7 Dividends

	Per ordinary share		
	Unaudited 26 weeks to 28 September 2013 £000	Unaudited 26 weeks to 29 September 2012 £000	Audited 52 weeks to 30 March 2013 £000
Amounts recognised as distributions to shareholders in the period			
Final dividend for the year to 30 March 2013 (31 March 2012)	6.37	5.95	5.95
Interim dividend for the year to 30 March 2013	–	–	4.06
	6.37	5.95	10.01
Dividends in respect of the period			
Interim dividend for the year to 29 March 2014 (30 March 2013)	4.35	4.06	4.06
Final dividend for the year to 30 March 2013	–	–	6.37
	4.35	4.06	10.43

	Per ordinary share		
	Unaudited 26 weeks to 28 September 2013 £000	Unaudited 26 weeks to 29 September 2012 £000	Audited 52 weeks to 30 March 2013 £000
Amounts recognised as distributions to shareholders in the period			
Final dividend for the year to 30 March 2013 (31 March 2012)	24,049	22,425	22,425
Interim dividend for the year to 30 March 2013	–	–	15,340
	24,049	22,425	37,765
Dividends in respect of the period			
Interim dividend for the year to 29 March 2014 (30 March 2013)	16,444	15,340	15,340
Final dividend for the year to 30 March 2013	–	–	24,049
	16,444	15,340	39,389

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

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8 Notes to the Consolidated Cash Flow Statement

	Unaudited 26 weeks to 28 September 2013 £000	(Restated) Unaudited 26 weeks to 29 September 2012 £000	(Restated) Audited 52 weeks to 30 March 2013 £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	58,645	55,394	117,297
Depreciation of property, plant and equipment	6,761	6,262	12,684
Amortisation of computer software	595	677	1,402
Amortisation of capitalised development costs and other intangibles	1,860	1,824	3,578
Amortisation of acquired intangible assets	8,967	6,429	14,235
Retirement/disposal of capitalised development costs	–	–	264
Share-based payment expense in excess of amounts paid	1,813	1,378	2,482
Additional payments to pension scheme	(3,072)	(2,811)	(7,195)
(Profit)/loss on sale of property, plant and equipment and computer software	(54)	13	(163)
Operating cash flows before movement in working capital	75,515	69,166	144,584
Increase in inventories	(4,973)	(3,021)	(2,693)
Decrease/(increase) in receivables	4,458	1,831	(9,210)
Decrease/(increase) in payables	(6,619)	(7,543)	1,015
Cash generated from operations	68,381	60,433	133,696
Taxation paid	(12,447)	(11,383)	(25,452)
Net cash inflow from operating activities	55,934	49,050	108,244

	Unaudited 28 September 2013 £000	Unaudited 29 September 2012 £000	Audited 30 March 2013 £000
Analysis of cash and cash equivalents			
Cash and bank balances	41,141	43,000	49,723
Overdrafts (included in current Borrowings)	(208)	–	–
Cash and cash equivalents	40,933	43,000	49,723

	Unaudited 28 September 2013 £000	Unaudited 29 September 2012 £000	Audited 30 March 2013 £000
Analysis of net debt			
Cash and cash equivalents	40,933	43,000	49,723
Loan notes falling due within one year*	(2,731)	(2,515)	(2,515)
Bank loans falling due within one year	–	–	(2,632)
Bank loans falling due after more than one year	(147,969)	(114,594)	(154,866)
	(109,767)	(74,109)	(110,290)

* The £2,515,000 loan note issued in the prior period was converted at par into cash on 31 May 2013. A new loan note was issued for £2,731,000 on 3 June 2013. This is convertible to cash at par at any time between six and twelve months from date of issue.

9 Non-GAAP measures

Return on Capital Employed

	Unaudited 26 weeks to 28 September 2013 £000	(Restated) Unaudited 26 weeks to 29 September 2012 £000	(Restated) Audited 52 weeks to 30 March 2013 £000
Operating profit before amortisation of acquired intangible assets, acquisition transaction costs and movement on contingent consideration, but after share of results of associates	67,371	62,045	133,422
Computer software costs within intangible assets	2,307	2,421	2,383
Capitalised development costs within intangible assets	12,469	10,602	11,977
Other intangibles within intangible assets	99	179	146
Property, plant and equipment	75,421	72,860	76,725
Inventories	72,500	63,269	69,713
Trade and other receivables	123,968	116,286	133,605
Trade and other payables	(85,128)	(84,379)	(100,929)
Provisions	(2,840)	(1,762)	(2,420)
Net tax liabilities	(12,852)	(12,100)	(11,262)
Non-current trade and other payables	(14,996)	(6,253)	(22,649)
Non-current provisions	(1,862)	(3,193)	(2,100)
Add back accrued contingent purchase consideration	19,855	16,870	33,512
Capital employed	188,941	174,800	188,701
Return on Capital Employed (annualised)	71.3%	71.0%	70.7%

The impact of the adoption of IAS 19 (revised) on the Return on Capital Employed (ROCE) measure was a reduction in ROCE of 0.6% for the 26 weeks to 29 September 2012 (52 weeks to 30 March 2013: 0.6% reduction). This change arose due to the reduction in operating profit, due to the increase in administrative expenses as detailed in note 1.

Return on Total Invested Capital

	Unaudited 26 weeks to 28 September 2013 £000	(Restated) Unaudited 26 weeks to 29 September 2012 £000	(Restated) Audited 52 weeks to 30 March 2013 £000
Post-tax profit before amortisation of acquired intangible assets, acquisition transaction costs, movement on contingent consideration and profit on disposal of continuing operations	49,055	45,751	97,381
Total shareholders' funds	452,513	404,263	453,267
Add back retirement benefit obligations	40,754	40,611	47,172
Less associated deferred tax assets	(8,234)	(9,341)	(10,851)
Cumulative amortisation of acquired intangible assets	53,793	41,850	46,150
Historic adjustments to goodwill*	89,549	89,549	89,549
Total invested capital	628,374	566,932	625,287
Return on Total Invested Capital (annualised)	15.6%	16.1%	15.6%

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

The impact of the adoption of IAS 19 (revised) on the Return on Total Invested Capital (ROTIC) measure was a reduction in ROTIC of 0.3% for the 26 weeks to 29 September 2012 (52 weeks to 30 March 2013: 0.2% reduction). See note 1 for further details.

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.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

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9 Non-GAAP measures continued

Adjusted operating profit

	Unaudited 28 September 2013 £000	(Restated) Unaudited 29 September 2012 £000	(Restated) Audited 30 March 2013 £000
Operating profit	58,645	55,394	117,297
<i>Add back:</i>			
Acquisition costs and contingent consideration fair value adjustments	(26)	342	2,242
Amortisation of acquisition-related intangible assets	8,967	6,429	14,235
Adjusted operating profit	67,586	62,165	133,774

Adjusted operating cash flow

	Unaudited 28 September 2013 £000	(Restated) Unaudited 29 September 2012 £000	(Restated) Audited 30 March 2013 £000
Net cash from operating activities (note 8)	55,934	49,050	108,244
<i>Add back:</i>			
Taxes paid	12,447	11,383	25,452
Proceeds from sale of property, plant and equipment	271	347	917
<i>Less:</i>			
Purchase of property, plant and equipment	(7,266)	(7,595)	(14,472)
Purchase of computer software and other intangibles	(589)	(475)	(1,053)
Development costs capitalised	(2,447)	(2,369)	(5,443)
Adjusted operating cash flow	58,350	50,341	113,645
Cash conversion % (adjusted operating cash flow/adjusted operating profit)	86%	81%	85%

10 Acquisitions

The Group made one acquisition during the period. The entire share capital of Talentum Developments Limited (Talentum) was acquired on 11 April 2013 for an initial cash consideration of £2,590,000. This was subsequently adjusted by an additional £724,000 which was paid in June 2013 based on the final level of agreed working capital at the acquisition date. Deferred consideration of £250,000 is payable on or around April 2014 subject to the seller providing certain pre-agreed technical information and know-how to the Group. As at 28 September 2013 it is expected that this amount will be paid in full.

Talentum forms part of the Infrastructure Safety sector and specialises in the design and manufacture of flame detector products for a range of industries, which protect property from the risk of fire. The acquisition is complementary to the Group's fire detection businesses and is expected to provide opportunities to enhance the Group's product offering to existing customers and grant access to new ones. Talentum will benefit from the Group's global presence and it is expected that synergies will be achieved through shared costs and economies of scale.

The provisional acquisition accounting has resulted in the recognition of assets of £3,249,000, goodwill of £1,032,000 and liabilities of £717,000. Included within assets acquired were intangibles of £1,445,000, representing the customer relationships, brand and technical know-how acquired. Cash and debtors of £754,000 and £648,000 were the other significant assets acquired. Liabilities comprised tax and other payables of £383,000.

The £16,669,000 cash outflow on acquisitions comprises £2,561,000 in respect of Talentum and £14,108,000 in respect of prior period acquisitions.

11 Disposal of business

On 22 August 2012, the Group disposed of its Asset Monitoring businesses, comprising Trittech Holdings Limited and its subsidiary Trittech International Limited (together known as Trittech). Trittech was sold for an initial cash consideration of £18,900,000. A further £839,000 was paid in October 2012 in respect of cash and working capital held in the business at the time of sale. In addition £2,100,000 was retained in escrow and was released to Halma in August 2013. The £175,000 loss on disposal in the current period mainly relates to additional costs of this disposal.

The £1,925,000 cash inflow from disposal of businesses shown in the Consolidated Cash Flow Statement represents the £2,100,000 released from escrow less the additional disposal costs of £175,000 incurred.

The profit on disposal of £8,188,000 and £8,070,000, and cash inflow of £18,955,000 and £19,608,000, for the 26 weeks to 29 September 2012 and 52 weeks to 30 March 2013 respectively related almost entirely to the disposal of Trittech.

12 Fair values of financial assets and liabilities

As at 28 September 2013 there were no significant differences between the book value and fair value (as determined by market value) of the Group's financial assets and liabilities.

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

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

As at 28 September 2013, the total forward foreign currency contracts outstanding were £18,397,000. The contracts mostly mature within one year and therefore the cash flows and resulting effect on profit and loss are expected to occur within the next 12 months.

The fair values of the forward contracts are disclosed as a £499,000 asset and £28,000 liability in the Consolidated Balance Sheet.

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

13 Other matters

Seasonality

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

Equity and borrowings

Issues and repurchases of Halma plc's ordinary shares and drawdowns and repayments of borrowings are shown in the Consolidated Cash Flow Statement.

Related party transactions

There were no significant changes in the nature and size of related party transactions for the period to those reported in the 2013 Annual Report and Accounts.

14 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 53 to 55 in the 2013 Annual Report and Accounts, which is available on the Group's website at www.halma.com.

The principal risks and uncertainties relate to:

- Remoteness of operations and globalisation
- Staff quality
- Competition
- Large customer and key supplier risk
- Intangible resources
- Information Technology/Business Interruption
- Acquisitions
- Laws and regulations
- Cash
- Treasury risks
- Pension deficit
- Economic conditions

The Directors do not consider that the principal risks and uncertainties have changed since the publication of the 2013 Annual Report and Accounts. 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's diversity limits its exposure to economic risk arising in any one territory. Group sales to Mainland Europe represent 24% of overall sales and sales to southern Eurozone economies and Ireland represent fewer than 5% of total Group sales.

We mitigate the risk to demand by operating in markets underpinned by regulatory drivers (where customer spending is often non-discretionary), maintaining a diverse product portfolio and targeting continued growth in developing markets. In addition, Halma's model of autonomy allows local management to change strategy quickly when reacting to variable market conditions.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

CONTINUED

14 Principal risks and uncertainties continued

Although the Group uses forward foreign exchange contracts to mitigate its transactional currency exposure risk, it does not hedge the translation of its currency profits. In the first half of the year, the US Dollar and Swiss Franc were on average 3% stronger and the Euro was on average 6% stronger relative to Sterling than in the first half of the previous year. The net result was a 3% positive impact on reported profit.

15 Responsibility statement

We confirm that to the best of our knowledge:

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

By order of the Board

Andrew Williams

Chief Executive

Kevin Thompson

Finance Director

19 November 2013

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

*Non-executive

Secretary

Carol T Chesney

Executive Board

Andrew J Williams *Chief Executive*
Kevin J Thompson *Finance Director*
Charles E Dubois *Fluid Technology*
Philippe Felten *Security and Door Sensors*
Mark Lavelle *Corporate Development*
Adam J Meyers *Health Optics*
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