HALMA

Final Results

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HALMA p.l.c.

PRELIMINARY RESULTS FOR THE 52 WEEKS TO 2 APRIL 2011

21 JUNE 2011

Record results and increased strategic investment

Halma, the leading safety, health and sensor technology group, today announces its preliminary results for the 52 weeks to 2 April 2011.

Highlights include:

- Pre-tax profit (1) from continuing operations up 21% to £104.6m (2010: £86.2m) on revenue up 13% to £518.4m (2010: £459.1m).
- Strong organic growth, reflecting Halma's commitment to investing in management development, innovation and emerging markets: Organic profit growth(2) of 19%, Organic revenue(2) up 11%.
- Successful acquisition of seven businesses totalling £82m (2010: £2m).
- High and increased level of returns achieved with Return on Sales(3) of 20.2% (2010: 18.8%), Return On Total Invested Capital(2) of 15.5% (2010: 13.6%) and Return on Capital Employed(2) of 71.9% (2010: 61.3%).
- All three sectors reported increased revenue and profit. Health & Analysis is now Halma's largest sector, Infrastructure Sectors made good progress and Industrial Safety achieved high profit growth and Return on Sales.
- Revenue outside the UK/Europe and the USA reached 24% (2010: 21%) of total revenue: good progress towards the Group's strategic objective for 30% of revenue to come from markets in the rest of the world by 2015.
- Order intake growth momentum maintained throughout the year.
- Adjusted earnings per share(4) from continuing operations up 21% to 20.49p (2010: 16.89p). Statutory earnings per share up 19% to 19.23p (2010: 16.10p).
- A record dividend of 9.1p, increased by 7%, marking the 32nd consecutive year of dividend increases of 5% or more.
- Strong balance sheet with net debt of £37m (2010: £9m net cash) and borrowing facilities of £165m in place until 2013, providing significant headroom for M&A in 2011/12.

(1) Adjusted to remove the amortisation of acquired intangible assets and acquisition costs (including transaction costs and movement on contingent consideration) of £6.3m (2010: £4.8m).
(2) Organic growth rates, Return on Total Invested Capital (ROTIC) and Return on Capital Employed (ROCE) are non-GAAP performance measures used by management in measuring the returns achieved from the Group's asset base. See note 10 to the Preliminary Announcement.
(3) Return on Sales is defined as adjusted(1) profit before taxation from continuing operations expressed as a percentage of revenue from continuing operations.
(4) Adjusted to remove the amortisation of acquired intangible assets, acquisition costs and the associated tax. See note 6 to the Preliminary Announcement.

Andrew Williams, Chief Executive of Halma, commented:

"In 2010/11 we achieved our objective of significant organic growth and higher rates of return. We made substantial investments in acquiring businesses and developing new products and markets. This will remain a strategic focus for the year ahead to ensure we continue to position the Group's activities into markets offering growth and high returns.

We are pleased with the momentum we have coming into 2011/12 and are looking forward to making further good progress in the year ahead."

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A copy of this announcement, together with other information about Halma, may be viewed on its website: www.halma.com.

NOTE TO EDITORS

1. Halma develops and markets products used worldwide to protect life and improve the quality of life. The Group comprises three business sectors:

   - Health and Analysis — Products used to improve personal and public health. We develop technologies for analysis in safety, life sciences and environmental markets.
   - Infrastructure Sensors — Products which detect hazards to protect assets and people in public and commercial buildings.
   - Industrial Safety — Products which protect assets and people at work.

   The key characteristics of Halma's businesses are that they are based on advanced technology and offer strong growth potential. Many Group businesses are clear market leaders in their specialist field and, in a number of cases, are the dominant world supplier.

2. High resolution photos of Halma senior management, including Chief Executive Andrew Williams, and images illustrating Halma business activities can be downloaded from its website: www.halma.com. Click on the 'News' link, then 'Image Library'. Photo queries: David Waller +44 (0)20 8205 0038, e-mail: dwaller@halmapr.com.

3. You can view or download copies of this announcement and our latest Half Year and Annual reports from our website at www.halma.com or request free printed copies by contacting halma@halma.com.

4. A copy of the Annual Report and Accounts will be made available to shareholders on 27 June 2011 either by post or on-line at www.halma.com and will be available to the general public on-line or on written request to the Company's registered office at Misbourne Court, Rectory Way, Amersham, Bucks HP7 0DE, UK.

5. This announcement 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 announcement. 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.

HALMA p.l.c.

Group results for the 52 weeks to 2 April 2011

Financial Highlights

	Change	**52 weeks 2 April 2011**	53 weeks 3 April 2010
Continuing Operations:			
Revenue	**+ 13%**	**£518.4m**	£459.1m
Adjusted Profit before Taxation [1]	**+ 21%**	**£104.6m**	£86.2m
Statutory Profit before Taxation	**+ 21%**	**£98.3m**	£81.4m
Adjusted Earnings per Share [2]	**+ 21%**	**20.49p**	16.89p
Statutory Earnings per Share	**+ 19%**	**19.23p**	16.10p
Total Dividend per Share [3]	**+ 7%**	**9.10p**	8.50p
Return on Sales [4]		**20.2%**	18.8%
Return on Total Invested Capital [5]		**15.5%**	13.6%
Return on Capital Employed [5]		**71.9%**	61.3%

Pro-forma information:

1 Adjusted to remove the amortisation of acquired intangible assets and acquisition costs of £6.3m (2010: £4.8m). See note 1 to the Preliminary Announcement.

2 Adjusted to remove the amortisation of acquired intangible assets, acquisition costs and the associated tax. See note 6 to the Preliminary Announcement.

3 Total dividend paid and proposed per share.

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

5 Organic growth rates, Return on Total Invested Capital 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 10 to the Preliminary Announcement.

Chairman's Statement

The Group has made strong progress

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

Strategically we aim to grow profit and revenue in excess of 5% p.a. organically, to have Return on Sales in the region of 18% to 22% and generate post-tax Return on Total Invested Capital of more than 12%. As a result, we are highly cash generative and reinvest in our businesses through people, product and market development, continue to acquire more companies with like characteristics and strive to give annual dividend growth of 5% or more to our shareholders; something we have achieved for more than 30 consecutive years.

Performance

Full year revenue increased by 13% to £518.4m (2010: £459.1m), organic revenue growth[1] was 11%, and also 11% at constant currency. Profit before tax, amortisation of acquired intangibles and acquisition costs increased by 21% (to break through the £100m level for the first time) to £104.6m (2010: £86.2m), organic profit growth was 19% and also 19% at constant currency. Statutory profit before tax increased by 21% to £98.3m. Return on Total Invested Capital[1] increased to 15.5% (2010: 13.6%), Return on Capital Employed[1] at the operating level increased significantly to 71.9% (2010: 61.3%). Return on Sales[1] improved to 20.2% compared to 18.8% the previous year. Net debt at the year end was £37.1m having spent £82m on acquiring a number of excellent companies during the year.

You will see therefore, that the Company made excellent progress during the year against its key performance indicators.

As a result the Board is recommending a final dividend[2] of 5.56p per share giving a total dividend of 9.10p for the year, an increase of 7.1%. The final dividend is subject to approval by shareholders and will be paid on 24 August 2011 to shareholders on the register at 22 July 2011. Dividend cover is 2.25 times (2010: 1.98 times) meeting our objective of around 2 times cover.

Acquisitions

In contrast to the previous year, we judged that the climate was right to put more capital to work and during the year we invested a record £82m in acquisitions. With the maximum earn-outs, this sum could increase by a further £25m.

Continued strong investment in markets and products

The Group has continued to invest strongly in developing markets, which in turn is boosting our growth rates. Our regional development in China is progressing well and sales in China grew by 28% to £24m. Many companies in the Group are now also developing a stronger focus on South America, Brazil in particular. As usual, the year has seen the launch of many new innovative products.

Technical collaboration across the Group has increased which accelerates our adoption of new technologies and speeds our time to market. Although we believe passionately in autonomy, collaboration is also encouraged, these are key differentiators for the Group. Research and Development was 5.0% of revenue (2010: 4.7%).

People

We continue to invest strongly in people development, introducing new tailor-made training courses for our technical staff as well as even more management training. As a result, it is pleasing to see more and more internal promotions across the Group.

To everyone in the Group, these outstanding and record results are the result of your imagination and dedication, sincere thanks to you all.

Governance

In July 2010, we appointed Norman Blackwell and Steven Marshall to the Board and I am delighted to say that already they are making strong contributions.

At this year's AGM, Richard Stone will be stepping down from the Board after 10 years of exemplary service. Richard has made a huge contribution to the Board during his tenure, and we offer him our sincere thanks and wish him well for the future.

In line with the recommendations of the UK Corporate Governance Code, the Board has agreed to submit all Directors to annual election starting at this year's AGM on 28 July 2011, ahead of being obliged to do so at the 2012 AGM.

Following publication of the FRC's Consultation Document: Gender Diversity on Boards, we are reviewing our own position and contributing to the consultation process. We intend to explore the establishment of wider diversity targets and report annually on our progress.

Outlook

Despite many economic uncertainties across the globe, the Group has made strong progress. Some excellent acquisitions have added to our strength. We are pleased with the momentum we have coming into 2011/12 and are looking forward to making further good progress in the year ahead.

Geoff Unwin, Chairman

1 See Financial Highlights

2 Subject to the approval of this year's recommended dividend increase at the AGM on 28 July 2011

Chief Executive's Strategic Review

Record results and increased strategic investment

Halma has had a terrific year, achieving strong organic growth and adding greater product and market strength to our existing business sectors through acquisitions. We are creating value for customers and shareholders in the short term, yet we are also increasing investment for growth in the future. We have a proven product, market and operational strategy which adapts as technology and market needs change.

Adjusted[1] profit increased by 21% to £104.6m (2010: £86.2m), including strong underlying organic growth of 19%, and a 2% contribution from recent acquisitions. There was a minimal (<1%) positive impact on profit and revenue growth due to currency exchange rate movements.

Revenue grew 13% to £518m (2010: £459m). Organic growth of 11% underlined the fact that our continued investment in management development, innovation and emerging markets is enabling us to achieve and sustain higher rates of growth. Acquisitions contributed 2% to growth.

Cash generation and operational management were excellent across the Group. We ended the year in a strong financial position with net debt of £37m (2010: £9m net cash) after having spent £82m (2010: £2m) on acquisitions and paying a total of £33m (2010: £30m) to shareholders in dividends. We have core borrowing facilities of £165m in place until 2013 and therefore have the capital resources available for further acquisitions in 2011/12, should we find the right opportunities.

After a strong first half year it was encouraging to see order intake growth momentum maintained throughout the second half, continuing to run slightly ahead of revenue giving us a positive start to 2011/12.

Halma's sustained high level of performance over the past four decades has been achieved through the commitment, innovation and excellence of our employees. However, I believe their achievements during the recent financial downturn have been outstanding. I would like to thank all Halma employees for both their contribution to these successes and in ensuring that we are well placed to achieve even greater things in the future.

Higher rates of return

Return on Sales[1] increased to 20.2% (2010:18.8%) reflecting excellent operational management across the Group, an impressive recovery in Industrial Safety and the increasing proportion of our revenue coming from the Health and Analysis sector. Our strategic objective is to operate in the 18% to 22% range for Return on Sales and recent acquisitions support this goal.

All Halma companies are incentivised to deliver both profit growth and high return on capital. This year, the average Return on Capital Employed[1] of our operating companies increased to 71.9% (2010: 61.3%) demonstrating the strength of our operational management and the benefits of decentralised, light-assembly manufacturing operations.

The combination of strong earnings growth, effective operational management and paying sensible prices for acquisitions resulted in Halma's post-tax Return on Total Invested Capital improving to 15.5% (2010: 13.6%).

Growth in all regions and sectors

Revenue from the USA increased by 18% to £150m (2010: £127m) and Europe was up by 2% to £138m (2010: £136m). We achieved 8% growth in the UK, which now represents just 20% of total revenue at £106m (2010: £98m).

Revenue from outside our largest markets in Europe and the USA increased by 26% to £124m (2010: £98m), contributing 24% of the Group's total. The strongest performance came from the Far East and Australasia region, which increased by 29%. China grew by 28% to £23.6m (2010: £18.4m).

Health and Analysis is now Halma's largest sector
Health and Analysis performed strongly to become our largest sector. Revenue was up by 23% to £218m (2010: £178m) whilst profit[2] was 33% higher at £46m (2010: £35m), representing 42% of the Group. All four sub-sectors increased revenue and profit. Growth was stronger in the USA and UK than Mainland Europe, with revenue outside these core territories increasing by 34% to £53m (2010: £40m). Here Photonics, Fluid Technology and Health Optics made the major contributions whilst Water made greater progress in the developed countries.

Infrastructure Sensors made good progress
Our Infrastructure Sensor sector has continued to increase profit throughout the downturn with demand largely driven by safety regulation globally and increasing urbanisation of population in developing countries. This year revenue was up by 8% to £197m (2010: £183m) whilst profit[2] grew by 10% to £39m (2010: £36m). Steady growth was achieved in the UK, USA and Mainland Europe with an encouraging 20% increase from outside these three regions. All four sub-sectors increased revenue and profit. Elevator Safety and Door Sensors performed very well in the Far East and Australasia whilst our Security business made good progress in all regions, most notably in South Africa. Fire Detection had a positive year, especially in the USA.

Industrial Safety achieved high profit growth and Return on Sales
Industrial Safety maintained the positive momentum it had coming into the year to deliver an excellent performance. Revenue improved by 5% to £103m (2010: £98m) whilst profit[2] grew by 20% to £25m (2010: £20m) giving a Return on Sales of 24%, the highest of our three sectors. All four sub-sectors increased profit whilst all, except Safety Interlocks, grew revenue. Revenue grew steadily in the UK and USA. In Mainland Europe, there was a slight decline in revenue due to the non-repeat of a major order for Safety Interlocks last year although this was more than compensated for by 34% growth in the Far East and Australasia.

Clear strategic priorities

We aim to operate in global specialised markets offering long-term growth and establish strong market positions with products and technology that can sustain high returns. Our strategic priorities guide our activities and resource allocation at both a corporate and subsidiary company level ensuring a balance between organic and acquisition led growth in the medium term.

Organic growth
We aim to continue to deliver organic growth above the blended medium-term growth rates of our end markets, which we believe to be at least 5%. Over the past five years, the average of our annual organic growth rates has been 8% per annum (revenue) and 10% per annum (profit) reflecting our ability to consistently outperform our markets by building sustainable competitive advantage through our products and customer service.

International expansion with a focus on Asia
Our strategic objective is for at least 30% of revenue to come from outside the UK, USA and Mainland Europe by 2015 (2011: 24%) and, by that time, for China to be 10% of the Group total (2011: 4.5%).

Since 2006, we have made a series of strategic central investments in China and India to accelerate the rate at which Halma subsidiaries can establish a local presence to design, sell and manufacture their products in these faster growth economies.

In the past year, we opened three new regional offices in China (Guangzhou, Chengdu and Shenyang), expanded our Door Sensor manufacturing facilities and acquired the assets of a Beijing based business to give us a local manufacturing base for our Fire Detection products.

In India, 10 companies now have a direct presence in our Halma hub in Mumbai compared with five at the start of the year. During the past year, revenue from India grew by 32% to £6.4m.

More Halma companies are investigating establishing a direct presence in South America. In the coming year, we will determine whether any central investment is appropriate to accelerate this process.

High rate of innovation
Product and process innovation enables us to build competitive advantage, gain market share and sustain high financial returns. All Halma businesses measure the direct contribution of major innovations in their business each month and increasingly are collaborating more with each other to share best practice or find new solutions to technical and operational problems. In May 2011, we held our second Halma Innovation and Technology Exposition in Orlando, Florida. The focal point of HITE is a two-day exhibition where every Halma company exhibits transferrable technology and processes to each other. This ability to transfer state of the art technology from one sector to another is something most of our competitors simply don't have.

Innovation excellence in Halma is recognised through the monthly Eureka award and the Halma Annual Innovation

Award. Both are open to all employees, and award a top prize of £1,000 and £20,000 respectively.

The Halma Annual Innovation Award for 2011 was won by an employee from Ocean Optics who developed a new way of testing products, resulting in superior product quality, faster lead times for customers and a £400,000 annual cost saving for the company. The runners-up included the Ricochet wireless security sensor system from Texecom and the Memcom elevator emergency telephone from Memco.

R&D expenditure in 2010/11 increased by 20% to £26m (2010: £21m), equivalent to 5% of revenue and well above our minimum spend target of 4% of revenue. R&D investment is greater in our higher technology businesses where the execution risk on new product development is higher too. In response to this challenge, we have established a training programme for our technical engineers called Halma Certificate in Applied Technology (HCAT). HCAT provides engineers with training in finance and project management as well as providing them with the opportunity to visit and network across other Halma companies.

Management development
Halma's decentralised operating structure relies on local managers making good, timely decisions in the best interests of their business. R&D, manufacturing, sales and administrative resources are controlled locally where the intimate knowledge of market dynamics and customer needs resides. Strategic objectives, annual performance, goals and management incentives are aligned together with a real commitment to attract and develop high quality talent at all levels.

Halma offers a range of training programmes for employees including the Halma Executive Development Programme (HEDP), Halma Management Development Programme (HMDP) and Halma Certificate in Applied Technology (HCAT). During 2010/11, over 130 employees attended these Halma-run programmes and many more benefited from training provided by their subsidiary company. The value of this investment is shown both in our excellent financial performance and in succession planning. The latest example of the latter is the promotion of one of our US company Presidents, Dr Rob Randelman, to the Executive Board in April 2011.

In future, we recognise the need to increase the diversity of our management talent in order to meet the new challenges ahead. This objective will be integrated into a new management development strategy being implemented in early 2011/12.

Acquisitions, mergers and disposals
We look to buy companies with business and market characteristics like Halma. They have to be a good fit with our operating culture and strategy in addition to being value-enhancing financially. As the Group has grown, the average size of our transactions has increased. This remains in line with our increasing capacity and capability to successfully grow businesses of that larger size thereby not materially altering our risk profile.

As expected, 2010/11 saw a pick-up in M&A activity globally and we successfully completed seven transactions spending a total of £82m (2010: £2m). Four of these were small bolt-on additions to existing Halma businesses adding new technology and local manufacturing or sales resources in Photonics, Water, Health Optics and Fire Detection.

We acquired three larger businesses, all within our Health and Analysis sector, which will operate as stand-alone companies. Within our Fluid Technology sub-sector we paid $26.3m for Alicat Scientific (Arizona, USA) in November 2010 and $24.8m for Accudynamics (Massachusetts, USA) in December 2010. In March 2011, we paid CHF70m for Medicel (Switzerland) who specialise in cataract lens injector devices and will operate within Health Optics. The Medicel deal includes an earn-out of up to CHF30m for achieving profit growth targets over the next three years.

All these acquisitions are forecast to be earnings enhancing in year one. We are continuing to search for further acquisitions in Health and Analysis, Infrastructure Sensors and Industrial Safety and will be increasing resources to search for opportunities.

Our strategic objective is to grow our businesses organically and through acquisitions but maintain our flat organisational structure and devolved management approach. Consequently, in addition to acquiring businesses, we also consider internal mergers or divestment. Our success in this active management of our portfolio is demonstrated by the fact that since the start of financial year 2005/06, our profit has more than doubled, yet the number of principal operating companies Halma has reduced from 44 to 38.

Macro-economic, regulatory and competitive environment

Our expectation at the start of 2010/11 was that the stability and slow recovery which had returned in Europe and the USA in late 2009 would be maintained as would the higher rate of growth enjoyed in developing economies. This was broadly borne out with our predominant focus in Europe on Northern markets providing some insulation from the economic problems in countries in Southern Europe.

Many Halma businesses have products where demand is driven by relatively non-discretionary customer spend and all benefit from strong market positions providing upgrade and replacement sales opportunities. All these factors give us genuine resilience in tough economic conditions and enable us to achieve organic growth well above the market rate.

Increasingly environmental, health and safety regulation in our markets creates a relatively robust demand for our products and enables us to invest for the longer term with confidence. Global, regional and national product approvals or technical validations are an increasing cost and technical challenge, but also allow us to build competitive advantage too. Many of our businesses have a presence on industry representative bodies, enabling them to influence and anticipate new market trends.

We serve a wide range of market niches, each with its own unique competitive environment. Our strategy is to empower local management to create or respond to their changing markets by controlling their own competitive strategy including product pricing, product development and market positioning. More details are given in the sector reviews.

Our primary market growth drivers

Halma's strategy is to develop market positions with a horizon of 10 years or more. Growth strategies within our individual operating businesses tend to have three to five-year horizons.

Our selected markets must have robust growth drivers with the potential for organic growth at rates well above background GDP growth.

All of our businesses operate in markets underpinned by at least one of the following growth drivers:

Increasing demand for healthcare
Three key demographic trends underpin the increasing demand for healthcare: population ageing in developed economies, and population growth and increasing affluence in the developing world. Demand for healthcare services and health-related products drives growth in our Health and Analysis markets.

Spending on healthcare continues to grow rapidly throughout the developed world, particularly in the USA where it is projected to rise from about 17.5% of GDP in 2010 to about 20% by 2020.

Population growth and rising incomes in the developing world also drive healthcare demand. The world's population is also ageing. Globally, the number of people over 60 years old is growing annually by 2.6%, considerably faster than the general population growth of 1.2%.

Population ageing creates rising healthcare needs and, as incomes rise, health services become available to an increasing number of people in the developing world. In China, for example, the healthcare budget will have increased threefold between 2000 and 2015. Continuous advances in medical technology create new medical procedures, which also stimulate demand for new instruments and equipment.

Increasing demand for energy and water
Throughout the world rising energy consumption and water usage is driven by three key trends: population growth; rising living standards; and changing patterns of food consumption and agriculture. In many economies energy and water supply are mutually dependent. In the USA for example, the energy sector's water consumption is forecast to rise by 50% from 2005 to 2030. This will account for 85% of the country's total increase in water demand.

Worldwide consumption of marketed energy is projected to increase by 49% from 2007 to 2035 with the highest increase in non-OECD economies. While water demand rises relentlessly, both the quality and availability of clean water is declining. Contaminated water is the primary environmental cause of human sickness and death.

Several of our Health and Analysis businesses are positioned to benefit from the global trend of rising demand for energy and water. In both developed and developing regions we see increasing competition for water resources between economic groups and between national governments. The increasing value placed on water resources drives demand for our water conservation, treatment and quality analysis products. Continued investment in oil and gas exploration and extraction drives demand for our Industrial Safety products.

Increasing urbanisation
Current expectations for continued global population expansion predict growth from today's population of about 7 billion people to 9 billion by 2050. In many developed economies, such as Europe and Japan, falling birth rates mean that population numbers will decline; future global population growth will be concentrated in developing countries. Population increase will also be an almost entirely urban phenomenon. The world's urban population is expected to increase by 84% between 2009 and 2050; Asia's urban population is predicted to grow by 1.7 billion, Africa's by 0.8 billion, and Latin America and the Caribbean's by 0.2 billion.

Urbanisation drives investment in non-residential buildings like shops, offices, schools and hospitals, the primary market for our Infrastructure Sensors businesses, while it also requires investment in utilities such as Water, one of our target markets in Health and Analysis.

Increasing health and safety regulation
According to the International Labour Organisation about 2.3 million people die each year from work-related accidents and diseases. This comprises almost 360,000 fatal accidents and an estimated 1.95 million fatal work-related diseases. By the end of each day nearly 1 million workers will have suffered a workplace accident, and around 5,500 people will die due to a work-related accident or disease.

In addition to the human cost, workplace accidents and sickness restrain economic development. Taking account of the direct and indirect costs of occupational accidents and diseases, such as lost working time, employee compensation, production downtime and medical expenses, the economic impact is estimated at around 4% of global GDP (US$1.25tn).

Throughout the world, governments are requiring employers to comply with increasingly strict laws and regulations to protect workers from workplace hazards. In parallel with government regulations, many multinational employers based in the developed world are extending health and safety protocols to developing regions. This combination of increasing safety regulation and globalisation drives demand for our Industrial Safety and Infrastructure Sensors products.

Delivering corporate responsibility and sustainability

Our primary market growth drivers mean that Halma companies operate in markets in which their products contribute positively to the wider community. These market characteristics and our commitment to health and safety, the environment and people development are reflected in the values held by our employees and our operating culture.

We review our responsibility and sustainability reporting in accordance with best practice. Recent legislative changes, particularly concerning the environment and bribery and corruption, have provided an opportunity to review and ensure that our procedures in these important areas are accessible, compliant and firmly embedded within our businesses.

A detailed report on Corporate Responsibility is set out in the Annual Report and Accounts.

Outlook

In 2010/11 we achieved our objective of significant organic growth and higher rates of return. We made substantial investments in acquiring businesses and developing new products and markets. This will remain a strategic focus for the year ahead to ensure we continue to position the Group's activities into markets offering growth and high returns.

We are pleased with the momentum we have coming into 2011/12 and are looking forward to making further good progress in the year ahead.

Andrew Williams, Chief Executive

[1] See Financial Highlights

[2] See note 1 to the Preliminary Announcement

Financial review

Record results and increased returns maintaining a strong financial position

Another year of good progress
Halma delivered strong growth once again with characteristically high returns. We exceeded all of our financial Key Performance Indicators (KPIs) and further increased our rate of profitability as well as putting our financial resources to work to acquire high quality businesses that fit our long-term strategy. In a year when market conditions were more stable Halma delivered record results and continued its long history of strong performance.

	2011 £m	2010 £m	Increase £m	Percentage change Total	Organic growth*	Organic growth* at constant currency
Revenue	**518.4**	459.1	59.3	12.9%	11.0%	10.5%
Adjusted[1] profit before tax	**104.6**	86.2	18.4	21.3%	18.9%	18.6%

* Organic growth[2] is calculated excluding the results of acquisitions.

Revenue increased by 12.9% to £518.4m (2010: £459.1m) and this resulted in adjusted[1] profit before tax of £104.6m (2010: £86.2m), an increase of 21.3%, exceeding £100m for the first time. Currency translation had a very modest impact on the results. Organic revenue growth at constant currency was 10.5% and adjusted[1] profit on the same basis was up 18.6%. Statutory profit before tax increased by 21% to £98.3m (2010: £81.4m).

Health and Analysis has grown to become the largest of our three sectors with 42% of revenue and 42% of the segmental profit. All three sectors grew well and increased their profitability, as did all but two of our 12 sub-sectors, showing that growth was widespread.

The first half/second half adjusted[1] profit split this year was more typical than last year at 47%/53%. Following a record first half performance we continued that upward trend in the second half with a result that was 14% higher in revenue and 15% higher in adjusted[1] profit than the second half of last year.

Growth in all geographic regions

Revenue	2011 £m	2011 % of total	2010 £m	2010 % of total	Change £m	% growth
United States of America	**150.3**	**29%**	127.2	28%	23.1	18%
Mainland Europe	**138.3**	**27%**	135.7	30%	2.6	2%
United Kingdom	**106.1**	**20%**	98.3	21%	7.8	8%
Asia Pacific and Australasia	**76.2**	**15%**	59.1	13%	17.1	29%
Other countries	**47.5**	**9%**	38.8	8%	8.7	22%
	518.4	**100%**	459.1	100%	59.3	13%

The USA overtook Mainland Europe once again to be our largest revenue destination. Health and Analysis was a significant contributor to the US growth with the stronger US Dollar also lifting reported revenue when translated to Sterling. The more modest growth in Mainland Europe is dampened by translation of revenue earned in weaker Euros. Over 60% of our revenue in Mainland Europe is in the Northern European countries. Health and Analysis and Infrastructure Sensors grew revenue in Europe. Revenue to the UK held up well with all sectors growing, however, the faster growth in most other territories means that revenue to the UK continues to be a reducing element of the total; now 20% compared with 27% in 2005.

Our target is for revenue outside the USA, Mainland Europe and the UK to be 30% of Group revenue by 2015. We have taken another useful step toward this goal in 2010/11 with it increasing to 24% (2010: 21%). Asia Pacific and Australasia revenue increased by 29% with all sectors growing strongly. Within that our revenue to China, targeted to be 10% of Group revenue by 2015, increased by 28% to £24m, now representing 4.6% (2010: 4.1%) of revenue. Revenue to Japan is approximately 1.5% of the Group total. Revenue to India, with its recently established hub, grew by 32% to £6.4m (2010: £4.9m) as we continue to expand our coverage there.

Limited currency impacts this year
The Group has both translational and transactional currency exposure. Translational exposures arise on the consolidation of overseas company results into Sterling. Transactional exposures arise where the currency of sale or purchase invoices differs from the functional currency in which each company prepares its local accounts.

Halma reports its results in Sterling. The most important other trading currencies are the US Dollar and Euro, and with the acquisition of Medicel, the Swiss Franc will become more significant. Approximately 30% of Group revenue is denominated in US Dollars and 20% in Euros. As the US Dollar strengthened and the Euro weakened against Sterling in 2010/11, the currency translation of results resulted in only a net 0.5% increase to reported revenues and a net 0.3% increase in adjusted[1] profit. Translational currency exposures are not hedged.

	Weighted average rates used in Income Statement 2011	Weighted average rates used in Income Statement 2010	Year end exchange rates used to translate Balance Sheet 2011	Year end exchange rates used to translate Balance Sheet 2010
US Dollar	**1.56**	1.60	**1.60**	1.53
Euro	**1.18**	1.13	**1.13**	1.13

Based on the current mix of currency denominated revenue and profit, a 1% movement in the US Dollar relative to Sterling changes revenue by £1.8m and profit by £0.3m. Similarly, a 1% movement in the Euro changes revenue by £0.9m and profit by £0.2m.

Within the Group there is a good degree of natural hedging (similar amounts of purchase and sale transactions) in US Dollars. We typically buy less products in Euros than we sell and so have a net exposure of approximately Euro 40m in any year. Our transactional hedging strategy, fixing currency rates up to 12 months forward for approximately 50% of our trading transactions, gives our businesses greater certainty in their overseas trading.

We take a neutral view of the future movements of currencies. Where we have debt we aim for some diversity of borrowing in currency to provide an element of balance sheet hedging although no more than 50% of our borrowing is drawn in currency at any time to ensure that currency movements do not unduly impact on our bank facility headroom.

Higher returns and strong margins
Return on Sales[2] increased further to a record of 20.2% (2010: 18.8%). It has been above 16% every year for the past 26 years and this is the first year in that time it has exceeded 20%. Return on Sales is an important metric for the Group and is an indicator of the high value our customers place on our products.

As noted, Return on Sales increased in all sectors this year with Industrial Safety the highest at 24% following its strong recovery in the past 18 months although all three sectors continue to operate at high levels. Our target is for the Group to operate in the 18% to 22% Return on Sales range and this is supported by the high profitability of recent acquisitions.

Gross margins (revenue less direct materials and direct labour) continue to exceed 60%. Whilst no single commodity or component is significant to the Group there is some upward pressure on input costs. Active management of the supply chain and alternative sources of supply largely mitigate these effects although we expect them to continue to be present across the Group in the coming year.

Reduced finance costs
The net finance cost in the Income Statement reduced to £1.1m (2010: £2.9m). Net bank interest and related expense reduced to £0.7m (2010: £0.9m) while the net pension finance charge of £2.0m last year reduced to £0.4m due to the increased return on higher pension assets this year.

Looking ahead we expect the net pension cost to be lower again in 2011/12 but other interest costs, primarily bank interest expense, are expected to rise due to the increased level of debt following recent acquisitions, with the scale of the impact dependent on any changes in bank borrowing rates.

Lower tax rates
Our approach to taxation is to minimise the tax burden where possible in a responsible manner, maintaining good relationships with tax authorities based on legal compliance, transparency and co-operation.

The Group has its main operating subsidiaries in 11 countries so the Group's effective tax rate is a blend of these different national rates applied to locally generated profits. As expected, the effective tax rate on adjusted[1] profit reduced slightly to 26.2% (2010: 26.5%) because of the mix of profit in various jurisdictions.

A substantial element of our tax is paid in the UK and so the reduction of UK Corporation tax by 2% in 2011/12 will benefit the Group. Together with the low rates in Switzerland enjoyed by Medicel, we expect these factors to lead to a lower Group effective tax rate in 2011/12.

Earnings per share grow and dividend increases
Adjusted earnings per share increased to 20.49p (2010: 16.89p), up 21.3%. Statutory earnings per share increased by 19.4% to 19.23p (2010: 16.1p) due to the amortisation of acquired intangibles being higher this year, the write off of acquisition related costs as now required by revised IFRS rules, and the associated tax credit thereon being proportionately lower.

Halma has a long record of dividend increases. The recommended 7% increase in the final dividend to 5.56p (2010: 5.19p) together with the 7% increase in the interim dividend gives a total dividend of 9.1p (2010: 8.5p). At the year end share price this represents a dividend yield of 2.6%. Halma's progressive dividend policy is reflected in the fact that it will have increased its dividend by 5% or more for every one of the last 32 years, paying out over £350m in dividends to shareholders over that period.

Dividend cover (the ratio of profit after taxation to dividends paid and proposed) calculated using adjusted[1] profit is now 2.25 times (2010: 1.98 times) meeting our target of around 2 times cover.

Record returns
Return on Total Invested Capital (ROTIC), the post-tax return on all the Group's assets including all historical goodwill, was a record at 15.5% (2010: 13.6%). This high and increased rate resulted from profits growing much faster than the asset base. Halma's ROTIC compares very favourably to our long-term Weighted Average Cost of Capital (WACC) calculated as being 8.5% (2010: 8.5%), highlighting the shareholder value generated by the Group.

We operate an 'asset light' model and aim to be efficient in our use of working capital and tangible assets within our businesses. This year our Return on Capital Employed (ROCE), which measures this operating efficiency, was also a record at 71.9%, exceeding the previous record of 61.3% set last year. Both the ROTIC and ROCE figures (see note 10 to the Preliminary Announcement for detailed calculations) comfortably exceeded our KPI targets.

Another year of good cash generation
Cash generated from operations excluding taxation paid, was £113.2m (2010: £112.7m) and represented 108% (2010: 131%) of adjusted[1] profit. A summary of the year's cash flow is as follows:

Cash Flow	2011 £m	2010 £m
Operating cash flow before movement in working capital	**116.8**	99.6
(Increase)/decrease in working capital	**(3.6)**	13.1
Cash generated from operations	**113.2**	112.7
Acquisition of businesses	**(82.1)**	(1.7)
Investment in associates	**(1.7)**	-
Disposal of businesses	**-**	0.5
Development costs capitalised	**(4.7)**	(3.1)
Net capital expenditure	**(14.8)**	(10.2)
Dividends paid	**(32.9)**	(30.4)
Taxation paid	**(18.1)**	(12.3)
Issue of shares/treasury shares purchased	**(4.5)**	0.8
Net interest paid	**(0.5)**	(0.9)
Exchange adjustments	**(0.1)**	4.9
	(46.2)	60.3
Net cash/(debt) brought forward	**9.1**	(51.2)
Net (debt)/cash carried forward	**(37.1)**	9.1

Cash generation was higher last year because of the exceptional amount of cash released from working capital. This year working capital increased although the increase represented 5% of total working capital (inventory plus trade receivables less trade payables) which compares well with the 13% increase in revenue.

Expenditure on property, plant and computer software this year was £15m (2010: £11m) with 2010 having been at a low level. This year's figure represents 121% of depreciation, falling within the 100% to 125% range which we would expect. We constantly encourage our businesses to invest in assets given the high returns we can generate.

Taxation paid of £18.1m was higher than last year's figure of £12.3m and more typical for us. We expect a higher figure for taxation payable in the coming year despite the reducing tax rates as we continue to pay tax in advance on increased profits.

Strong financial position and capital structure
Halma is highly cash generative and has substantial bank facilities. We use these facilities and our retained earnings to sustain and develop our business. We have access to competitively priced finance at short notice and spread our risks to provide good liquidity for the Group. Group treasury policy is conservative and no speculative transactions are allowed.

We have a five-year £165m syndicated revolving credit facility with a well-established core group of banks which runs to February 2013 on attractive terms. The Group continues to operate well within its banking covenants. We are comfortable with using debt to accelerate the Group's development and keep our funding needs under regular review so that we have ample headroom to finance potential opportunities. This year we have been successful in deploying cash on acquisitions and continue to search for more acquisitions which meet our demanding criteria.

We ended the year with £37.1m of net debt (2010: £9.1m of net cash). The net debt figure is a combination of £79.7m of debt and £42.6m of cash held around the world to finance local operations or awaiting repatriation to the UK. We have an active repatriation programme to maintain efficient cash/debt management.

Value adding acquisitions
This year we spent £82.1m (2010: £1.7m) on three larger and four smaller acquisitions plus £1.7m on an investment in an associate. The Chief Executive's Strategic Review outlines the main businesses acquired. The multiple of initial consideration to Earnings Before Interest and Tax (EBIT), paid for these acquisitions was in the range of 6.5 to 8, showing that we can acquire good businesses at sensible prices.

At the run-rate of profits at the time of acquisition these businesses added £8.8m to revenue and £2.0m to profit net of the costs of financing in 2010/11. In 2011/12 we would expect them to contribute an additional £26.4m of revenue and £8.3m of profit net of financing costs, on the same basis.

Intangible assets of £44.5m were recognised in respect of the acquisitions made in the year, as was Goodwill of £66.8m. Amortisation of acquired intangible assets was £4.8m and is shown in the Income Statement together with acquisition costs of £1.3m and acquisition related contingent consideration fair value adjustments of £0.2m which are expensed there for the first time under revised International Financial Reporting Standards (IFRS) rules. We expect the amortisation of acquired intangibles to be closer to £9m in 2011/12.

In December 2010 the Group made an investment of Euro 2m in Optomed Oy, a Finnish manufacturer of ophthalmic equipment whose products offer us good commercial opportunities. Our share of the results of Optomed are shown as an Associate.

The integration of all acquisitions is progressing well.

Continuing to meet our pension obligations
On an IAS 19 basis the deficit on the defined benefit plans was £36.2m (2010: £43.1m) before the related deferred tax asset. Plan assets increased to £140.8m (2010: £127.8m) following further recovery in equity values, with approximately 60% of the plan assets invested in return seeking assets including equities. Plan liabilities increased to £177.1m (2010: £170.9m) with relatively few changes required in the valuation assumptions.

The Group's defined benefit pension plans were closed to new members in 2003 to reduce the ongoing liability. The Board monitors the funding of our pension plans closely. We continue to make extra contributions to the plans at the rate of £6.4m per year as agreed with the actuary with the objective of eliminating the deficit, as measured on an IAS 19 basis, over a 10-year period.

Investing in R&D
Expenditure on R&D this year increased to £25.7m (2010: £21.4m) and represents 5% (2010: 4.7%) of revenue. All three sectors increased their absolute level of R&D expenditure and maintained or increased the percentage of revenue invested. We have been increasing our rate of investment in R&D steadily in recent years, continually enhancing our technology base. We aim to maintain this rate at around 5% of revenue, ahead of our benchmark KPI figure of 4% of revenue.

We are required under IFRS to capitalise certain development expenditure and amortise it over an appropriate period, for us three years. R&D by its nature carries risk and all R&D projects, particularly those requiring capitalisation, are subject to close scrutiny and a rigorous approval and review process. In 2011 we capitalised £4.7m (2010: £3.1m) and amortised £4.2m (2010: £3.8m). This results in an asset carried on the Consolidated Balance Sheet of £9.7m (2010: £9.2m).

Managing risks and going concern considerations
The main risks facing the Group and how we address them are reviewed in the Risk Factors section below. The key operating risks are covered in the Chief Executive's Strategic Review and Sector Reviews.

We spread risk across the Group via well resourced independent operating units. There is extensive and regular review of operations at a local and divisional level. This review is supplemented by Internal Audit, which we have strengthened during the year with the appointment of an additional auditor based in China. During the year we upgraded our Group risk assessment process and undertook a detailed review of cash controls and related segregation of duties at all operating locations, resulting in further strengthening of controls. We are in the process of rolling out a centralised IT disaster recovery solution to complement existing local processes within subsidiaries.

Shortly after year end we issued new and comprehensive guidance on Health and Safety procedures across the Group. Our record in this area is excellent and we aim to maintain best practice performance. We are also updating our long-standing policy on the mitigation of Bribery and Corruption to ensure we continue to meet developing requirements.

The Board considers all of the above factors in its review of Going Concern, as described below, and has been able to conclude its review satisfactorily. Sound management of risks and high performance across the Group should enable Halma to continue its tremendous long-term record of creating value for its shareholders.

Kevin Thompson, Finance Director

[1] *In addition to those figures reported under IFRS, Halma uses adjusted figures as key performance indicators as the Directors believe the adjusted figures give a more representative view of underlying performance. Adjusted profit figures continue to exclude the amortisation of acquired intangible assets and for the first time in 2010/11, following the introduction of IFRS 3 (Revised), they exclude acquisition costs and fair value adjustments on acquisition contingent consideration, which are included in statutory figures. More details are given in the Accounting Policies and note 1 to the Preliminary Announcement.*

[2] *See Financial Highlights.*

Health and Analysis Sector Review

What we do
We make products used to improve personal and public health. We develop technologies for analysis in safety, life sciences and environmental markets.

Water

Market trends and growth drivers
A combination of water scarcity and pressure on finite water resources drives demand across our Water sub-sector.

Capital investment in water infrastructure decreased during the global recession, but a return to pre-crisis growth is expected with global water capital expenditure projected to increase by 6% per year from 2010 to 2016. Spending on non-chemical water disinfection technologies, such as UV, is expected to grow even faster.

In the UK a new five-year regulatory cycle of water infrastructure investment began in April 2010. This allowed utilities to increase capital spending and delivered a stimulus that will support sales growth of our network monitoring and control instrumentation.

Strategy
We plan to increase market share in drinking water and waste water network management instruments. In the water leakage instrumentation market our strategy is to maintain world leadership through continuous technological innovation and geographic expansion. We made progress in reducing our Water businesses' dependency on UK government-regulated infrastructure spending cycles with double-digit export sales growth.

To broaden exposure to the NGO-funded water analysis market, and increase market share in Africa and Asia, in March 2011 we acquired the Water Technology Division of Wagtech International Limited, a distributor of water testing kits.

Performance
Continued investment in R&D and people development within our Water businesses delivered good increases in revenue and profit.

Outlook
We expect continued expansion of the global markets for our water products. Growth is underpinned by increasing regulation to protect water supply security and drinking water quality, plus environmental regulation of wastewater discharge and management. Capital investment by UK utilities will increase for the next two years. Water sector sales growth in China is variable but increased regional sales resources and the stimulus of increasing regulation will deliver faster growth in the medium term.

Photonics

Market trends and growth drivers
Demand strengthened in several Photonics niches during 2010/11. The US spectroscopy market is forecast to continue to grow by 6% per year to at least 2014 whilst annual growth of 29.5% is predicted for the LED lighting market.

Photonics demand proved resilient in 2010/11 despite cuts to US federal budgets. Any future impact of lower US government spending will be offset by growth in emerging economies and new technology.

Strategy
In Photonics our primary strategy is to reinforce technological leadership in our niche markets and expand geographical sales, particularly in Asia. High R&D investment is required to maintain market leadership in advanced technologies. While development risks can be relatively high, we often achieve rapid payback from technological innovation. Novel products with unique user benefits targeted at fast-growing market sectors command high sales margins.

We continue to seek value-enhancing acquisitions in our existing and closely allied Photonics niches.

Performance
Our Photonics business comfortably exceeded all sectoral KPI targets delivering record revenue and profit. Reflecting the rapid pace of technological innovation in this sub-sector, Photonics R&D spending was over 7% of sales. Successful integration of the SphereOptics business, acquired in January 2010, continued.

Outlook
We expect further growth from new product launches in 2011 and we should benefit from the high growth forecast for the solid-state low energy lighting (LED) market. Strong Asian sales growth should continue and we expect increasing returns from our Chinese photonics manufacturing investments. In the USA and Europe, governments will cut spending in 2012 and we expect lower sales growth in these regions than seen in 2010/11.

Health Optics

Market trends and growth drivers
New diagnostic and therapeutic technologies, ageing populations and greater access to healthcare in the developing world continued to drive growth in our Health Optics markets. In the USA, the largest ophthalmic market, annual growth of 3% to 4% is forecast over the next five years.

We expect strong growth in South East Asia as governments increase healthcare investment. The Chinese market for medical devices was estimated to have grown by over 13% during 2010. Even in developing markets, increasingly stringent, complex and costly medical product certification procedures create strong market entry barriers which favour our market-leading brands.

Strategy
Geographic expansion remains key to our Health Optics growth strategy with a strong focus on South East Asia, China, India and Latin America. Recently we set up a health optics sales and distribution company in Sao Paulo, Brazil. We acquired a key US distributor in March 2011 to grow sales in North America at a faster rate.

R&D is focused on projects to develop instruments marketed to existing customers. We are broadening health optics product lines with new products to maximise the value of our highly developed sales channels. A new family of ophthalmic diagnostic products, due for launch in 2011, has been created by collaborative R&D between two of our Health Optics businesses.

Performance
In Health Optics we achieved record sales and profit. Sales growth was particularly strong in South East Asia.

Outlook
We expect our Health Optics businesses to continue to grow ahead of their markets. Growth will come from export channel investment, market expansion in South East Asia and Latin America and new products. We expect the newly acquired Medicel business to continue its recent growth trajectory as their OEM customers grow and as demand for their market-leading cataract surgery instruments increases.

Other

Volumatic, our small cash handling business, increased both revenue and profit.

Fluid Technology

Market trends and growth drivers
We saw continued growth in the medical diagnostic sector despite customer consolidation leading to some pricing pressure. A continuous stream of new diagnostic tests developed by our OEM customers, drives growth in the medical instrumentation market. Predictive medicine, in particular analysis of genetic DNA sequences, offers good sales prospects and this niche could deliver 5% of total fluid technology sales during 2011/12. The scientific analysis market stabilised and returned to modest growth.

Strategy
The key strategic direction for our US-based Fluid Technology businesses is geographic diversification in line with their customer base. They will become less US-centric by expanding sales in Europe and Asia.

With the acquisition of Alicat Scientific and Accudynamics, our fluid technology target markets have broadened and our potential acquisition pool is larger. Alicat gives us greater exposure to the scientific analysis market, particularly laboratories and niche industrial applications. Accudynamics consolidates our position in clinical diagnostics, and gives us a platform to offer customers more complete fluidic assemblies.

We began to manufacture fluidics components in China during 2010 which has underpinned entry into the Chinese market.

Performance
Our Fluid Technology businesses achieved record organic sales and profit growth. All Fluid Technology companies achieved record sales in China.

Outlook
The scientific analysis market is recovering post-recession albeit at a slower rate than medical markets. With enlarged sales teams and expanded product offerings we expect continued growth in the Fluid Technology sub-sector. Recent R&D investment will also grow market share and enable entry to more non-US markets.

Infrastructure Sensors sector review

What we do
We make products which detect hazards to protect assets and people in public and commercial buildings.

Fire Detection

Market trends and growth drivers
Legislation remains the strongest growth driver in the Fire Detection market. Standards governing the installation, maintenance and servicing of fire products are extensive and may differ even within a single country at national, regional and city level. As the European Union enlarges, the newly admitted states will be governed by EU fire codes creating a growing, regulation-driven market.

A combination of increasingly strict legislation, new technology and a slight recovery in building construction is expected to stimulate fire industry growth in 2011 after reduced capital investment during the recession. Asia is expected to deliver significant growth; amendments to China's fire laws have stimulated demand with market expansion estimated at 12.9% per year between 2009 and 2014.

Strategy
Our primary strategy in Fire Detection is world leadership in safety-critical sensor products for infrastructure monitoring in commercial buildings. Our market-leading products eliminate hazards and protect buildings and their occupants.

Investment in international Fire Detection product approvals and innovation in new products and technology platforms will continue to underwrite market share growth, competitive advantage and good margins. Further investment in our businesses and extension of sales coverage in emerging markets will aid organic growth. We will continue to seek acquisitions that enhance our product and geographical strength.

Performance
Fire Detection achieved record revenue and profit. Despite challenging market conditions, we grew market share strongly in the UK and made significant gains in Europe. We continue to innovate and launch exciting new products.

Outlook
We anticipate a continuation of current demand trends for Fire Detection in the short to medium term as many economies gradually recover from recession. Our businesses are positioned to gain market share due to technology leadership, our portfolio of worldwide product approvals and penetration of new regional markets.

Security Sensors

Market trends and growth drivers
After two years of recession, demand for intruder sensors is forecast to return to growth during 2011 with strongest demand in Europe, the Middle East, Africa and Asia.

Improved sensor technologies are driving upgrades to intruder detection systems and the trend towards integration of building management systems. The commercial intruder alarm market is migrating to wireless technology. Almost one-third of our security sensor revenue growth in 2010/11 came from new battery-powered wireless products.

Strategy
In Security Sensors our growth strategy centres on reducing exposure to the UK by increasing sales in Europe, the Middle East and Africa together with long-term investment in India and China. We will continue to increase the proportion of non-residential sales with new wireless products targeted at commercial customers.

Our two Security Sensors businesses which make intruder sensors and hazard signalling products were successfully consolidated into a single company. Direct sales operations were set up in India and China.

Performance
Our Security Sensors business achieved double-digit increases in both revenue and profit. We delivered strong market share growth despite flat or receding markets in many of the countries where we operate. We made progress

in reducing dependence on the UK market. During 2010/11, UK sales were less than half of total revenue for the first time.

Outlook
Supported by a return to growth in the global intrusion alarm market, we anticipate further growth from Security Sensors based on geographic expansion, particularly in Asia, extending market share in Europe and positive customer response to our recently launched and upcoming advanced intrusion detection technology.

Automatic Door Sensors

Market trends and growth drivers
Legislation to enhance the safety and security of people continues to drive growth in our niche Automatic Door Sensors markets. Although we continue to forecast medium-term annual expansion in our core business of 3% to 4%, we expect higher growth in Asia.

We continued to diversify into industrial, transport and security markets supported by increased R&D and marketing spending. Investment in market-leading levels of product quality, reliability, service and product development has enabled us to win new customers in our core and diversified markets. We see considerable growth prospects in the transport sector.

Strategy
Our core strategy in Automatic Door Sensors is to maintain market leadership in pedestrian door sensors and diversify further into industrial doors, security and transportation applications. We continue to seek complementary acquisitions.

Implementation of lean manufacturing and improved logistics will increase competiveness via improved customer service. Our unique laser scanner sensor products will ensure global technology leadership and assist market diversification.

Performance
We achieved a very strong performance in Automatic Door Sensors with record revenue and profit. We completed a significant management reorganisation to support future growth. Revenue growth was strongest in Asia. Almost one-third of the workforce in this sub-sector is now based in China.

Outlook
Increasing safety regulation will continue to drive door sensor growth. Our strategy of developing innovative new technologies, extending global reach and investing in market diversification has created a strong growth platform.

Elevator Safety

Market trends and growth drivers
Western countries account for the majority of the installed elevator customer base. Here, demand for our safety products depends on building modernisation and elevator upgrades driven by legislation. The Asian elevator market, in contrast, is mainly driven by new elevator installations. China is now the world's largest installer of new elevators and accounts for about 60% of all new elevator projects. Social housing is the largest segment of the Chinese market, forecast to grow significantly in 2011 fuelled by government investment.

The competitive environment in the Elevator Safety market is changing as we face stronger competition from Chinese manufacturers in global markets. A rigorous and continuous cost reduction programme will maintain competitiveness and protect margins. European demand has been steady, driven by stronger safety regulations while US markets have been flat.

Strategy
In contrast to other Halma sub-sectors, R&D and marketing activity among our Elevator Safety businesses is closely co-ordinated within a global business framework. Our three elevator companies sell the products of their sister businesses within their regional markets. Our core growth strategy in Elevator Safety is to increase investment in new products and expand global sales channels.

Performance
Elevator Safety performance improved due to more favourable market conditions and a return to growth at our Asian business. We saw growth in both sales and profit. Our elevator emergency telephone product line achieved high UK market share with a number of significant customer conversions.

Outlook
Global demand for Elevator Safety products is forecast to rise by over 4% annually at least until 2013. China will account for over half of all new demand, while Western Europe remains the largest market for modernisation. Outside of Asia, demand is expected to be flat but we expect to maintain growth momentum from market share gains and new technology.

In the medium term we anticipate that the Chinese authorities will adopt European standards for elevator safety. These standards favour our market-leading elevator door control sensors and monitored emergency telephones.

Industrial Safety sector review

What we do
We make products which protect assets and people at work.

Gas Detection

Market trends and growth drivers
Fixed and portable Gas Detection equipment is increasingly required in industrial workplaces for compliance with health and safety regulations. In addition to our core oil & gas and chemicals markets, we see expanding sales opportunities in monitoring commercial buildings, confined space working and wastewater treatment.

The worldwide market for Gas Detection products is expected to grow by 3% to 4% annually at least until 2013. We have seen demand grow strongly in China, India and South America and there are indicators of recovery from the 2009 recession in global markets such as power generation, offshore oil, utilities and chemical processing. We anticipate fastest growth from the Asia Pacific region. Key market drivers in Asia are the increasing pace of industrialisation and adoption of Western safety standards by emerging economies.

Strategy
In Gas Detection our strategic focus is to increase competitive advantage and gain market share by continuous technical upgrading and extension of our portable gas detectors. We will continue to invest in manufacturing, marketing and development resources to maintain market-leading customer service.

Geographic expansion, particularly penetration of markets in North and South America, and Asia, will support our strategic objective of increasing sales ahead of underlying market growth.

Performance
We achieved record Gas Detection sales and profit in 2010/11, with solid market share gains across all trading territories.

Outlook
The outlook for Gas Detection is for good growth underpinned by resilient legislative growth drivers in industrial safety markets. The launch of innovative new products during 2011/12 will support this objective.

Bursting Disks

Market trends and growth drivers
Our Bursting Disks are sold into industrial manufacturing and process industry markets where increasing regulation and rising expectations of health and safety drive demand. A rising oil price and greater safety awareness during 2010/11 stimulated increased petrochemical capital spending by government-owned oil companies and created opportunities for sales growth.

Strategy
Our core Bursting Disks strategy is to build on growth in our core industry sectors and home markets by diversifying and expanding our customer base. We will increase sales resources beyond Europe and North America, particularly in Asia and South America. We will diversify into medical instrumentation, energy exploration and other new health and safety applications.

We will enhance competitiveness through advanced manufacturing processes and extend collaboration between our businesses to add new technologies.

Performance
Increasing demand from the process industries, combined with upgraded products, delivered a return to solid organic growth in line with historic levels. Our Bursting Disks businesses achieved double-digit revenue increases and major expansion in developing economies. Asia Pacific sales almost doubled.

Outlook
We expect to maintain momentum in the medium term in our core geographic and industrial markets. Our strategy of differentiating ourselves from the competition through product innovation and service will support expansion into non-process industries and OEM markets.

Safety Interlocks

Market trends and growth drivers
We sell Safety Interlocks into two distinct global industrial markets: machine safety and process valve control. In both markets growth is driven by health and safety regulation and the gradual adoption of more stringent safety protocols by the emerging economies.

During 2010/11, demand from machine safety grew faster than valve control. This resulted from continuing industrial growth in Asia pulling through investment in raw material extraction, switchgear installation and infrastructure. Despite the high oil price, the main driver in the valve control sector is new refining capacity construction and refurbishment which remained muted.

Geographically, we saw lower safety interlock sales in Europe, a strong recovery in the USA and the highest growth in the rest of the world.

Strategy
In Safety Interlocks, we will maintain our high market share by focusing on customers' needs, applications engineering support and product quality. We will continue to extend sales and manufacturing resources in developing markets and expand our manufacturing hub in China.

In addition, the acquisition of Kirk Key Interlock Company in May 2011 strengthens our market position in the USA.

Performance
Our Safety Interlocks businesses delivered increased profit. Revenue was slightly lower than last year due to the non-repeat of a major order for an end customer in South America. The underlying revenue growth trends remain positive.

Manufacture of safety interlocks in China increased significantly to enable fast delivery to Asian customers.

Outlook
We anticipate strong growth from the power generation and mining sectors but flat demand from oil & gas refining. We should benefit from continuing growth of the Chinese economy. We expect to develop and introduce more diverse safety products to expand sales opportunities.

Asset Monitoring

Market trends and growth drivers
We make products which monitor the condition of physical assets underwater using innovative sensor and communications technologies.

Spending on subsea inspection, repair and maintenance is forecast to rise by 10% per year from 2010 to 2014. A similar growth rate is forecast for underwater remotely operated vehicle (ROV) services. Tougher safety measures proposed for the offshore industry in the wake of the Deepwater Horizon tragedy may increase spending on underwater inspection.

Strategy
Our growth strategy in this sub-sector is to gain market share through market-leading technology, investment in sales channels and diversification into new applications such as offshore renewable energy and subsea mining. We are establishing a sales and technical support office for our sonar products in Brazil, one of the world's fastest

growing deepwater oil & gas markets.

Performance
High investment in R&D, 8% of revenue in 2010/11, has been a key driver for growth. The benefits from restructuring in 2009/10 delivered higher revenue and strong profit growth aided by only a modest recovery in market demand.

Outlook
Current market forecasts for the subsea industry are very positive, foreseeing growth over the next five years as the economy recovers, energy prices increase, technology improves, delayed projects come back online and investment in deep-water exploration increases. New market opportunities will be exploited in offshore energy generation and fire and rescue services.

Risk factors

We recognise major risks and uncertainties facing us and take action to identify, manage and mitigate them

Description	Mitigation
Operational Risk We seek to continuously grow our profits, generating a high return for shareholders over the long term within a clear strategic framework. We view risk within the context of this objective as well as in absolute terms. In any business the inherent risks that are an integral component of business activities must be identified, managed and mitigated. We perceive our primary operational risks to emanate from remoteness of operation and the actions and quality of our employees.	Our key means of risk control is the choice of the markets in which we operate and the people and methods we use to exploit those market opportunities. Our choice is to operate in the safety products and health-related technology markets which we consider to be robust over the long term. Our products are predominantly critical components or instruments which are warranted as fit for the purpose rather than systems or intangible products where satisfactory performance is contingent upon third parties. We invest heavily in identifying, recruiting and training talented people who are able to manage the risks we face while delivering the excellent results we require. We do not place undue reliance on any one Group company nor does any one Group company rely heavily on one customer, supplier or transaction. We always seek to spread our risks. We have processes in place to ensure any major transactions are reviewed at the appropriate level.
Organic Growth, Supplier Risk and Competition The Group faces competition in the form of pricing, service, reliability and substitution. We rely on high quality supply from our partners. These constitute an ongoing potential threat to our growth.	Our focus on investing in management development, innovation and international growth is a direct result of assessing these risks. We aim to manage the risk of timing and quality of component supply by dual sourcing and long-standing working relationships. By empowering and resourcing local operations to respond to changing market needs, the potential adverse impact of downward price pressure and competition can be mitigated and growth maintained. We recognise the competitive threat coming from emerging economies and by operating within these economies, typically using local staff, we are better placed to make fast progress ourselves.
Research and Development New products are critical to our organic growth and underpin our ability to earn high margins and high returns over the long term.	R&D is of necessity a risky activity but by devolving control of product development into the autonomous operating businesses, we spread the risk and ensure that the resource is as close to the customer as possible. New product development 'best practice' is shared between Group companies and return on investment of past and future innovation projects is tracked monthly. Large R&D projects, especially those which are capitalised, require Head Office approval.
Intangible Resources Our businesses build competitive advantage and strengthen barriers to entry in many ways including patents, product approvals, technical innovation, product quality, customer service levels and branding. We look for these qualities in the businesses we seek to acquire. Protection of our intellectual property is important to our continued success.	The main intangible resources which deliver competitive advantage and which support our strategic objectives are: the patents and trademarks which protect our products; our employees, whose understanding of our technology, customers' needs and the dynamics of the markets we operate in, enable us to maintain leadership in many markets; and the enviable reputation enjoyed by our brands for superior product quality and market leading customer support. Whilst no single product or process is critical to the Group as a whole, all appropriate actions are taken to protect our intellectual property rights. With our development activity increasing in emerging economies we will often segregate the elements of a project to protect the know how.
Laws and Regulations Group operations are subject to wide-ranging laws and regulations including business conduct, employment, environmental and health and safety legislation. There is also exposure to product litigation and contractual risk.	All Group companies have an employee handbook detailing employment practices, including the need to report any major legal or contractual risks. The Group's emphasis on excellent financial control, the deployment of high quality management resource and strong focus on quality control over products and processes in each operating business helps to protect us from product failure, litigation and contractual issues. Each operating company has a health and safety manager responsible for compliance and our performance in this area is excellent. Updated Health and Safety policies and guidance were issued in the year, with enhanced monthly reporting. We carry comprehensive insurance against all standard categories of insurable risk. Contract review and approval processes mitigate exposure to contractual liability. Our well established policies on bribery and corruption continue to be updated to ensure continued compliance with best practice.
Acquisitions The identification and purchase of businesses which meet our demanding financial and growth criteria is an important part of our strategy for developing the Group, as is ensuring the new businesses are rapidly integrated into the Group.	We pay sensible multiples for businesses whose technology and markets we know well. Divisional Chief Executives are responsible for finding and completing acquisitions in their business sectors subject to Board approval. We support them with central resources to search for opportunities and assist with implementation of a post-acquisition plan. Incentives are aligned to encourage acquisitions which are value-enhancing from day one.
Information Technology/Business Interruption Group and operational management depend on timely and reliable information from our software systems. We seek to ensure continuous availability and operation of those systems as disruption could delay or impact on decision making and service to our customers.	There is substantial redundancy and back up built into any Group-wide systems. The spread of business offers good protection from individual events and disaster recovery plans are widespread. We have a small central resource available, Halma IT Services, to assist Group companies with any major IT needs and to ensure adequate IT security policies are set across the Group. We carry out regular IT audits across

	the Group. This year we have increased external penetration testing and are rolling out a centralised IT disaster recovery solution to supplement local processes.
Financial Irregularities and International Expansion Our objective is to grow our business across the world and to expand outside of developed markets and particularly in Asia. This presents both operating and cultural risks. We recognise that the size and remoteness of some operations may not permit full segregation of duties and that Internal and External Audit procedures may not always identify a financial irregularity.	The Group ensures that there is adequate local management and financial resource in each operational location, ensuring they are adequately trained in financial matters whilst maintaining a culture of openness to promote disclosure. Responsibility for remote operations rests with operational management in the sponsoring company who supervise closely and visit frequently. Group companies operate a common set of reporting procedures and accounting policies, disseminated via the Group intranet. Internal Audit regularly reviews operations and we appointed a new Internal Auditor in China this year.
Cash For any business a key risk is that it will run out of cash or have inadequate access to cash. In addition, cash deposits need to be held in a secure form or location.	The strong cash flow generated by the Group provides financial flexibility. Cash needs are monitored regularly. In addition to short-term overdraft facilities the Group holds a five-year revolving credit facility, renewable in February 2013, which provides sufficient headroom for its needs. Cash deposits are monitored centrally and spread amongst a number of highly rated banks.
Treasury Risks Foreign currency risk is the most significant treasury related risk for the Group. In times of increased volatility this can have a significant impact on performance. The Sterling value of overseas profit earned during the year is sensitive to the strength of Sterling, particularly against the US Dollar and the Euro. The Group is exposed to a lesser extent to other treasury risks such as interest rate risk and liquidity risk.	The Group does not use complex derivative financial instruments and no speculative treasury transactions are undertaken. Currency profits are not hedged. Currency hedging must fit with the commercial needs of the business and we have in place a hedging strategy to manage Group exposures. This requires the hedging of a substantial proportion of expected future transactions up to 12 months ahead. Longer term currency trends can only be covered through a wide geographic spread of operations. We closely monitor performance against the financial covenants on our revolving credit facility and are operating well within these covenants.
Economic Conditions In times of uncertain economic conditions businesses face additional or elevated levels of risk. These include market and customer risk, customer default, fraud, supply chain risk and liquidity risk.	We manage such risks primarily at local company level where they are best understood and where we are closest to the markets and our customers. The financial strength, availability of finance and diversity of the Group provides mitigation to much of this risk. We operate robust credit management at each operating company. Each business regularly undertakes a close examination of its cost structure to determine that it is appropriate to the economic circumstances it faces. High quality subsidiary boards provide close monitoring of operations whilst the Halma Executive Board identifies any wider trends which require action.
Pension Deficit Monitoring the funding needs of the Group's pension plans is essential to funding our pension obligations effectively. Our UK defined benefit pension plans are closed to new members.	There is regular dialogue with pension fund trustees and pension strategy is a regular Halma Board agenda item. The Group's strong cash flows and access to adequate borrowing facilities mean that the pensions risk can be adequately managed. The Group has increased pension contributions with the overall objective of paying off the deficit in line with the Actuary's recommendations. We monitor and consider alternative means of reducing our pension risk in light of the best long-term interest for shareholders.

Going Concern Statement

The Group's business activities, together with the main trends and factors likely to affect its future development, performance and position, and the financial position of the Group, its cash flows, liquidity position and borrowing facilities, are set out herein. The Group has considerable financial resources (including a £165m five-year revolving credit facility) together with contracts with a diverse range of customers and suppliers across different geographic areas and industries. No one customer accounts for more than 3% of Group turnover. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries and after conducting a formal review of the Group's financial resources, the Directors have a reasonable expectation that the Company and the 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 Annual Report and Accounts.

Responsibility Statement of the Directors on the Annual Report and Accounts

The responsibility statement below has been prepared in connection with the Company's full Annual Report and Accounts for the 52 weeks to 2 April 2011. Certain parts thereof are not included within this Preliminary Announcement.

We confirm that to the best of our knowledge:

1. the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and

2. the management report, which is incorporated into the Directors' Report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

This responsibility statement was approved by the Board of Directors on 21 June 2011 and is signed on its behalf by:

A J Williams Chief Executive	K J Thompson Finance Director

Preliminary results for the 52 weeks to 2 April 2011

Consolidated Income Statement

	Notes	52 weeks to 2 April 2011 Before amortisation of acquired intangibles and acquisition costs* £000	Amortisation of acquired intangibles and acquisition costs* (note 1) £000	Total £000	53 weeks to 3 April 2010 Before amortisation of acquired intangibles £000	Amortisation of acquired intangibles (note 1) £000	Total £000
Continuing operations							
Revenue	1	**518,428**	**-**	**518,428**	459,118	-	459,118
Operating profit		**105,708**	**(6,259)**	**99,449**	89,135	(4,840)	84,295
Share of results of associates		**(59)**	**-**	**(59)**	-	-	-
Finance income	3	**9,420**	**-**	**9,420**	6,566	-	6,566
Finance expense	4	**(10,518)**	**-**	**(10,518)**	(9,487)	-	(9,487)
Profit before taxation		**104,551**	**(6,259)**	**98,292**	86,214	(4,840)	81,374
Taxation	5	**(27,367)**	**1,509**	**(25,858)**	(22,807)	1,870	(20,937)
Profit for the year attributable to equity shareholders	1	**77,184**	**(4,750)**	**72,434**	63,407	(2,970)	60,437
Earnings per share	6						
From continuing operations							
Basic		**20.49p**		**19.23p**	16.89p		16.10p
Diluted				**19.19p**			16.05p
Dividends in respect of the year	7						
Paid and proposed (£000)				**34,269**			32,009
Paid and proposed per share				**9.10p**			8.50p

* Acquisition costs include transaction costs and movement on contingent consideration.

Consolidated Statement of Comprehensive Income and Expenditure

	52 weeks to 2 April 2011 £000	53 weeks to 3 April 2010 £000
Profit for the year	**72,434**	60,437
Exchange differences on translation of foreign operations	**(4,268)**	(8,613)
Actuarial gains/(losses) on defined benefit pension plans	**857**	(4,644)
Effective portion of changes in fair value of cash flow hedges	**(311)**	(47)
Tax relating to components of other comprehensive income	**(887)**	2,917
Other comprehensive expense for the year	**(4,609)**	(10,387)
Total comprehensive income for the year attributable to equity shareholders	**67,825**	50,050

Consolidated Balance Sheet

	2 April 2011 £000	3 April 2010 £000
Non-current assets		
Goodwill	**259,954**	195,334
Other intangible assets	**73,490**	33,705
Property, plant and equipment	**69,891**	66,786
Interests in associates	**1,989**	-
Deferred tax asset	**10,779**	10,612
	416,103	306,437
Current assets		
Inventories	**54,540**	47,014
Trade and other receivables	**110,456**	98,077
Tax receivable	**237**	1,067
Cash and cash equivalents	**42,610**	31,323
Derivative financial instruments	**327**	232
	208,170	177,713
Total assets	**624,273**	484,150
Current liabilities		
Borrowings	**-**	317
Trade and other payables	**85,511**	66,955
Provisions	**2,887**	1,515
Tax liabilities	**14,997**	7,843
Derivative financial instruments	**858**	331
	104,253	76,961
Net current assets	**103,917**	100,752
Non-current liabilities		
Borrowings	**79,688**	21,924
Retirement benefit obligations	**36,237**	43,071
Trade and other payables	**22,848**	4,554
Provisions	**1,593**	1,954

Deferred tax liabilities	**24,269**	13,193
	164,635	84,696
Total liabilities	**268,888**	161,657
Net assets	**355,385**	322,493
Equity		
Share capital	**37,824**	37,765
Share premium account	**21,744**	20,959
Treasury shares	**(5,016)**	(2,581)
Capital redemption reserve	**185**	185
Hedging and translation reserve	**34,511**	39,013
Other reserves	**3,634**	4,178
Retained earnings	**262,503**	222,974
Shareholders' funds	**355,385**	322,493

Consolidated Statement of Changes in Equity

	Share capital £000	Share premium account £000	Treasury shares £000	Capital redemption reserve £000	Hedging and translation reserve £000	Other reserves £000	Retained earnings £000	Total £000
At 3 April 2010	**37,765**	**20,959**	**(2,581)**	**185**	**39,013**	**4,178**	**222,974**	**322,493**
Profit for the period	-	-	-	-	-	-	**72,434**	**72,434**
Other comprehensive income and expense:								
Exchange differences on translation of foreign operations	-	-	-	-	**(4,268)**	-	-	**(4,268)**
Actuarial gains on defined benefit pension plans	-	-	-	-	-	-	**857**	**857**
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	**(311)**	-	-	**(311)**
Tax relating to components of other comprehensive income	-	-	-	-	**77**	-	**(964)**	**(887)**
Total other comprehensive income and expense	-	-	-	-	**(4,502)**	-	**(107)**	**(4,609)**
Share options exercised	**59**	**785**	-	-	-	-	-	**844**
Dividends paid	-	-	-	-	-	-	**(32,891)**	**(32,891)**
Share-based payments	-	-	-	-	-	**(764)**	-	**(764)**
Deferred tax on share-based payment transactions	-	-	-	-	-	**220**	-	**220**
Excess tax deductions related to share-based payments on exercised options	-	-	-	-	-	-	**93**	**93**
Net movement in treasury shares	-	-	**(2,435)**	-	-	-	-	**(2,435)**
At 2 April 2011	**37,824**	**21,744**	**(5,016)**	**185**	**34,511**	**3,634**	**262,503**	**355,385**
At 28 March 2009	37,539	18,146	(2,759)	185	47,673	4,246	194,585	299,615
Profit for the period	-	-	-	-	-	-	60,437	60,437
Total other comprehensive income and expense	-	-	-	-	(8,660)	-	(1,727)	(10,387)
Share options exercised	226	2,813	-	-	-	-	-	3,039
Dividends paid	-	-	-	-	-	-	(30,394)	(30,394)
Share-based payments	-	-	-	-	-	(1,017)	-	(1,017)
Deferred tax on share-based payment transactions	-	-	-	-	-	949	-	949
Excess tax deductions related To share-based payments on exercised options	-	-	-	-	-	-	73	73
Net movement in treasury shares	-	-	178	-	-	-	-	178
At 2 April 2010	37,765	20,959	(2,581)	185	39,013	4,178	222,974	322,493

Treasury shares are ordinary shares in Halma p.l.c. purchased by the Company and held to fulfil the Company's obligations under the performance share plan. At 2 April 2011 the number of treasury shares held was 1,847,368 (2010: 1,130,036) and their market value was £6,558,156 (2010: £2,926,793).

The Capital redemption reserve was created on repurchase and cancellation of the Company's own shares.

The Hedging and translation reserve is used to record differences arising from the retranslation of the financial statements of foreign operations and the portion of the cumulative net change in the fair value of cash flow hedging instruments that are deemed to be an effective hedge. Other than a net charge of £281,000 (2010: charge of £47,000), all amounts at year end relate to translation movements.

The Other reserves represent the provision established in respect of the value of the equity-settled share option plans and performance share plan.

Consolidated Cash Flow Statement

	Notes	**52 weeks to 2 April 2011 £000**	53 weeks to 3 April 2010 £000
Net cash inflow from operating activities	9	**95,064**	100,338
Cash flows from investing activities			
Purchase of property, plant and equipment		**(14,399)**	(9,781)
Purchase of computer software		**(1,019)**	(1,260)
Purchase of other intangibles		**(6)**	(38)

Proceeds from sale of property, plant and equipment		**677**	854
Development costs capitalised		**(4,735)**	(3,072)
Interest received		**317**	189
Acquisition of businesses, net of cash acquired	8	**(82,093)**	(1,676)
Acquisition of investments in associates		**(1,708)**	-
Disposal of businesses		**-**	520
Net cash used in investing activities		**(102,966)**	(14,264)
Financing activities			
Dividends paid		**(32,891)**	(30,394)
Proceeds from issue of share capital		**844**	3,039
Purchase of treasury shares		**(5,358)**	(2,252)
Interest paid		**(825)**	(1,047)
Proceeds from borrowings	9	**76,156**	-
Repayment of borrowings	9	**(18,152)**	(58,845)
Net cash from/(used in) financing activities		**19,774**	(89,499)
Increase/(decrease) in cash and cash equivalents	9	**11,872**	(3,425)
Cash and cash equivalents brought forward		**31,006**	34,987
Exchange adjustments		**(268)**	(556)
Cash and cash equivalents carried forward		**42,610**	31,006

Notes to the Preliminary Announcement

1 Segmental analysis

Sector analysis

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

During the year, Radio-Tech Limited was moved from the Group's Industrial Safety segment to its Health and Analysis segment. The prior year segment analysis has therefore been restated to reflect this change and to ensure that the presentation is on a consistent basis.

Segment revenue and results

	Revenue (all continuing operations)	
	52 weeks to 2 April 2011 £000	(Restated) 53 weeks to 3 April 2010 £000
Health and Analysis	**218,330**	178,106
Infrastructure Sensors	**197,209**	182,923
Industrial Safety	**103,058**	98,344
Inter-segmental sales	**(169)**	(255)
Revenue for the year	**518,428**	459,118

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.

	Profit (all continuing operations)	
	52 weeks to 2 April 2011 £000	(Restated) 53 weeks to 3 April 2010 £000
Segment profit before allocation of amortisation of acquired intangible assets and acquisition costs		
Health and Analysis	**46,108**	34,716
Infrastructure Sensors	**39,023**	35,510
Industrial Safety	**24,435**	20,333
	109,566	90,559
Segment profit after allocation of amortisation of acquired intangible assets and acquisition costs		
Health and Analysis	**40,170**	31,217
Infrastructure Sensors	**38,981**	35,510
Industrial Safety	**24,156**	18,992
Segment profit	**103,307**	85,719
Central administration costs	**(3,917)**	(1,424)
Net finance expense	**(1,098)**	(2,921)
Group profit before taxation	**98,292**	81,374
Taxation	**(25,858)**	(20,937)
Profit for the year	**72,434**	60,437

The accounting policies of the reportable segments are the same as the Group's accounting policies. For acquisitions after 3 April 2010, acquisition transaction costs and adjustments to contingent purchase consideration are recognised in the Consolidated Income Statement. Segment profit, before these acquisition costs and the amortisation of acquired intangible assets, is disclosed separately above as this is the measure reported to the Chief Executive Officer for the purpose of allocation of resources and assessment of segment performance.

The amortisation of acquired intangible assets, acquisition transaction costs and adjustments to contingent purchase consideration (including any arising from foreign exchange revaluation) are analysed as follows:

	2011	2010
	Acquisition costs	Acquisition costs

	Amortisation of acquired intangibles	Transaction costs	Adjustments to contingent consideration	Total	Amortisation of acquired intangibles	Transaction costs	Adjustments to contingent consideration	Total
Health and Analysis	**4,481**	**1,226**	**231**	**5,938**	3,499	-	-	3,499
Infrastructure Sensors	**-**	**42**	**-**	**42**	-	-	-	-
Industrial Safety	**279**	**-**	**-**	**279**	1,341	-	-	1,341
Total Group	**4,760**	**1,268**	**231**	**6,259**	4,840	-	-	4,840

Geographical information

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

	Revenue by destination	
	2011 £000	2010 £000
United States of America	**150,280**	127,152
Mainland Europe	**138,313**	135,676
United Kingdom	**106,131**	98,339
Asia Pacific and Australasia	**76,207**	59,143
Africa, Near and Middle East	**28,756**	23,695
Other countries	**18,741**	15,113
	518,428	459,118

2 Basis of preparation

General Information

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted for use in the European Union (EU) and therefore comply with Article 4 of the EU IAS legislation and with those parts of the Companies Act 2006 that are applicable to companies reporting under IFRS. The financial statements have also been prepared in accordance with IFRS and International Financial Reporting Interpretations Committee (IFRIC) interpretations issued and effective at the time of preparing these accounts.

The principal Group accounting policies and have been applied consistently throughout the years ended 3 April 2010 and 2 April 2011 other than those noted below.

The financial information set out in this Preliminary Announcement does not constitute the Group's statutory accounts for the years ended 2 April 2011 and 3 April 2010 but is derived from those accounts. Statutory accounts for 2010 have been delivered to the Registrar of Companies and those for 2011 will be delivered following the Company's Annual General Meeting. The auditors' reports on the 2010 and the 2011 accounts were unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

Accounting Policies

The Group has adopted IFRS 3 (Revised) 'Business Combinations' for transactions arising after 3 April 2010. This has changed the treatment of contingent purchase consideration and acquisition-related costs. The adoption of IFRS 3 (Revised) has been applied prospectively and has had no material impact on assets, profit or earnings per share in the year ended 2 April 2011. Had this accounting policy change not arisen, then acquisition related costs of £1,268,000 would have been capitalised within goodwill arising on acquisition and operating costs reduced and profit before tax increased by the same amount. Basic earnings per share would have been 0.34p per share higher at 19.57p per share. Adjusted earnings per share, as defined, would not differ from that presented.

Previously, transaction costs to effect a business combination were included in the cost of acquisition, but under IFRS 3 (Revised) these acquisition-related costs are expensed as incurred. For transactions relating to acquisitions before 3 April 2010, subsequent adjustments to deferred purchase consideration were made against goodwill. However, under IFRS 3 (Revised) unless the contingent purchase consideration is classified as equity, subsequent changes to the fair value of the contingent purchase consideration are recognised in the Consolidated income statement.

None of the other standards adopted by the Group had a material impact.

This Preliminary Announcement was approved by the Board of Directors on 21 June 2011.

3 Finance income

	2011 £000	2010 £000
Interest receivable	**317**	189
Expected return on pension scheme assets	**9,103**	6,377
	9,420	6,566

4 Finance expense

	2011 £000	2010 £000
Interest payable on bank loans and overdrafts	**690**	972
Interest charge on pension scheme liabilities	**9,525**	8,375
Other interest payable	**135**	75
	10,350	9,422
Fair value movement on derivative financial instruments	**121**	52
Unwinding of discount on provisions	**47**	13
	10,518	9,487

5 Taxation

	2011 £000	2010 £000
Current tax		
UK corporation tax at 28% (2010: 28%)	**10,009**	8,608

Overseas taxation	**14,154**	10,941
Adjustments in respect of prior years	**947**	238
Total current tax charge	**25,110**	19,787
Deferred tax		
Origination and reversal of timing differences	**1,361**	1,013
Adjustments in respect of prior years	**(613)**	137
Total deferred tax charge	**748**	1,150
Total tax charge recognised in the Consolidated Income Statement	**25,858**	20,937
Reconciliation of the effective tax rate:		
Profit before tax	**98,292**	81,374
Tax at the UK corporation tax rate of 28% (2010: 28%)	**27,522**	22,785
Overseas tax rate differences	**2,996**	2,144
Permanent differences	**(4,994)**	(4,367)
Adjustments in respect of prior years	**334**	375
	25,858	20,937
Effective tax rate (after amortisation of acquired intangible assets and acquisition costs)	**26.3%**	25.7%
Profit before tax (before amortisation of acquired intangible assets and acquisition costs)	**104,551**	86,214
Total tax charge (before amortisation of acquired intangible assets and acquisition costs)	**27,367**	22,807
Effective tax rate (before amortisation of acquired intangible assets and acquisition costs)	**26.2%**	26.5%

6 Earnings per ordinary share

Basic earnings per ordinary share are calculated using the weighted average of 376,608,974 shares in issue during the year (net of shares purchased by the Company and held as treasury shares) (2010: 375,485,642). Diluted earnings per ordinary share are calculated using the weighted average of 377,365,635 shares (2010: 376,513,219), which includes dilutive potential ordinary shares of 756,661 (2010: 1,027,577). Dilutive potential ordinary shares are calculated from those exercisable share options where the exercise price is less than the average price of the Company's ordinary shares during the year.

Adjusted earnings are calculated as earnings from continuing operations excluding the amortisation of acquired intangible assets and acquisition costs 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 as follows:

			Per ordinary share	
	2011 £000	2010 £000	**2011 pence**	2010 pence
Earnings from continuing operations	**72,434**	60,437	**19.23**	16.10
Add back amortisation of acquired intangibles (after tax)	**3,315**	2,970	**0.88**	0.79
Acquisition transaction costs (after tax)	**1,268**	-	**0.34**	-
Adjustments to contingent consideration (after tax)	**167**	-	**0.04**	-
Adjusted earnings	**77,184**	63,407	**20.49**	16.89

7 Dividends

	Per ordinary share			
	2011 pence	2010 pence	**2011 £000**	2010 £000
Amounts recognised as distributions to shareholders in the year				
Final dividend for the year to 3 April 2010 (28 March 2009)	**5.19**	4.78	**19,550**	17,935
Interim dividend for the year to 2 April 2011 (3 April 2010)	**3.54**	3.31	**13,341**	12,459
	8.73	8.09	**32,891**	30,394
Dividends declared in respect of the year				
Interim dividend for the year to 2 April 2011 (3 April 2010)	**3.54**	3.31	**13,341**	12,459
Proposed final dividend for the year to 2 April 2011 (3 April 2010)	**5.56**	5.19	**20,928**	19,550
	9.10	8.50	**34,269**	32,009

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. If approved, the final dividend for 2010/11 will be paid on 24 August 2011 to shareholders on the register at the close of business on 22 July 2011.

The Company offers a Dividend Reinvestment Plan ('DRIP') to enable shareholders to elect to have their cash dividends reinvested in Halma shares. Shareholders who wish to elect for the DRIP for the forthcoming final dividend, but have not already done so, should return a DRIP mandate form to the Company's Registrars no later than 3 August 2011.

8 Acquisitions

The Group made seven acquisitions during the year. The largest were Medicel AG (including its wholly-owned subsidiary Robutec GmbH and its associate, PSRM Immobilien AG), Accudynamics LLC (ADL) and Alicat Scientific, Inc. (Alicat), all of which form part of the Health and Analysis sector.

Medicel AG is based in Switzerland and is a leader in the design and manufacture of single use injector devices for lenses used in cataract surgery. ADL is based in Massachusetts, USA and manufactures components primarily for the medical diagnostics system and device markets. Alicat is based in Arizona, USA and is a leading manufacturer of mass flow meters, mass flow controllers, laminar flow meters, volumetric flow meters, pressure meters and gauges used in life science and industrial applications requiring high precision measurement of fluid flows.

Below is a summary of the assets and liabilities acquired and the purchase consideration.

	Book value £000	Provisional fair value adjustments £000	Total £000
Non-current assets			
Intangible assets	1	44,517	44,518
Investment in associate	-	338	338

Property, plant and equipment	769	982	1,751
Current assets			
Inventories	2,490	290	2,780
Trade and other receivables	5,374	(54)	5,320
Cash and cash equivalents	2,672	-	2,672
Deferred tax*	-	119	119
Total assets	11,306	46,192	57,498
Current liabilities			
Trade and other payables	(4,218)	108	(4,110)
Provisions	(680)	(64)	(744)
Corporation tax*	(1,031)	(16)	(1,047)
Non-current liabilities			
Deferred tax*	(10)	(9,789)	(9,799)
Total liabilities	(5,939)	(9,761)	(15,700)
Net assets of businesses acquired	**5,367**	**36,431**	**41,798**

Cash consideration	82,063
Contingent purchase consideration (current year acquisitions)	24,596
Contingent purchase consideration (revisions to prior year estimates)	1,937
Total consideration	**108,596**

Goodwill arising on current year acquisitions	64,861
Goodwill arising on prior year acquisitions	1,937
Goodwill arising on acquisitions	**66,798**

* Tax assets and liabilities of acquisitions in the same tax jurisdiction have been offset where applicable.

Due to their contractual dates, the fair value of receivables acquired (shown above) approximates to the gross contractual amounts receivable. The amount of gross contractual receivables not expected to be recovered is immaterial.

There are no material contingent liabilities recognised in accordance with paragraph 23 of IFRS 3 (Revised).

£1,293,000 of the goodwill arising on acquisitions in the year is expected to be deductible for tax purposes.

Together, these acquisitions contributed £6,910,000 of revenue and £1,503,000 of profit after tax for the year ended 2 April 2011. If these acquisitions had been held since the start of the financial year, it is estimated the Group's reported revenue and profit after tax would have been £25,637,000 and £7,592,000 higher respectively.

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

The expected, minimum and maximum contingent considerations of the current year's acquisitions are £24,596,000, £nil and £24,922,000 respectively.

The adjustment to goodwill arising on prior year acquisitions related to revisions to the estimated contingent purchase considerations payable on Fiberguide Industries, Inc (£1,478,000) and SphereOptics LLC (£459,000).

	2011 £000	2010 £000
Analysis of cash outflow in the Consolidated cash flow statement		
Cash consideration in respect of current year acquisitions	**82,063**	1,703
Cash acquired on acquisitions	**(2,672)**	(38)
Contingent consideration paid in relation to prior year acquisitions*	**2,702**	11
Net cash outflow relating to acquisitions	**82,093**	1,676

* Of the £2,702,000 (2010: £11,000) contingent purchase consideration payment, £1,122,000 (2010: £11,000) had been provided in the prior years' financial statements.

9 Notes to the Consolidated Cash Flow Statement

	2011 £000	2010 £000
Reconciliation of profit from operations to net cash inflow from operating activities		
Profit on continuing operations before finance income and expense and share of results of associates	**99,449**	84,295
Profit on disposal of operations before taxation	**-**	(382)
Depreciation of property, plant and equipment	**11,523**	11,461
Amortisation of computer software	**1,217**	1,116
Amortisation of capitalised development costs and other intangibles	**4,230**	3,815
Retirement/disposals of capitalised development costs and other intangibles	**83**	19
Amortisation of acquired intangible assets	**4,760**	4,840
Share-based payment expense in excess of amounts paid	**2,015**	1,333
Additional payments to pension plans	**(6,399)**	(6,902)
(Profit)/loss on sale of property, plant and equipment and computer software	**(55)**	42
Operating cash flows before movement in working capital	**116,823**	99,637
(Increase)/decrease in inventories	**(5,369)**	2,990
(Increase)/decrease in receivables	**(7,944)**	3,636
Increase in payables and provisions	**9,670**	6,427
Cash generated from operations	**113,180**	112,690
Taxation paid	**(18,116)**	(12,352)
Net cash inflow from operating activities	**95,064**	100,338

	2011 £000	2010 £000
Reconciliation of net cash flow to movement in net (debt)/cash		
Increase/(decrease) in cash and cash equivalents	**11,872**	(3,425)
Cash (inflow)/outflow from (drawdowns)/repayment of borrowings	**(58,004)**	58,845
Exchange adjustments	**(28)**	4,848
	(46,160)	60,268

Net cash/(debt) brought forward	**9,082**	(51,186)
Net (debt)/cash carried forward	**(37,078)**	9,082

	2011 £000	2010 £000
Analysis of cash and cash equivalents		
Cash and bank balances	**42,610**	31,323
Bank overdraft	**-**	(317)
	42,610	31,006

	At 3 April 2010 £000	Cash flow £000	Exchange adjustments £000	At 2 April 2011 £000
Analysis of net (debt)/cash				
Cash and cash equivalents	31,006	**11,872**	**(268)**	**42,610**
Bank loans	(21,924)	**(58,004)**	**240**	**(79,688)**
Analysis of net (debt)/cash	9,082	**(46,132)**	**(28)**	**(37,078)**

The net cash inflow from bank loans in 2011 comprised drawdowns of £76,156,000 offset by repayments of £18,152,000 (2010: solely repayments of £58,845,000).

Included within cash and cash equivalents is an amount of £1,983,000 (2010: £1,418,000) which is restricted.

10 Non-GAAP measures

The Board uses certain non-GAAP measures to help it effectively monitor the performance of the Group. These measures include Return on Capital Employed, Return on Total Invested Capital and organic growth.

Return on Capital Employed

	2011 £000	2010 £000
Operating profit before amortisation of acquired intangible assets and acquisition costs, but after share of results of associates	**105,649**	89,135
Computer software costs within intangible assets	**2,734**	3,050
Capitalised development costs within intangible assets	**9,653**	9,202
Other intangibles within intangible assets	**252**	223
Property, plant and equipment	**69,891**	66,786
Inventories	**54,540**	47,014
Trade and other receivables	**110,456**	98,077
Trade and other payables	**(85,511)**	(66,955)
Provisions	**(2,887)**	(1,515)
Net tax liabilities	**(14,760)**	(6,776)
Non-current trade and other payables	**(22,848)**	(4,554)
Non-current provisions	**(1,593)**	(1,954)
Add back contingent purchase consideration	**27,037**	2,921
Capital employed	**146,964**	145,519
Return on Capital Employed	**71.9%**	61.3%

Return on Total Invested Capital

	2011 £000	2010 £000
Post-tax profit before amortisation of acquired intangible assets and acquisition costs	**77,184**	63,407
Total shareholders' funds	**355,385**	322,493
Add back retirement benefit obligations	**36,237**	43,071
Less associated deferred tax assets	**(9,422)**	(12,060)
Cumulative amortisation of acquired intangibles	**26,642**	21,919
Goodwill on disposals	**5,441**	5,441
Goodwill amortised prior to 3 April 2004	**13,177**	13,177
Goodwill taken to reserves prior to 28 March 1998	**70,931**	70,931
Total invested capital	**498,391**	464,972
Return on Total Invested Capital	**15.5%**	13.6%

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 or prior financial year has been equalised by adjusting the current year results for a pro-rated contribution based on their revenue and profit before taxation at the date of acquisition or disposal, and has been calculated as follows:

	Revenue			Profit* before taxation		
	2011 £000	2010 £000	% growth	2011 £000	2010 £000	% growth
Continuing operations	**518,428**	459,118		**104,551**	86,214	
Acquired/disposed revenue/profit	**(8,808)**	-		**(2,012)**	-	
	509,620	459,118	11.0%	**102,539**	86,214	18.9%

* Before amortisation of acquired intangible assets and acquisition costs

11 Related party transactions

	2011 £000	2010 £000
Associated companies		
Purchases from associated companies	**57**	-
Amounts due to associated companies	**401**	-
Other related parties		
Rent charged by other related parties	**109**	-
Amounts due to other related parties	**-**	-

Other related parties comprise two companies with Halma employees on the Boards and from which two Halma subsidiaries rent property. All the transactions above are on arm's length basis and on standard business terms.

Directors' remuneration and related disclosures are set out in the 2011 Annual Report and Accounts on pages 58 to 66 and will be available on the Group's website, www.halma.com, from 27 June 2011.

12 Other matters

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

Events after the Balance Sheet date
On 9 May 2011, the Group acquired Kirk Key Interlock Company, LLC (Kirk Key) for a cash consideration of US$14.7m. Kirk Key manufactures and sells key interlocks and key interlock systems. Due to the proximity of the acquisition date to the date of approval of the Annual Report, it is impractical to provide further information.

Cautionary note

This Preliminary Announcement 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 announcement. 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.

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