

CHAIRMAN'S STATEMENT



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Geoff Unwin
Chairman

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 similar characteristics and strive to give annual dividend growth of 5% or more to our shareholders.

Performance

Full year revenue increased by 12% to £579.9m (2011: £518.4m), organic revenue growth¹ was 5%, and 6% at constant currency. Profit before tax, amortisation of acquired intangible assets, acquisition transaction costs, movement on contingent consideration and the profit on disposal of operations increased by 15% to £120.5m (2011: £104.6m), organic profit growth was 5% and the same at constant currency. Statutory profit before tax increased by 14% to £112.0m. Return on Total Invested Capital¹ increased to 16.8% (2011: 15.5%), Return on Capital Employed at the operating level increased to 74.7% (2011: 71.9%). Return on Sales¹ edged up to 20.8% compared to 20.2% the previous year. Net

24 July 2012 and will be paid on 22 August 2012 to shareholders on the register at 20 July 2012. This marks the 33rd consecutive year of dividend increases of 5% or more.

We also signed a new five-year banking facility of £260m (see the Financial Review).

Acquisitions/divestiture

During the year we purchased Kirk Key Interlock Company for US\$14.5m, including US\$1.9m of debt, which strengthened our position in the US interlock market; and Avo Photonics for US\$9.1m (plus a contingent payment of up to US\$11m based on future profit growth).

At the year end we divested Volumatic, a cash handling business, for £4.4m with an additional contingent consideration of up to £3.9m.

At the start of the 2012/13 financial year, we announced two further acquisitions in our Health and Analysis sector: Sensorex which manufactures electro-chemical sensors for water analysis applications for US\$37.5m and Accutome which designs and manufactures surgical and diagnostic instruments for the ophthalmic market place for a cash consideration of US\$20m, including US\$2.3m of debt, plus a contingent performance payment of up to US\$5m.

At the end of May 2012 we acquired SunTech Medical Group for an initial cash consideration of US\$46m for the share capital and US\$5m for cash retained in the business, plus a contingent performance payment of up to US\$6m. SunTech, which also joins the Health and Analysis sector, is a pre-eminent supplier of clinical grade non-invasive blood pressure monitoring products.

and investments we have made over the recent years, and this year sales in China grew 25%.

Innovation

Technical and application innovation is at the heart of what we do, listening to our customers and imaginatively responding to their needs. You will see many examples in this report. During the year we held a hugely successful internal Innovation and Technology Exposition, where all our companies showcased their latest innovative applications. This, in turn, spawned many new ideas for using new technologies in different applications.

People

We continue to invest in new programmes to develop our people further, exposing them to new ideas, techniques and markets. We are also giving strong encouragement to diversity in all its aspects. The buzz between people at the Halma Innovation and Technology Exposition was palpable.

To everyone in the Group, sincere thanks for all you have done in producing these record results and building for the future.

Governance

During the year we responded to the consultation document from the Financial Reporting Council on Gender Diversity on Boards. In summary, our response was that we supported diversity on the Board but not just gender; we also seek a variety of experiences which will help accelerate growth in our business sectors in all geographies. Our strong preference is to develop policies and actions which support our aims rather than simply establish targets and quotas in this area. We believe the former evolves into part of our corporate culture more readily than simply setting a target.

I am delighted that Daniela Barone Soares has joined the Board and is bringing her extensive experience to bear in and around the Board.

Outlook

Many of the economic uncertainties that we saw at the beginning of the year are still with us. Our performance over the last year shows that we can make progress even in uncertain markets and we look forward to doing the same in the coming year.

Geoff Unwin
Chairman

Dividend paid and proposed Dividend growth

9.74p

+7%

2012	£36.7m
2011	£34.3m
2010	£32.0m
2009	£29.7m
2008	£28.2m

debt at the year end was £18.7m having spent £14.5m (including £1.1m of debt) on two acquisitions during the year, and received the first element of the disposal proceeds for Volumatic.

As a result the Board is recommending a final dividend of 5.95p per share giving a total dividend of 9.74p for the year, an increase of 7%. The final dividend is subject to approval by shareholders at the AGM on

So one can see that we continue to manage the portfolio actively and continue to seek out growth opportunities.

Geographic market development

One of our strategic aims is to have 30% of our revenue coming from markets outside the UK, USA and Mainland Europe by 2015. In 2006 the figure was 18%, last year we achieved 24% so we are well on our way. This reflects the focus

¹ See Group highlights.