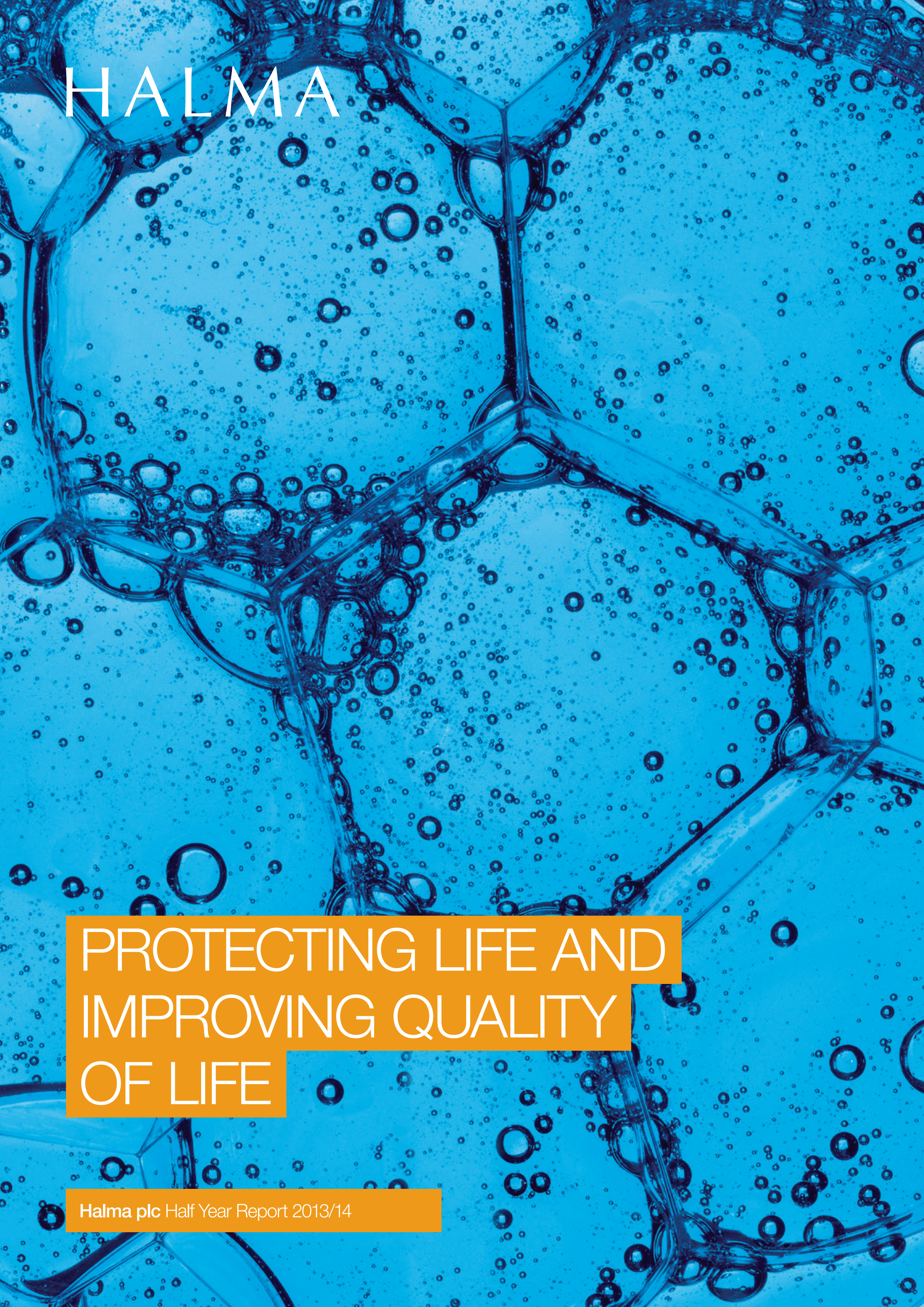


HALMA

# 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 benefiting 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 adjusted[1] 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 profit[1]. The consequent change to the prior period's adjusted earnings per share[3] 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 growth[1] of 8% including a 2% positive benefit from currency movements. Excluding disposed companies, total revenue growth was 14%.

Adjusted[1] 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 Sales[1] 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.

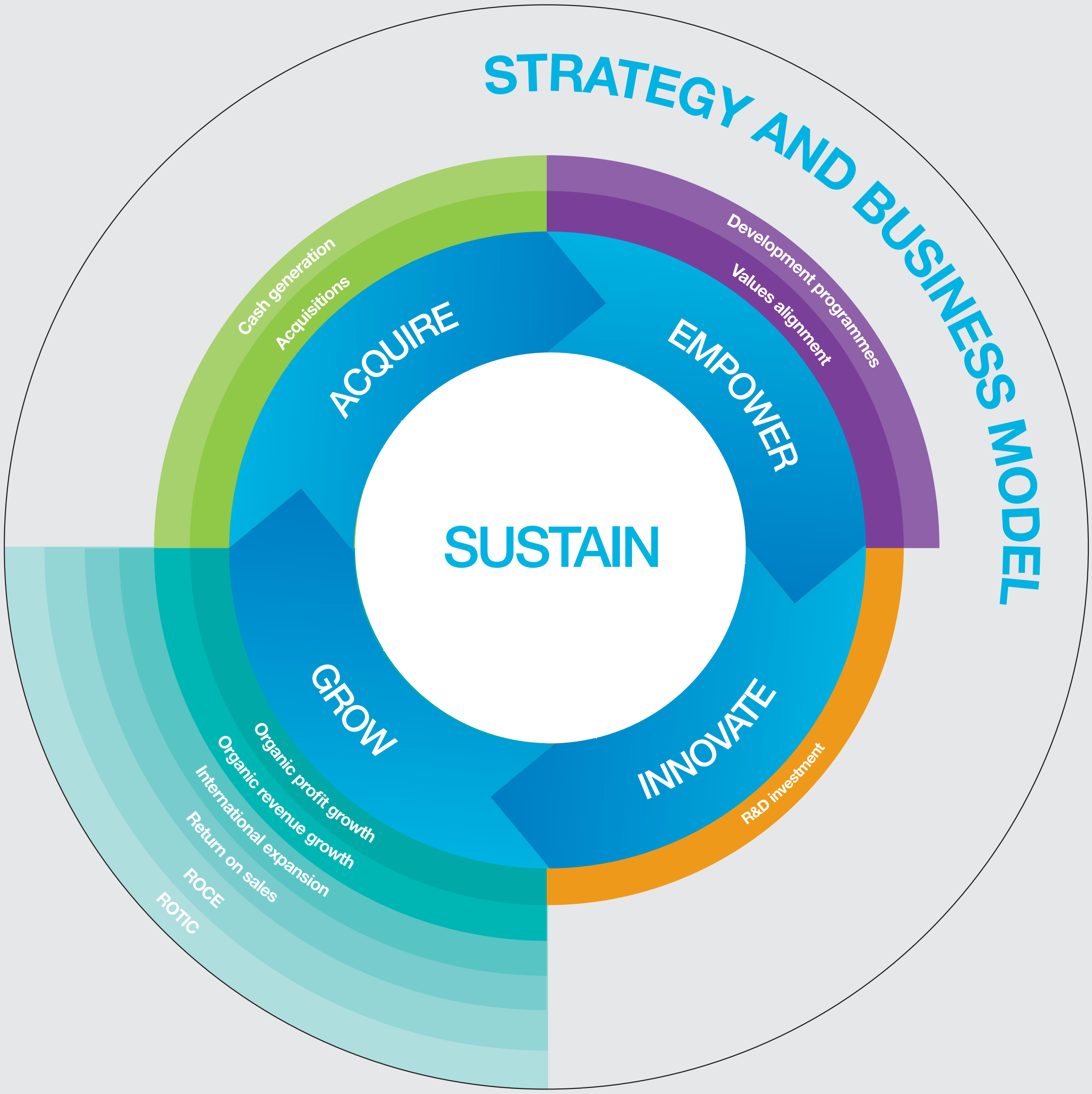
## Outlook

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)** | (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

| | 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 |
|---|---|---|---|---|---|---|---|---|
| | | | | | | | | (Restated) For the 52 weeks ended 30 March 2013 |
| 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

**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 | | | | | |
|---|---|---|---|---|---|---|
| | | Acquisition costs | | | | |
| | Amortisation of acquired intangible assets £000 | Transaction costs £000 | Adjustments to contingent consideration £000 | Total amortisation charge and acquisition costs £000 | Disposal of continuing operations (note 11) £000 | Total £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 | | | | | |
|---|---|---|---|---|---|---|
| | | Acquisition costs | | | | |
| | Amortisation of acquired intangible assets £000 | Transaction costs £000 | Adjustments to contingent consideration £000 | Total amortisation charge and acquisition costs £000 | Disposal of continuing operations (note 11) £000 | Total £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 | | | | | |
|---|---|---|---|---|---|---|
| | | Acquisition costs | | | | |
| | Amortisation of acquired intangible assets £000 | Transaction costs £000 | Adjustments to contingent consideration £000 | Total amortisation charge and acquisition costs £000 | Disposal of continuing operations (note 11) £000 | Total £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 CONTINUED

### 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 |

| | **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 CONTINUED

## 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.

**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 |
| *Add back:* | | | |
| 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 |
| *Add back:* | | | |
| Taxes paid | **12,447** | 11,383 | 25,452 |
| Proceeds from sale of property, plant and equipment | **271** | 347 | 917 |
| *Less:* | | | |
| 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 Tritech Holdings Limited and its subsidiary Tritech International Limited (together known as Tritech). Tritech 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 Tritech.

**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** | **Kevin Thompson** |
| Chief Executive | Finance Director |

19 November 2013

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E Jane Aikman*
Daniela Barone Soares*
Norman R Blackwell*
Steven Marshall*
Adam J Meyers
Stephen R Pettit*
Neil Quinn
Kevin J Thompson

*Non-executive

**Secretary**
Carol T Chesney

**Executive Board**
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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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