HALMA

Halma plc Annual Report and Accounts 2014

The world needs protecting

The world needs protecting

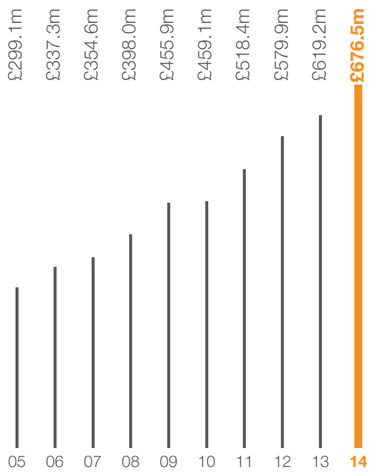
Every day there are hazards to life, health and our environment. Our products detect and prevent them.

Every day millions of people suffer serious health problems. Our products diagnose and treat them.

Every day there are threats to the vital resources necessary to life. Our products protect and conserve them.

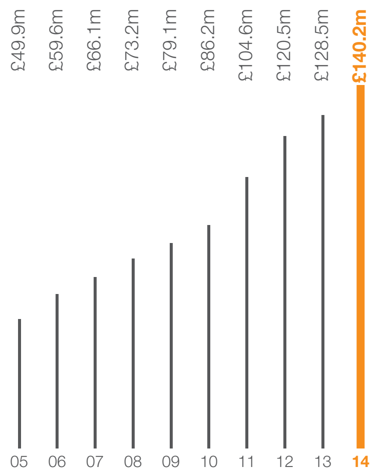
Every day our products are protecting life and improving quality of life for people worldwide.

Revenue* £676.5m +9%
(2013: £619.2m)



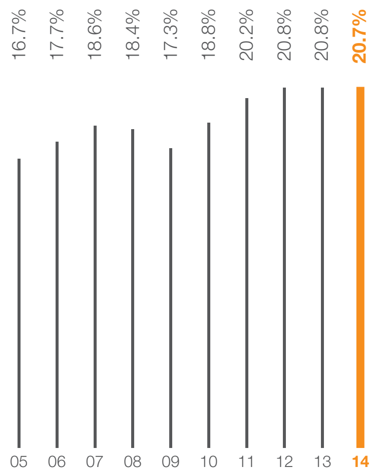
* Continuing and discontinued.

Adjusted[1] profit* before taxation £140.2m +9%
(2013: £128.5m restated[6])

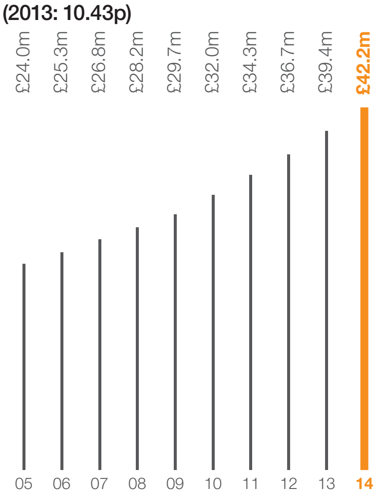


* Continuing and discontinued.

Return on sales 20.7%
(2013: 20.8% restated[6])



Dividend paid and proposed (per share) 11.17p +7%
(2013: 10.43p)



	2014	(Restated[6]) 2013	Change
Revenue	**£676.5m**	£619.2m	+9%
Adjusted Profit before Taxation[1]	**£140.2m**	£128.5m	+9%
Statutory Profit before Taxation	**£138.7m**	£120.1m	+15%
Adjusted Earnings per Share[2]	**28.47p**	25.79p	+10%
Statutory Earnings per Share	**28.14p**	24.79p	+14%
Total Dividend per Share[3]	**11.17p**	10.43p	+7%
Return on Sales[4]	**20.7%**	20.8%	
Return on Total Invested Capital[5]	**16.1%**	15.6%	
Return on Capital Employed[5]	**76.4%**	70.7%	

Pro-forma information:

[1] Adjusted to remove the amortisation of acquired intangible assets, acquisition items, the effects of closure to future benefit accrual of the Defined Benefit pension plans (net of associated costs), and profit or loss on disposal of operations totalling £1.6m (2013: £8.4m). See note 1 to the Accounts.

[2] Adjusted to remove the amortisation of acquired intangible assets, acquisition items, the effects of closure to future benefit accrual of the Defined Benefit pension plans (net of associated costs), profit or loss on disposal of operations and the associated tax thereon. See note 2 to the Accounts.

[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 3 to the Accounts.

[6] The Group adopted IAS 19 (revised) in 2013/14, which changed the accounting for Defined Benefit pension plans. The prior year has been restated resulting in a £2.1m reduction in its adjusted profit[1]. The consequent change to the prior year's adjusted earnings per share[2] is shown in the Accounting Policies note. Results prior to 2012/13 have not been restated.

Business at a Glance

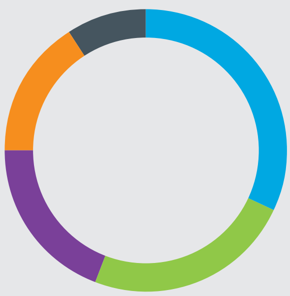
Protecting life

	Process Safety	Infrastructure Safety
Sectors	Products which protect assets and people at work. Specialised interlocks which safely control critical processes. Instruments which detect flammable and hazardous gases. Explosion protection and corrosion monitoring products.	Products which detect hazards to protect assets and people in public spaces and commercial buildings. Fire and smoke detectors, fire detection systems, security sensors and audible/visual warning devices. Sensors used on automatic doors and elevators in buildings and transportation.
Contribution to Group revenue	19%	32%
Financial highlights	£127m Revenue; £35m Operating profit[1]	£220m Revenue; £44m Operating profit[1]
Primary growth drivers	– Increasing health and safety regulation – Increasing demand for life-critical resources (such as energy and water)	– Increasing health and safety regulation

Profit[1] by sector

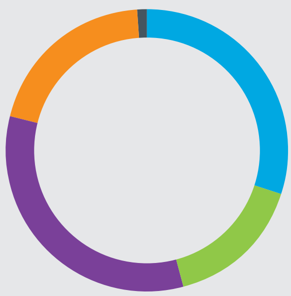
Process Safety	23%
Infrastructure Safety	29%
Medical	27%
Environmental & Analysis	21%

Revenue by destination



USA	32%
Mainland Europe	24%
United Kingdom	19%
Asia Pacific	16%
Other	9%

Employees by location



USA	30%
Mainland Europe	16%
United Kingdom	33%
Asia Pacific	20%
Other	1%

[1] See Note 1 to the Accounts.

Improving quality of life

Medical

Products used to improve personal and public health. Devices used to assess eye health, assist with eye surgery and primary care applications. Fluidic components such as pumps, probes, valves and connectors used by medical diagnostic OEMs.

24%

£163m
Revenue

£42m
Operating profit[1]

- Increasing demand for healthcare

Environmental & Analysis

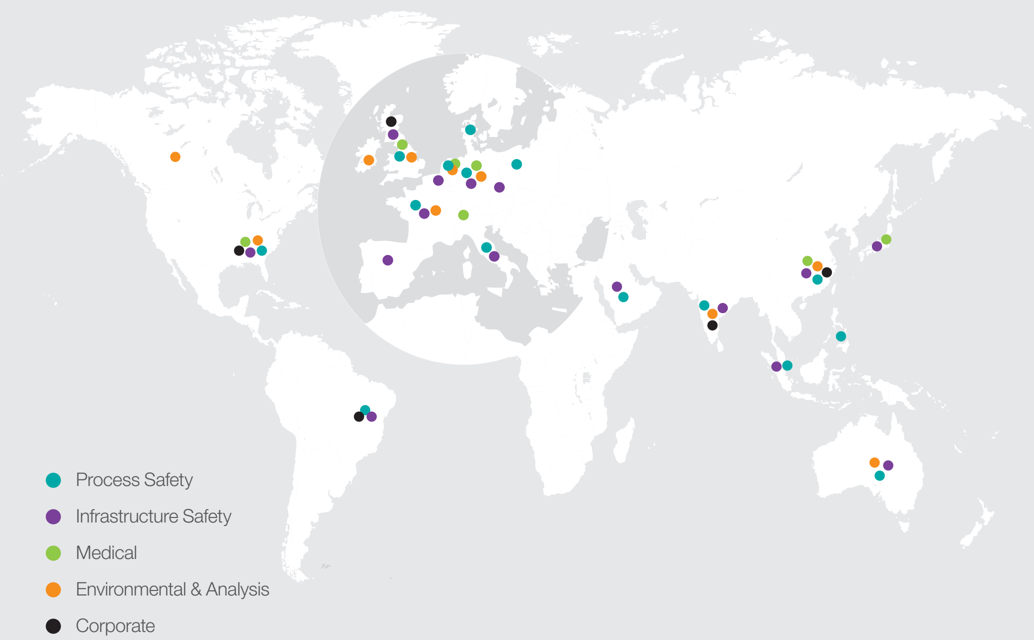
Products and technologies for analysis in safety, life sciences and environmental markets. Market-leading opto-electronic technology and gas conditioning products. Products to monitor water networks, UV technology for disinfecting water, and water quality testing products.

25%

£167m
Revenue

£32m
Operating profit[1]

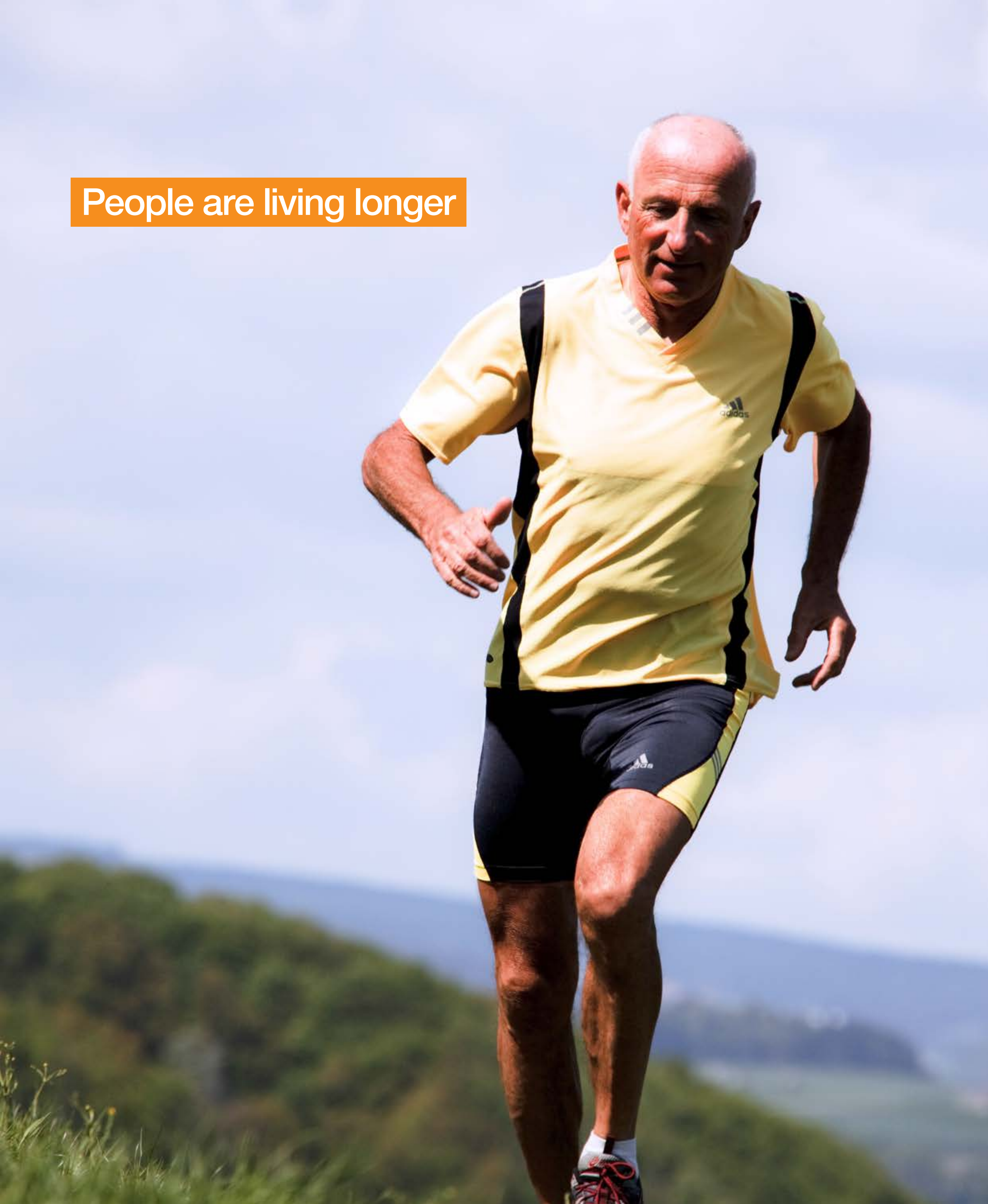
- Increasing demand for healthcare
- Increasing demand for life-critical resources (such as energy and water)



Life is precious

Populations are growing

People are living longer



The world needs technology to keep people healthy


Make workplaces safer

Improve public safety

And preserve valuable resources

Our technology protects the world

Contents

Stay up-to-date

The latest Halma news, share price, webcasts, financial documents and more can be found on the Halma website at www.halma.com. You can download our free investor relations iPad app and follow Halma on the move at http://goo.gl/4W91y

Who We Are

Halma employs 5,000 people through nearly 50 subsidiary businesses based in 23 countries. Our companies and products are diverse but we have a core focus on safety, health and environmental markets.

Through innovation and acquisition we have developed a portfolio of market leading companies throughout our four sectors: Process Safety, Infrastructure Safety, Medical, and Environmental & Analysis.

Our technology is used to save lives, prevent injuries, and protect people and assets around the world. On oil rigs, in airports and even underground, our products are detecting hazards, stopping accidents and actively ensuring safety.

We develop products that secure and protect the elements critical to healthy lives. They analyse air for pollutants and water for drinking. They make medical diagnosis faster, treatments more effective, and even give sight back to the blind.

Our business is protecting life and improving quality of life for people worldwide.

Chairman's Statement

Paul Walker
Chairman

"...a strong dedication to the business model with a large reliance on the autonomy of the operations."

When I was first approached about the opportunity to chair Halma, I have to admit that I knew very little about the Company. That in itself tells you something about the business, as Halma has always been somewhat understated, relying on the natural evolution of its business fundamentals to grow. Halma's ambitions to grow are clearly communicated in its engagement with the investment community. There are no hidden principles guiding the Group, just a strong dedication to the business model with a large reliance on the autonomy of the operations. This approach is rewarded with shareholders who share the same values as Halma and who reinforce our dedication to our business model through their longer-term investment. Therefore in this, my first report as your Chairman, I am delighted to report another strong performance by Halma achieving record revenue and profit for the eleventh consecutive year.

Structured for sustainable growth

During this last year the Board spent time discussing how the business should be organised to maximise the growth opportunities in our marketplaces. We considered the breadth of management control across the Group and concluded that the time had come to align our Executive Board with the four market sectors that we are engaged in. We continue to believe that it is important to maintain the flat management structure that has played a large part in underpinning the operational excellence and control of the Group for many years. Halma's growth in recent years has demonstrated that it is possible to replicate the Group's traditional management structure within each sector – after all, our sectors are now roughly the size that Halma was just ten years ago!

Structuring management and the businesses in this way will broaden our M&A search activity as well as making Halma a more transparent prospect for the owners and management of potential acquisition opportunities. The ability to identify suitable acquisitions is an important part of our long-term business model. I am satisfied that we have maintained, and indeed enhanced, what makes Halma an attractive home for successful businesses.

These changes also mean that additional internal collaboration opportunities are more likely to be pursued. I plan to report on the additional 'added value' from internal collaboration in next year's annual report.

During the year we created the new role of Group Talent Director reporting to Andrew Williams and with a position on the Executive Board. This will improve the Company's ability to identify talent both internally and externally, ensuring that we have strong teams in all of our businesses coupled with an effective management succession planning culture. I am delighted to welcome Jennifer Ward to Halma who was appointed to this role in March 2014.

Chairman's Statement

Governance

As Chairman of Halma, I am tasked with ensuring that the Board maintains a focused and disciplined approach to governance and I am delighted to say that the task is made easier by the leadership evidenced at all levels of the Group. In saying that, I do acknowledge that we need to improve on our diversity objectives across all of our businesses in the Group and that this will continue to be a focus for both the plc and Executive Boards.

Due to recent changes in their business commitments, Lord Blackwell and Steve Marshall will not be seeking re-election to the Board at the forthcoming AGM. I would like to thank them both for the significant contribution they have made to the Halma Board and also the support that they have provided to me in my first year as Chair.

I am delighted to announce that Roy Twite will be joining the Board following the conclusion of the AGM on 24 July 2014. Roy is an executive director at IMI plc and brings very relevant engineering experience to the Halma Board. Stephen Pettit has agreed to the Board's request to remain on the Halma Board up until the 2015 annual general meeting. The Board is in the process of seeking to identify an additional non-executive Director.

Further information on Corporate Governance is included on pages 59 to 65.

Acquisitions and disposal

The Group concluded only one acquisition this year after acquiring six businesses in the previous year on which we spent £137m. Our acquisition pipeline remains good. The three acquisitions concluded after our financial year end demonstrate that we cannot predict when our efforts will come to fruition although this also gives me comfort that the disciplines and due diligence surrounding acquisitions are not unduly accelerated, but fully performed and considered. As a Board, we evaluate each investment opportunity on its merits and ensure that each is the right use of our financial resources.

Pensions

During the year, the Board authorised the cessation of future benefit accrual in the two remaining UK Defined Benefit pension plans in operation in the Group. Whilst this provides the Company with a less volatile financial impact in the years ahead, I wanted to let each of the long-serving Group employees affected by this change know that this was not an easy decision to reach. The Board considered the volatility of pension funding and accounting alongside market practice outside Halma, harmonisation of Group benefits and upcoming changes to National Insurance contributions. We concluded that discontinuance of this benefit, balanced with transitional measures, was in the best interests of shareholders.

"…the Board maintains a focused and disciplined approach to governance…"

Performance and dividend

I would like to thank Andrew Williams, the Executive Board and each of Halma's employees around the world; each has played their part this year in delivering value for shareholders in another chapter in the story of Halma.

I am pleased to report that revenue for the year increased by 9% to £677m with adjusted[1] profit before tax increasing by 9% to £140m. In a year in which there were fewer acquisitions, this is a commendable performance.

The Board's confidence in the Group is reflected in us recommending a final dividend of 6.82p per share giving a total dividend for the year of 11.17p, an increase of 7%. The final dividend is subject to approval by shareholders at the AGM on 24 July 2014 and will be paid on 20 August 2014 to shareholders on the register at 18 July 2014. This marks the 35th consecutive year of dividend increases of 5% or more.

Summary

2014 has been another successful year for Halma with solid organic growth and positive contributions from recent acquisitions helping to achieve record results for the eleventh successive year. The restructuring of our Executive Board, aligning it more closely with our four sectors, will give us a clearer market focus. I believe this will continue to help us to achieve our longer-term strategic objectives as well as continuing to drive organic growth in the business.

Paul Walker
Chairman

[1] See Financial Highlights.

Investment Proposition

Halma delivers sustained shareholder value. We consistently deliver record profits, high returns, and strong cash flows with low levels of balance sheet gearing. We have a 35-year track record of growing dividend payments by 5% or more every year.

Our strategy is to have a diverse group of businesses building strong competitive advantage in specialised safety, health and environmental technology markets with resilient growth drivers. These growth drivers include increasing Health and Safety regulation, demand for healthcare and demand for life-critical resources. They ensure that demand for our products is sustained, in both developed and developing regions, through periods of significant macro-economic change.

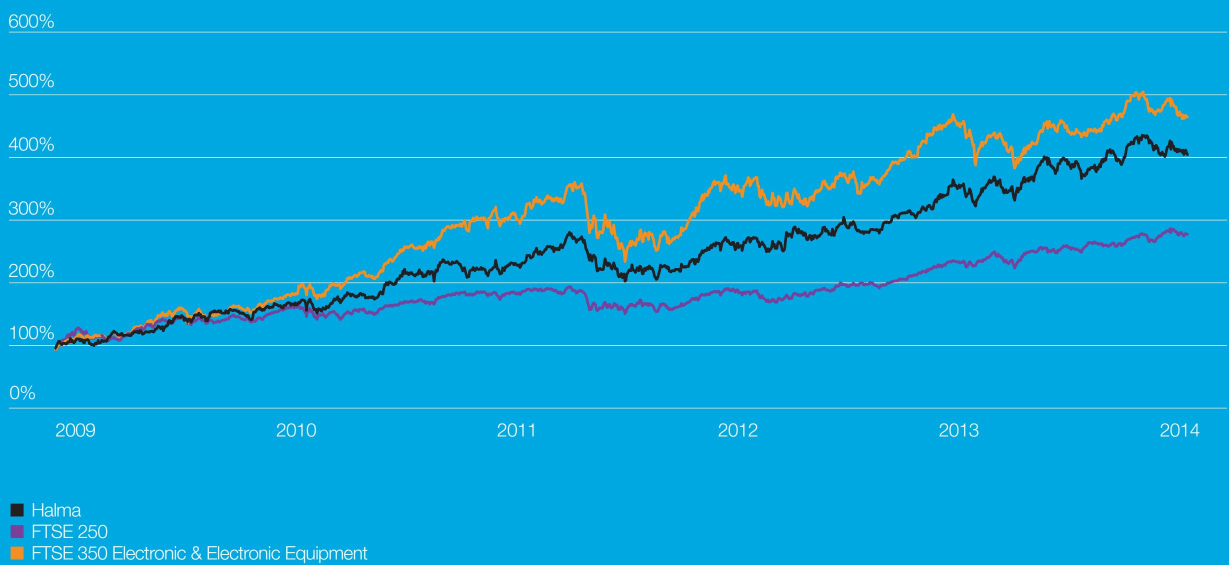
Organic growth generates the resources we need to fund acquisitions and keep increasing dividends. We generate organic growth by increasing levels of investment in people development, new product development and in establishing platforms for our businesses to grow in international markets.

Our portfolio consists of small to medium-sized manufacturing businesses operating in 23 countries and we have major operations in Europe, the USA and Asia. Our principal customer sectors are commercial and public buildings, utilities, healthcare/medical, science/environment, process industries and energy/resources. This market diversity contributes to our ability to sustain growth through economic cyclicality.

We manage the mix of businesses in our Group to ensure we can sustain strong growth and returns over the long term. We acquire businesses to accelerate penetration of more attractive market niches, we merge businesses when market characteristics change and we exit markets which offer less attractive long-term growth and returns through carefully planned disposals.

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

Total Shareholder Return (five years)



Market Overview
What makes our business grow?

Macro-economics, regulatory and competitive environment

Our focus on the supply of safety, health and environmental related products positions Halma businesses in relatively non-cyclical markets that have clear, long-term growth prospects.

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

Most of our markets are underpinned by regulatory drivers where customer spending is often non-discretionary. Our businesses benefit from strong market positions providing upgrade and replacement sales opportunities. These factors create resilience and enable us to achieve organic growth above prevailing market growth rates.

We are exposed to a diverse range of niche markets, each with its own unique market dynamic. Our approach is to empower local management to respond to changing market conditions by developing and executing their own growth strategy. More details are given in the sector reviews on pages 34 to 41.

Our competitive environment is heavily influenced by global, regional and national product approvals or technical validations. Compliance with these product regulations is a steadily increasing cost and technical challenge but our focus on this area enables us to build competitive advantage.

In the current macro-economic environment each of our businesses is experiencing different challenges and opportunities according to their particular market and geographic exposure. In 2014/15, we expect the macro-economic circumstances in Europe and the USA to support steady growth.

GDP growth in developing economies is forecast to grow by around 5% during 2014 and 2015. The broader socio-economic development of developing regions such as Asia and South America will continue to increase demand for a safer environment and greater access to healthcare and energy/water resources. These factors should enable us to deliver growth ahead of the GDP rate over the medium term.

Our businesses have favourable long-term organic growth prospects because they are positioned in markets with one or more of the following three growth drivers:

- increasing health and safety regulation
- increasing demand for healthcare
- increasing demand for life-critical resources

Increasing health and safety regulation

Employers throughout the world must comply with increasingly strict government laws and regulations to protect their workers, assets and the environment from workplace hazards. In parallel with government regulation, many multinational employers are extending their health and safety practice to developing regions. This continuously increasing safety regulation, combined with globalisation, drives demand for our Process Safety and Infrastructure Safety products.

The human cost of workplace accidents and diseases is enormous. Every year 317 million work accidents occur, many resulting in extended work absences. The International Labour Organisation estimates that 2.34 million people around the world die annually from work accidents or work-related disease. That is over 6,400 fatalities per day.

Workplace injury and occupational disease is also a significant economic burden on national economies and businesses. The financial impact of poor occupational safety and health practice is due to absences from work and sickness, disability benefits, compensation, interruption of production and medical expenses. These costs are estimated to be as high as 4% of global GDP. Countries with above average workplace casualty rates may lose up to 10% of their GDP.

Safety and health at work varies considerably between countries, economic sectors and social groups. Deaths and injuries take a particularly heavy toll in developing countries, where a large part of the population may work in hazardous conditions. However, advances in occupational safety are reducing the number of fatal accidents at work.

Throughout the world, deaths and injuries caused by accidents prompt governments to introduce new and tougher regulations that protect people from harm in public access and commercial buildings. The continuous introduction of new, mandatory building codes affecting fire protection, building security, automated doors and elevators drives demand for our Infrastructure Safety products.

Industry update

Europe's population of 50 million deaf or hard-of-hearing people will benefit from new European fire safety regulations. Stricter installation and performance standards for visual fire alarm warning devices will improve fire protection in commercial buildings and factories for deaf people and workers wearing ear protectors.

Industry update

An onshore oil pipeline explosion last November that claimed 62 lives and injured 136 people in Qingdao, Shandong province resulted in legal action against 63 people, including the Chairman of China's second largest oil producer, for process safety failures. Economic losses caused by the the accident were estimated at more than £70m.

Every 15 seconds a worker dies from a work-related accident or disease and 150 workers have a work-related accident

Read more PP34 and 36

Market Overview continued

Increasing demand for healthcare

Four long-term demographic trends drive increasing spend on healthcare worldwide and support demand for products in our Medical and Environmental & Analysis sectors:

– population ageing
– population growth
– increase in chronic disease
– rising incomes in the developing world

Worldwide healthcare expenditure is about 8% of global GDP. Total global health spending is forecast to rise by over 5% a year until 2017. Healthcare spending continues to rise rapidly in the developed world. In the USA, for example, total healthcare expenditure was estimated at $2.9 trillion in 2013, and is projected to rise to $3.4 trillion within three years. The trend in emerging nations is also for spending on healthcare to rise dramatically.

Population growth and growing wealth are strong drivers of healthcare demand in the developing world. Healthcare spending in China continues to increase rapidly and is the fastest-growing emerging market. Healthcare spending in China is forecast to grow from $357 billion in 2011 to $1 trillion in 2020.

Population ageing and rising numbers of people suffering from age-related chronic disease combine as a strong, long-term driver for healthcare services and products in our Medical sector in both developed and emerging economies.

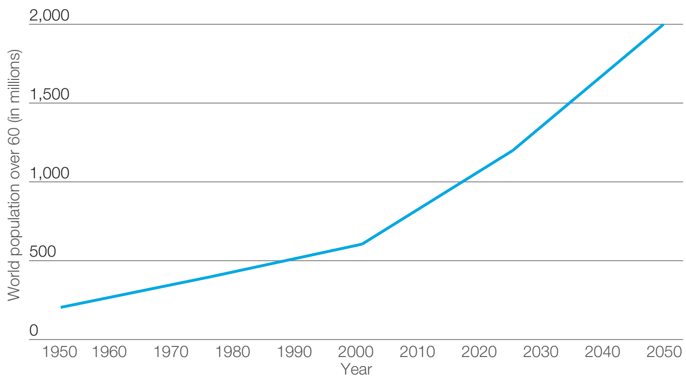
The number of people aged over 65 is expected to more than triple over the next half-century. Life expectancy is expected to rise from 72.6 years in 2012 to 73.7 years by 2017. This will mean that more than 10% of the world's population will be over 65. In Western Europe the proportion will hit 20 percent; in Japan, 27 percent.

In the USA, the world's largest healthcare market, increasing life expectancy is predicted to double the population of people over 65 years old by 2050. While the more developed countries have the oldest population distribution, the vast majority of older people, and the most rapidly ageing populations, are in less developed regions.

Rising incomes in the developing world make healthcare more accessible but, combined with less active lifestyles, lead to a higher prevalence of chronic disease. Worldwide, deaths due to cancer, heart disease, stroke, respiratory disease, diabetes and hypertension have risen sharply in the past decade. These chronic diseases, now the leading cause of mortality worldwide, can be attributed to population ageing, more sedentary lifestyles, changing diets and rising obesity. Halma's focus on ophthalmology and advanced blood pressure monitoring directly relates to the diagnosis and treatment of these chronic diseases.

Read more PP38 and 40

Global population ageing: 1950–2050



Source: United Nations.

10% of people over 65

Global senior population by 2017

73.7 years

Global life expectancy by 2017

$1 trillion

Chinese healthcare spend 2020

Increasing demand for life-critical resources

Rising energy consumption and water usage, the inevitable consequences of social and economic development, are driven by three key trends:

– population growth
– rising living standards
– dietary and agricultural changes

Many of our Environmental & Analysis and Process Safety sector businesses operate in markets driven by the global trends of rising demand for life-critical resources such as energy and water.

Water consumption grew twice as fast as the world population in the 20th century and demand continues to rise relentlessly today. A third of the world's population now lives in water-stressed countries. Water demand is predicted to increase by 50% by 2025 in developing countries and by 18% in developed countries, and both the quality and availability of clean water continues to decline.

Competition for water resources is forecast to increase between countries in both developed and developing regions. The rising value placed on finite water resources drives demand for our water conservation, treatment, monitoring and quality testing products.

Demand for water is strongly linked to energy demand. Water is needed to convert resources into electricity via thermal, nuclear, and hydro processes and also for irrigation of biofuel crops. In turn, energy is needed at all stages of water extraction, treatment and distribution. Fifteen percent of water withdrawal is currently used for energy production, but this is expected to rise 20% by 2035 due to population growth, urbanisation and changing consumption patterns.

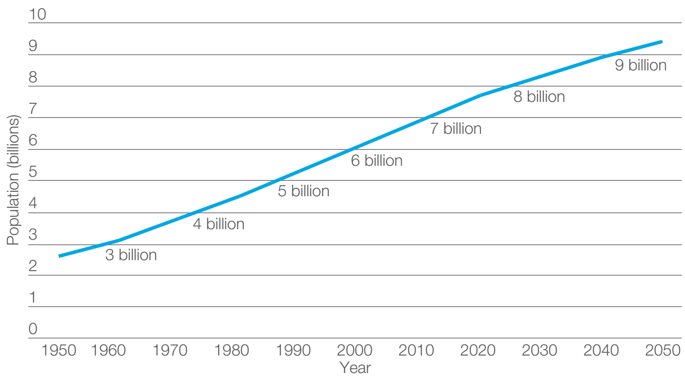
Worldwide energy demand is expected to grow by more than one-third up to 2035, with China, India and the Middle East accounting for more than half of the increase. Rising demand for energy will put further strain on the world's fresh water resources in the coming decade, especially in developing and emerging economies.

Rising incomes are enabling developing region populations to change their diets from mainly starch-based to meat and dairy. This is changing agricultural practices and raising water demand. Dietary change has been the most significant factor affecting global water consumption over the past 30 years, and is expected to continue well into the middle of the twenty-first century.

Read more PP34 and 40

"Competition for water resources is forecast to increase between countries in both developed and developing regions."

Global population: 1950–2050



Source: U.S. Census Bureau.

Andrew Williams
Chief Executive

"The consistency of Halma's strong performance over a long period is the product of a good strategy together with the creativity, commitment and talent of Halma's employees."

Record revenue and profit growth

Halma has performed strongly, achieving record revenue and profit for the eleventh consecutive year. We achieved revenue and profit growth in all four of our business sectors demonstrating the benefit of sustained investment in new product innovation and people development. We increased revenue in all major geographic regions, rewarding our commitment to increasing resources in developing countries and reflecting the opportunities for growth in developed markets.

The consistency of Halma's strong performance over a long period is the product of a good strategy together with the creativity, commitment and talent of Halma's employees. Once again, I would like to thank them for their contributions to our continued success.

Good organic revenue and profit growth

Revenue from continuing operations increased by 9% to £676.5m (2013: £619.2m). Organic revenue growth was 6% and also 6% at constant currency. Adjusted[1] profit from continuing operations increased by 9% to £140.2m (2013 restated[1]: £128.5m). Organic profit growth was 6% and 5% at constant currency.

There were similar rates of organic revenue growth at constant currency in the first-half and second-half years. Profit growth was stronger in the second half as some 'one-off' reorganisation and quality costs in the first half were not repeated. Product margins remained steady throughout the year reflecting good control of both pricing and manufacturing costs.

High returns and strong cash generation

High returns were maintained with Return on Sales of 20.7% (2013 restated[1]: 20.8%) and Return on Capital Employed at the operating level increased to 76% (2013 restated[1]: 71%). Return on Total Invested Capital (post-tax) rose to 16.1% (2013 restated[1]: 15.6%).

Strong cash generation ensured we ended the period with net debt of £74m (2013: £110m) after spending £17m on capital expenditure, £17m on acquisitions (2013: £148m of which £137m was for businesses acquired in the year) and paying out £40m and £28m on dividends and tax respectively. In November 2013, we increased and extended our revolving credit facilities up to £360m until November 2018 and we are in an excellent financial position to support our future growth.

Growth in all major geographic regions

Widespread growth in all major geographic regions once again showed Halma's ability to succeed amid a range of local economic conditions. This reflects both the benefit to us of the diversity of our end markets and also the agility of our operating structure. Each subsidiary company is able to adjust investment priorities quickly as market conditions vary. We have seen the value of this, particularly during recent years when macro-economic circumstances have been changeable.

Revenue from our largest market, the USA, grew by 10% to £214m (2013: £195m) including organic growth at constant currency of 6%. UK revenue improved by 11% to £128m (2013: £116m) while Mainland Europe revenue was up by 8% to £164m (2013: £152m). Constant currency organic revenue growth in these regions was 6% and 5% respectively. Therefore, total revenue from these three developed markets grew by a very healthy 9%, including 6% organic growth at constant currency.

We maintained strong growth in China: revenue was up by 26% to £47m (2013: £37m), which is 7% of the Group. This included a successful first full year for Longer Pump, our first stand-alone acquisition in China. This excellent performance in China contributed to revenue from Asia Pacific increasing by 11% to £112m, including 7% organic growth at constant currency.

Organic revenue and profit growth in all sectors

Process Safety grew revenue by 1% to £126.7m (2013: £125.7m) and profit[2] by 8% to £34.9m (2013: £32.3m). Excluding the contribution of Tritech, which was sold in August 2012, revenue increased by 5% and profit by 11%. These were also the sector's organic growth rates.

Return on Sales improved from 25.7% to 27.5% due to continued strong product margins and good operational management. New product introductions contributed to both this margin expansion and to revenue growth through diversification into new application niches. Examples included new pressure relief devices for shale gas production and a wide-area gas detection system which incorporates wireless technology developed by one of our Infrastructure Safety businesses. This combination of focused product innovation and a continued increase in Health & Safety regulation globally is delivering sustained success for our Process Safety sector.

Excluding the prior year disposal, there was growth in all major geographic regions except the UK, where revenue declined by 1%. There was double-digit growth from the USA (up 13%) and Asia Pacific (up 12%). Mainland Europe revenue increased by 1%. The sector hub set up in Brazil in 2013 is now firmly established and promises to boost Process Safety revenue from this territory in the future.

Infrastructure Safety performed strongly, growing both revenue and profit[2] by 7% to £220.3m (2013: £205.3m) and £44.4m (2013 restated: £41.5m) respectively. At constant currency, organic revenue growth was 6% and profit growth was 5% demonstrating the resilience of demand for our products which is underpinned by increasing Health & Safety regulation.

Return on Sales remained strong at 20.2% (2013 restated: 20.2%) due to successful new product launches and an effective balance between investment and cost control to maintain strong product margins. We continue to achieve good growth for our wireless smoke detectors into the home automation market in the USA, while a new safety sensor for automatic swing doors is increasing our market share with global pedestrian door OEMs.

Revenue increased in all major geographic regions, including 12% growth in Mainland Europe. Healthy mid-single digit growth in the UK, USA and Asia Pacific reflected the global reach of our products, whether selling into major multinational OEMs or through local distribution partners. Our strategy of increasing investment in locally based sales and technical resources continues to pay dividends.

Our **Medical** sector grew revenue by 20% to £163.2m (2013: £136.1m) and profit[2] by 16% to £41.8m (2013: £35.9m), including a sizeable contribution from acquisitions completed in the prior financial year. Organic revenue growth at constant currency was 7% and organic profit growth was 1%.

Return on Sales remained strong at 25.6%, albeit slightly below last year's record 26.4%. A combination of minor factors contributed to this, including the full-year effect of the new medical device tax in the USA and the acquisitions made in the prior year having lower returns than the sector average. Typically, we increase investment in newly acquired businesses during the first couple of years of ownership to build management strength, international sales resources and new product development capability. In the medium term, this not only increases revenue, but also drives up profitability.

There was strong revenue growth in all geographic regions. Asia Pacific growth of 52% benefited from a good first year's performance from Longer Pump in China and strong organic growth of 22% (constant currency). Our focus on new medical product registrations is slowly paying dividends and is enabling us to build stronger market positions in key developing territories in Asia and South America. Elsewhere, organic revenue growth (constant currency) from the UK was up 8%, Mainland Europe grew by 6% and the USA increased 3%.

Environmental & Analysis achieved a pleasing full-year performance after a disappointing prior year and some reorganisation in the first half. Revenue increased by 9% to £166.5m (2013: £152.4m) and profit[2] grew by 4% to £31.7m (2013: £30.4m). At constant currency, organic revenue growth was 5% and profit was up 2%.

Return on Sales was 19.1% (2013: 19.9%) which represented a useful improvement from 18.2% at the end of the first half. The consolidation of our two optical coating business facilities has gone to plan with a newly expanded facility now operational in Florida and product lines being transferred from Colorado. In addition, our main photonics business, Ocean Optics, has spun-off a new Halma subsidiary in China while our water UV companies have restructured their distribution channels in the USA. The total cost of these restructuring projects was below £1m in the year.

Chief Executive's Strategic Review continued

> "Our strategy is to sustain consistent rates of organic growth by focusing on three areas of investment: innovation, people development and international expansion."

Revenue grew by 53% in the UK, dominated by large sales of flow/pressure data loggers to UK water utilities as part of their preparation for the deregulation of the UK commercial water market in 2017. There was mid-single digit growth in Mainland Europe and the USA whilst revenue from Asia Pacific declined by 5% as major contracts for certain water and photonics businesses last year came to an end. Restructuring completed during the year and additional senior management changes made shortly after year end should improve the consistency of this sector's performance in the medium term.

Executive Board changes enhance the scalability of Halma's business model

In April 2014, Halma's Executive Board was reorganised to be more clearly aligned with our four reporting sectors and provide a management structure which gives each sector the potential to become as large as the whole of Halma today. Each of our four sectors is now led by a Sector Chief Executive (SCE), each of whom has already proven successful in delivering both organic and acquisition growth as a Halma Divisional Chief Executive (DCE). As each sector grows, the SCEs will appoint Sector Vice Presidents to chair small groups of companies in much the same way as Halma DCEs did successfully for many years in the past.

Halma's long track record of success is built on careful selection of markets and product niches complemented by an unstinting commitment to improve the quality of management. This need to have a strong talent pipeline to support future growth is an ever-increasing challenge and, with that in mind, we recruited Jennifer Ward to the Halma Executive Board as Group Talent Director. Jennifer will lead the development of a more rigorous approach to identifying, assessing, developing and attracting diverse management talent working in a partnership with the SCEs.

This new management structure will result in clearer growth strategies for each sector, clarifying the investment, collaboration and acquisition priorities. As Group CEO, I will maintain a close relationship with both the SCEs and our individual operating subsidiaries through their regular reporting, meetings and my ongoing programme of company visits. I am confident that we have a management structure which is capable of scaling up Halma's successful business model over the next decade (or more) while maintaining our unique operating culture.

Three acquisitions completed recently; pipeline is good

Following a very busy 2012/13, when Halma spent £137m on six businesses (excluding net cash acquired of £5m), we completed one acquisition this financial year. Talentum, a flame detector manufacturer, was acquired by our Infrastructure Safety sector in April 2013 for £3m (excluding net cash acquired).

Despite a quiet year, we remain confident about acquisition prospects, having come close to completing a number of additional deals during the year. Although the current M&A market is more competitive than it has been for the past few years, we are still finding high quality companies in good markets at sensible prices. To support this confidence, we have completed three acquisitions since the period end:

- Plasticspritzerei AG was acquired in May 2014 for a net cash consideration of CHF4.8m (£3.2m). Plasticspritzerei manufactures plastic components including critical parts for Medicel's ophthalmic products and joins our Medical sector.
- Advanced Electronics Limited (Advanced) was acquired in May 2014 for an initial cash consideration of £14.1m. Advanced manufactures networked fire detection and control systems and joins our Infrastructure Safety sector.
- Rohrback Cosasco Systems Inc. (RCS) was acquired in May 2014 for a cash consideration of $108m (£64.7m) excluding cash acquired. RCS is a world leader in the design, manufacture and sale of pipeline corrosion monitoring products and systems and is a strong addition to our Process Safety sector.

We made one disposal following the year end, selling our US-based elevator control panel manufacturing business, Monitor Elevator Products Inc., to another industry player, Innovation Industries for $6m (£3.6m). Halma will record a gain before tax of approximately £1m on this transaction in 2014/15.

The net spend on the acqusitions and disposal in May 2014 was £78.4m.

Creating growth through strategic investment

Our strategy is to sustain consistent rates of organic growth by focusing on three areas of investment: innovation, people development and international expansion.

We are strongly cash generative and our medium-term organic growth rate determines our ability to fund the acquisition of new businesses and increase dividends each year. These cash resources are supplemented by income from disposals and external financing facilities, although our strategy is always to maintain a strong balance sheet with modest levels of debt. In the longer term, our ability to shift our portfolio mix also ensures that we can change our exposure to particular end markets as economic circumstances evolve.

Increased investment in innovation

Halma businesses build market leadership, gain market share and create opportunities in new markets through innovation of products and processes. This innovation comes from leveraging the deep market knowledge and application know-how residing within each Halma business.

There is a significant benefit to be gained from Halma companies collaborating and sharing know-how with their sister companies. We are building a culture which encourages these behaviours in a variety of ways including diverse company representation at Halma training programmes and holding a biennial Halma Innovation and Technology Exposition (HITE). Network groups focused on functional areas such as manufacturing, HR and IT also foster regular benchmarking and drive continuous improvement.

In May 2013, we held our third HITE event in Florida, USA. HITE brings together senior managers from all Halma companies and acts as a catalyst for collaboration and sharing know-how thereby increasing subsidiaries' rates of innovation and competitive advantage. Plans are already underway for HITE 2015 which will be held during April 2015 in Barcelona, Spain and, once again, we intend to invite institutional investors and analysts to join us.

Innovation is formally recognised in Halma through the annual Halma Innovation Award which includes a first prize of £20,000 for the winning employees.

The Halma Innovation Award 2014 was won by a collaboration between two of our US-based Environmental & Analysis sector businesses, Avo Photonics and Aquionics. Avo's expertise in electro-optics and Aquionics' knowledge of UV light disinfection of water were combined to develop PearlSenseT. This is the first product to use UV LED lamps instead of mercury-based lamps to monitor the effectiveness of UV disinfection systems in real-time. Compared to older technology, PearlSenseT offers customers a smaller device footprint, a more robust design, lower operating costs and, through the elimination of mercury, an environmentally friendly solution.

Both runners-up prizes were won by teams from Oseco, which manufactures pressure relief devices for safety-critical processes. Their winning innovations were a new pressure safety system for shale gas production and a high pressure, high temperature bursting disk used in chemical manufacturing. Both of these products provide a level of technical performance and reliability way beyond that achieved by the competition, creating two new market niches for Oseco's business.

During the year, R&D expenditure grew by 5% to £32.1m (2013: £30.5m excluding disposal). There was higher R&D investment in all sectors.

In April 2013, we introduced a programme to encourage our companies to increase R&D resources in China in order to develop more products for the local market. Subsequently, 10 Halma businesses have been granted a subsidy to support the cost of engineers in China and we expect the first new products to be launched in 2014. This is another good example of how being in Halma can accelerate the growth and development of individual businesses.

People development

A key component of Halma's success is to build and develop company management teams who thrive on the opportunity to devise their own growth strategy and take management action as market needs dictate. Each Halma company board manages their own R&D, manufacturing, sales, marketing and financial control resources.

Halma's Executive Board ensures that, collectively, the subsidiary companies' strategic plans, financial goals and incentive programmes are aligned with Halma's, supported by a relentless commitment to attract and develop high quality talent.

We continue to offer a range of training for employees including the Halma Executive Development Programmes (HEDP and HEDP+), Halma Management Development Programmes (HMDP and HMDP+) and Halma Certificate in Applied Technology (HCAT). All programme content is continuously reviewed and upgraded as the needs of our business evolve. During 2013/14, 104 employees attended these Halma run programmes and many more attended locally organised in-house training or externally run programmes. In recent years, Executive Board members have attended Advanced Management Programmes at Harvard, Wharton, INSEAD and IESE Business Schools.

The Halma Graduate Development Programme (HGDP) continues to go from strength to strength and our first intake of graduates are securing their first permanent jobs with Halma companies. Of the nine graduates who joined this first programme in 2012, seven are still with us and all have proved that they have the potential to make a significant contribution to Halma's future success. The HGDP 2013 group is also showing high potential and we are close to completing recruitment into the HGDP 2014 programme.

"...widespread growth once again demonstrates the agility of our organisation..."

We believe that Halma is an attractive employer for new graduates, offering them the chance to work in different functional roles, diverse markets, gain international experience and demonstrate their potential for significant early career progression. We aim to use HGDP to increase the depth and quality of talent coming through our management ranks. We believe it will also contribute to increasing the diversity of our senior management at subsidiary company and Group levels.

International expansion contributing strongly to our growth

We choose to operate in niches within markets which have growth potential in both developed and developing markets. This global opportunity derives from targeting long-term market growth drivers which have worldwide significance. For example, demand for healthcare is driven by ageing population in developed regions and the broader social development and increasing personal healthcare expectations in developing countries.

When we buy businesses, they often have untapped potential for significant international expansion. Frequently, these opportunities are not limited to developing countries as many US-based businesses still need to build a stronger market position in Europe and vice versa. Wherever the growth opportunities are, Halma can provide expertise and an infrastructure to support our companies, either through regional Halma hub offices or collaboration with sister companies.

Our strategic objective is for 30% of revenue to come from outside the UK, Mainland Europe and the USA by 2015. Since setting this goal in 2010, revenue from outside these developed markets has increased from £98m (21% of Group) to £170m (25% of Group), which represents a compound growth rate of 15% p.a. Although this has contributed a third of all revenue growth during the four-year period, a combination of higher than anticipated growth in Europe and the USA and new acquisitions, has made achieving this strategic objective more challenging. However, we remain committed to investing in international expansion and will review our mid-term objectives once again in 2015.

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 regularly review our responsibility and sustainability reporting in accordance with best practice. 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 business.

A detailed report on Corporate Responsibility is on pages 42 to 47.

Outlook

We achieved growth in all four Halma business sectors and in all major geographic regions even though market conditions were variable. This widespread growth once again demonstrates the agility of our organisation and the benefit of senior management being close to customers and empowered to allocate resources according to market needs.

We expect this varied trading environment to continue, providing both opportunities and challenges including a currency headwind resulting from the increased strength of Sterling. Our ongoing investment in new products, people development and international expansion will also continue to open up new market niches and applications for our businesses. Our proven ability to achieve organic growth and regularly complete good quality acquisitions gives us confidence that Halma will make further progress in the year ahead.

Andrew Williams
Chief Executive

[1] See Financial Highlights.
[2] See Note 1 to the Accounts.

Business Model and Strategy

Business model
What is Halma's growth objective?

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

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

Grow
KPIs
- Organic revenue growth
- Organic profit growth
- International expansion
- Return on sales
- ROCE
- ROTIC

Read more PP16, 24 and 25

Innovate
KPIs
- R&D development

Read more PP22 and 27

Acquire
KPIs
- Cash generation
- Acquisitions

Read more PP18 and 26

Empower
KPIs
- Development programmes
- Values alignment
- CO_2 emissions reduction

Read more PP20, 26 and 27

Strategy
How do we grow?

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

We place our operational resources close to our customers through autonomous locally managed businesses. We reinvest cash into acquiring high performance businesses in, or close to, our existing markets.

Governance
Halma is committed to maintaining the highest standards of corporate governance and ensuring values and behaviours are consistent across the business. Halma promotes open and transparent discussion and constructive challenge across the Group to ensure best practice is maintained. That governance culture is integral to our strategy and decision-making processes for the benefit of our shareholders.

Read more PP59 to 65

Risk
Group risk is mitigated by means of an operating structure which spreads the Group's activities across a number of autonomous subsidiary companies. Each of these companies is led by a high-quality board of directors including a finance executive. Group companies operate under a system of robust controls which address our principal risks and uncertainties.

Read more PP28 to 33

Corporate Responsibility
Halma companies are involved in the manufacture of a wide range of products that protect and improve the quality of life for people worldwide. Halma has developed meaningful key performance indicators (KPIs) that reflect the importance the Group places on corporate responsibility and enable the Board to monitor the Group's progress in meeting its objectives and responsibilities in these areas.

Read more PP26 and 27

Grow

We choose to operate in niches within markets with robust long-term growth drivers on a global scale. This gives our businesses the opportunity to sustain growth in all regions of the world.

Our current focus is on increasing selling resources together with enhancing our local product development capabilities. Through this, we aim to ensure that we are able to continue to achieve growth rates in excess of the underlying market growth through gaining market share and diversifying into new markets.

BEA designs, assembles and sells sensors for automatic doors. When we acquired BEA in 2002 it was already the world leader in its specialised market. The company's strategy for growth has been to maintain global market leadership in the pedestrian door sensors niche while growing sales by diversifying into industrial, security and transport door control applications based on market-led innovation. This has enabled it to grow above the rate of its traditional pedestrian door market.

Read more P36

Valentin Novaković
Valentin is BEA's Business Development Manager and has been responsible for the company's diversification into industrial, security and transport applications. BEA developed new products with new features and functionalities for these applications, where demand is still driven by one or more of our primary growth drivers.

Volker Dockhorn
Volker is Managing Director of Medicel. The company has established a strong market position with single-use intraocular lens injectors that allow surgeons to insert new artificial lenses through very small incisions during cataract surgery.

Acquire

Acquisitions are a key strategic investment which strengthen our product portfolio, add new technologies, deepen our management talent pool and extend our geographical reach. They help us to sustain growth and high returns and create shareholder value over the long term.

Our strategy is to buy companies with technology we understand selling into markets we know. They must fit well with our operating culture and growth strategy, in addition to having strong financial metrics. As a highly cash-generative business with a strong balance sheet, we can invest in acquisitions without accumulating excessive debt.

We acquired Medicel in 2011 to extend our presence in the ophthalmic surgical instrument market. Since acquisition, Medicel has benefited from significant capital investment in equipment. Halma has also supported Medicel's development of current and new technologies. In May 2014 we acquired Plasticspritzerei, a close commercial partner since Medicel's inception, which secured important manufacturing know-how and will be operated by Medicel's management.

Read more P38

Empower

Halma has a highly decentralised organisational structure which delivers sustainable competitive advantage. Subsidiary companies are given considerable freedom for entrepreneurial action and are empowered to make timely decisions in the best interests of their business.

We place our operational resources close to our customers. Research and development, manufacturing, sales, marketing and human resources are all managed at operating company level. With an intimate knowledge of their market dynamics and customer needs subsidiary management is best placed to make local resource allocation decisions swiftly in response to market changes.

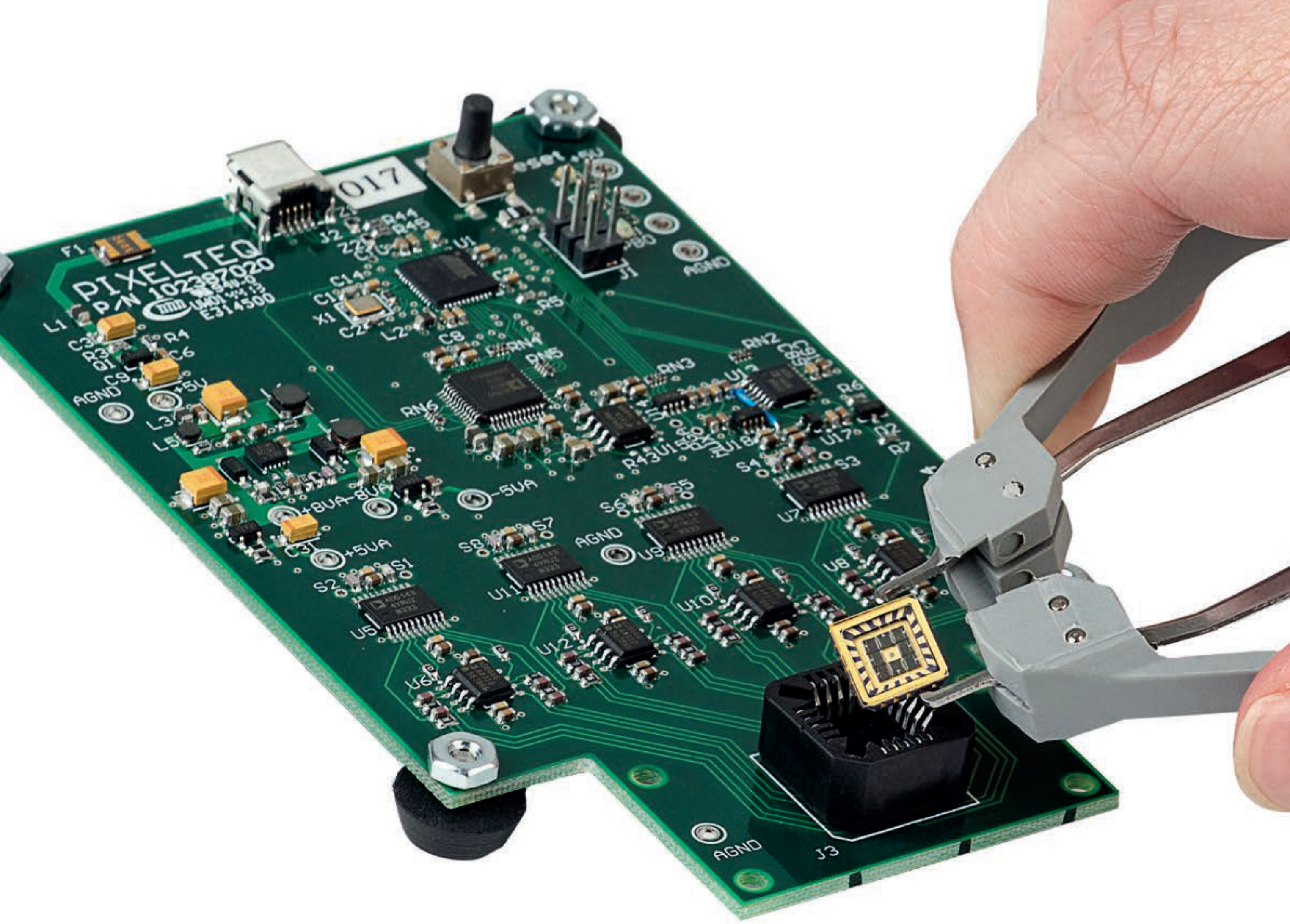
We set up a Halma hub in China in 2006 and, through this, our companies learned that they could be more successful in new markets by working together. In 2013, our Process Safety companies set up their own hub in Brazil to support existing customers, to better understand and to develop the local market and to help other Halma companies reduce the risks of doing business in Brazil.

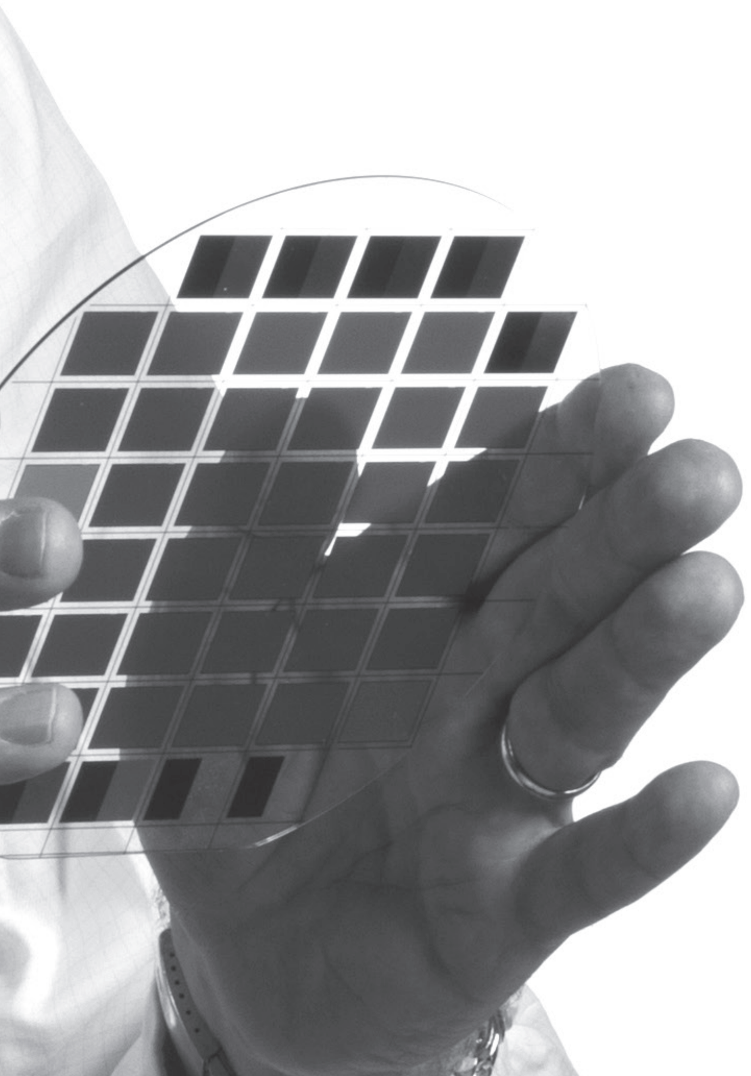
Read more P34

Davi Galvão
Davi is the Director of the Process Safety Brazil hub. Currently some of our bursting disk and safety interlock businesses use the hub for importation, sales and local assembly. Other companies in both our Process Safety and Infrastructure Safety sectors are performing market research and are considering using the hub.

Phil Buchsbaum

Phil is President of Pixelteq and the new PixelSensor chip is next-generation sensor technology developed in response to customer need for multispectral measurement in smaller devices. In 2013/14, Halma invested in multi-million dollar clean-room upgrades for Pixelteq and additional capacity for wafer-level optical coating and patterning.





Innovate

Innovation in products and processes is a key driver of organic growth. It enables us to build competitive advantage, gain market share, open up new markets and achieve high returns. In addition to increasing our spending on innovation and R&D in 2013/14, we held a third Innovation and Technology Exposition to encourage collaboration between all Halma companies.

Several products have been launched resulting from collaboration between Halma companies including PearlSenseT, the winner of this year's Halma Innovation Award, a collaboration between Aquionics and Avo Photonics.

Pixelteq's PixelSensor photodiode array packs eight wavelength-selective photodiodes into a tiny 9mm square package that enables precision multispectral measurement in smaller devices. PixelSensor typically replaces 10-20 optical components, simplifying optical designs for scalable production assembly of biomedical instruments from application-specific spectroscopy to fluorescence detection.

Read more P40

Key Performance Indicators – KPIs

Strategic focus

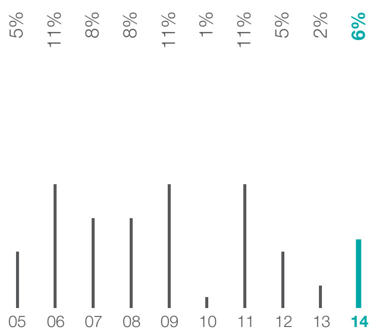
Through careful selection of our market niches and strategic investment in people development, international expansion and innovation we aim to achieve organic growth in excess of our blended market growth rate of 5%, broadly matching revenue and profit growth in the medium term.

The safety, health and environmental markets in Asia and other developing regions are evolving quickly. We continue to invest in establishing local selling, technical and manufacturing resources to meet this current and future need.

Organic revenue growth %

6%
Performance

>5%
Target



KPI definition

Organic revenue growth measures the change in revenue achieved in the current year compared with the prior year from continuing Group operations. The effect of acquisitions and disposals made during the current or prior financial year has been equalised.

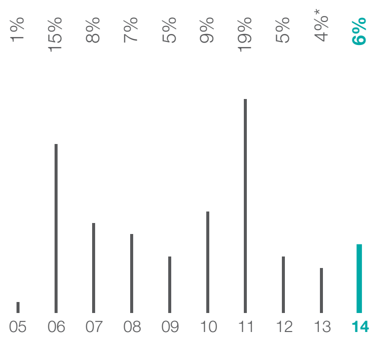
Comment

Organic growth in revenue was in excess of our minimum target with a good performance in all four sectors. At constant currency, organic revenue growth of 6% was achieved. Over the last five years our average rate of annual organic revenue growth has been 5% p.a. which is in line with our minimum target.

Organic profit growth %

6%
Performance

>5%
Target



*Before restatement

KPI definition

Organic profit growth measures the change in profit achieved in the current year compared with the prior year from continuing Group operations. The effect of acquisitions and disposals made during the current or prior financial year has been equalised.

Comment

Organic profit growth exceeded our minimum target. Organic profit growth at constant currency was 5% with strong performances in Process Safety and Infrastructure Safety sectors. Over the last five years our average rate of annual organic profit growth has been 9% p.a.

2015 target

The Board has established a long-term minimum organic growth target of 5% p.a., slightly above the blended long-term average growth rate of our markets.

In order to meet the target of organic growth in excess of 5%, the Group must maintain its focus on investment in innovation, people development and geographic expansion.

The primary factors affecting our ability to meet the target relate to competitive innovations overtaking the Group's technology, macro-economic factors and the management execution risk in delivering our own growth strategy.

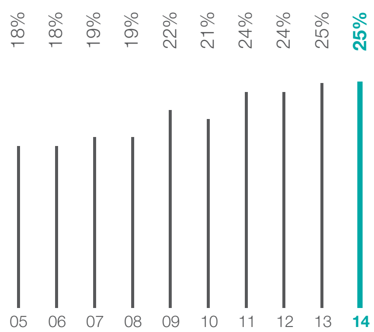
Also see

- Chief Executive's Strategic Review P10
- Financial Review P48
- Principal Risks and Uncertainties P30
- Note 3 to the Accounts P113

International expansion %

25%
Performance

30%
Target by 2015



KPI definition

Total sales to markets outside the UK, USA and Mainland Europe as a percentage of total revenue from continuing operations.

Comment

Revenue outside the UK, USA and Mainland Europe was 25.2% of the Group total (2013: 25.4%) with revenue from Asia Pacific up by 11%. Revenue from China grew by 26% to £47m which is now 7.1 times the level in 2006 when we established our first Halma hubs.

2015 target

In 2010, we set a goal for revenue outside the UK, USA and Mainland Europe to be 30% of the Group total by 2015. Halma corporate hubs were established in China and India to assist companies in setting up local operations.

Also see

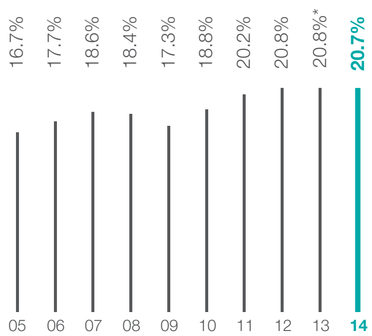
- Chief Executive's Strategic Review P10
- Financial Review P48
- Note 1 to the Accounts P109

We choose to operate in markets which are capable of delivering high returns. The ability to maintain these returns is a result of maintaining strong market and product positions sustained by continuing product and process innovation.

Return on Sales %

20.7%
Performance

>18%
Target



*After restatement

KPI definition

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

Comment

High returns maintained in line with the prior year. Process Safety increased Return on Sales in the year. Medical and Environmental & Analysis saw modest reductions in Return on Sales, although both recorded an increase in profitability in the second half of the year.

2015 target

We aim to achieve a Return on Sales within the 18% to 22% range while continuing to deliver profit growth.

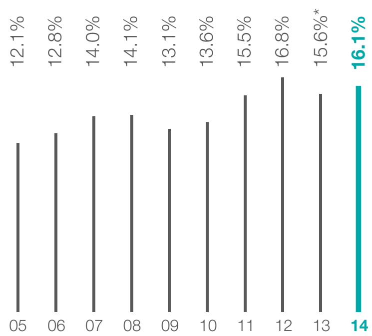
Also see

– Chief Executive's Strategic Review P10
– Financial Review P48

ROTIC %
(Return on Total Invested Capital)

16.1%
Performance

>12%
Target



*After restatement

KPI definition

ROTIC is defined as the post-tax return from continuing operations before amortisation of acquired intangible assets; acquisition items; the effects of closure to future benefit accrual of the Defined Benefit pension plans net of associated costs and profit or loss on disposal of operations as a percentage of adjusted shareholders' funds.

Comment

Consistently high returns are in excess of our long-term Weighted Average Cost of Capital (WACC) of 7.5% (2013: 8.4%). Earnings increased in the year faster than our asset base with currency translation making a positive impact in this metric.

2015 target

The target of 12% was set in 2005 when the Group's ROTIC was 12.1% and WACC was 7.9%. A range of 12% to 17% is considered representative of the Board's expectations over the long term.

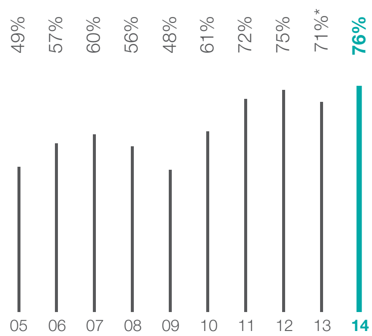
Also see

– Chief Executive's Strategic Review P10
– Financial Review P48
– Note 3 to the Accounts P113

ROCE %
(Return on Capital Employed)

76.4%
Performance

>45%
Target



*After restatement

KPI definition

ROCE is defined as the operating profit from continuing operations before amortisation of acquired intangible assets; acquisition items; the effects of closure to future benefit accrual of the Defined Benefit pension plans net of associated costs and profit or loss on disposal of operations, as a percentage of capital employed.

Comment

Very high returns maintained above the target level. Growth achieved with increased investment in operating assets, a continual drive to sustain high levels of efficiency in our operations, and our strategy to acquire high ROCE businesses. There was a positive impact this year from currency translation on this metric.

2015 target

The target of >45% is set in order to ensure the efficient generation of cash at all levels to fund our target level of organic growth, acquisitions and dividend growth without Halma becoming a highly-leveraged group.

Also see

– Chief Executive's Strategic Review P10
– Financial Review P48
– Note 3 to the Accounts P113

Key Performance Indicators – KPIs continued

Strategic focus

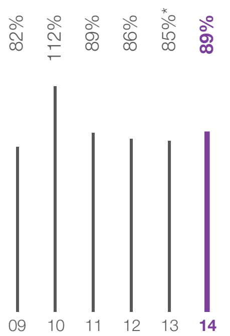
Strong cash generation provides the Group with freedom to pursue its strategic goals of organic growth, acquisitions and progressive dividends without becoming highly-leveraged.

We buy companies with business and market characteristics similar to those of existing Halma operations. Acquired businesses have to be a good fit with our operating culture and strategy in addition to being value-enhancing financially.

Cash generation %

89%
Performance

>85%
Target



* After restatement

KPI definition

Cash generation is calculated using adjusted operating cash flow as a percentage of adjusted operating profit.

Comment

Cash generation of 89% (2013: 85% (restated)) is in excess of the 85% target in the current year with good cash performances across the Group. Continued focus is required to ensure debtor and inventory levels remain appropriate.

2015 target

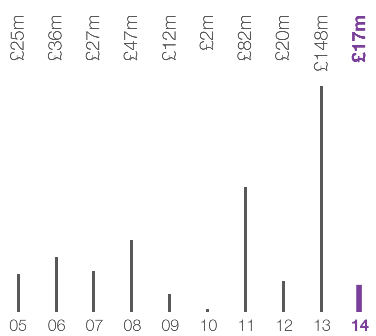
The goal of Group cash inflow exceeding 85% of profit is a metric that has relevance at all levels of the organisation and aligns management action with Group needs. We will ensure that strong internal cash flow and availability of external funding underpin our strategic goals of organic growth, acquisitions and progressive dividends.

Also see

- Chief Executive's Strategic Review P10
- Financial Review P48
- Note 3 to the Accounts P113

Acquisition spend £m

£17m
Performance



KPI definition

The cash outflow (including repayment of acquired bank loans) is disclosed in the Consolidated Cash Flow Statement under Acquisition of businesses (plus any net debt acquired).

Comment

We have substantial financial capacity and facilities, increased in the year to finance more value-enhancing acquisitions.

2015 target

2014 ended with sufficient financial capacity to finance further acquisitions, and three additional businesses have been acquired early in the new year. Although acquisition targets must meet our demanding criteria, we continue to have a strong pipeline of opportunities.

Also see

- Chief Executive's Strategic Review P10
- Financial Review P48
- Principal Risks and Uncertainties P30
- Note 24 to the Accounts P131

Strategic focus

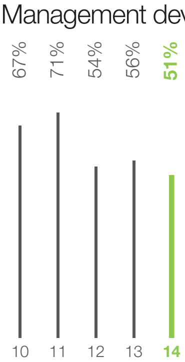
The Halma Executive Development Programme (HEDP), the Halma Management Development Programme (HMDP), the Halma Certificate in Applied Technology (HCAT) and the Halma Graduate Development Programme (HGDP) provide executives, middle managers and key personnel with the necessary skills they need in their current and future roles.

Development programmes

51%
Performance

>50%
Target

Management development



KPI definition

Number of current employees having attended an in-house development programme compared with the estimated pool of qualifying participants.

Comment

Recognising the vital role that our people play in delivering organic growth, our training courses have been designed to enhance the skills of the next generation of directors, managers and innovators. The performance metric is influenced by the introduction of new courses and new eligible employees joining the Group through acquisitions. Overall we are satisfied with our performance and progress.

2015 target

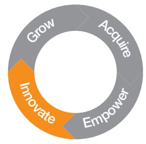
The introduction of the Halma Graduate Development Programme in 2012 with its third intake later in 2014 is an important expansion of the Group's development programmes and is targeted to bring further new talent into the Group.

See also

- Chief Executive's Strategic Review P10
- Corporate Responsibility P42

Since 2007 Halma has conducted an annual survey of its employees to assess how well the Group's values are aligned with its employees' current experiences and future aspirations.

Halma's carbon policy was first approved by the Board in 2007. In 2013 the policy target was reviewed and continues to call for a 10% reduction in the carbon footprint every three years.



Strategic focus

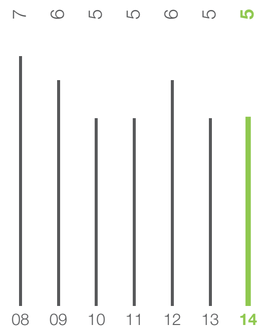
We have maintained high levels of R&D investment and spending on innovation. The successful introduction of new products is a key contributor to the Group's ability to build competitive advantage and grow organically and internationally.

Values alignment

5
Performance

>5
Target

Values alignment (out of 10)



KPI definition

The survey of Group employees looks for matching values in a comparison of the ten current culture values receiving the highest number of votes with the equivalent ten values employees want to see in their working culture.

Comment

Participation in the survey has increased by nearly 60% in the last two years, and achieving a good alignment of five or more matching values is an excellent result.

2015 target

The minimum target of five matching values remains relevant; the goal for 2015 will be to improve the Group's communication of its values and to maintain the high rate of employee participation in the survey.

See also

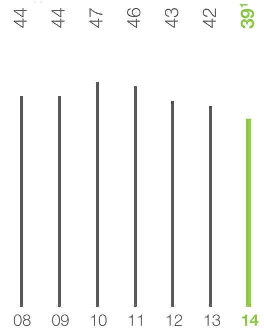
– Chief Executive's Strategic Review P10
– Corporate Responsibility P42

CO_2 emissions reduction

8%
Performance
reduction since 2013

>10%
Target
reduction over 3 years to 2016

CO_2 emissions (tonnes/£m of revenue)



KPI definition

The percentage change in the Group CO_2 emissions using the conversion factors from the 2013 Defra/DECC Guidelines for GHG Reporting.

Comment

We have made good progress this year towards achieving 10% relative reduction in emissions over the three years to 2016 and the Group Carbon Policy reinforces the focus on our CO_2 emissions. There is good accountability for monitoring and control of CO_2 emissions at local level.

2015 target

The importance of managing Group operations to target a 10% relative reduction in CO_2 emissions over a three-year period to 2016 is a metric endorsed by the Board.

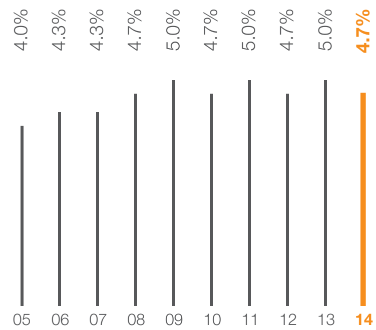
See also

– Chief Executive's Strategic Review P10
– Corporate Responsibility P42

R&D development

4.7%
Performance

>4%
Target



KPI definition

Total research and development expenditure in the financial year (both that expensed and capitalised) as a percentage of revenue from continuing operations.

Comment

Total spend in the year was £32.1m (2013: excluding disposal: £30.6m) exceeding the 4% of revenue target. Excluding the 2013 disposal, all four sectors increased the amount of R&D expenditure.

2015 target

New products contribute strongly towards achieving organic growth, maintaining high returns and building strong market positions. The 4% minimum investment target is appropriate to the mix of product life cycles and technologies within Halma.

Also see

– Chief Executive's Strategic Review P10

[1] We have reported on all of the emission sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations for the reporting period 31 March 2013 to 29 March 2014. We have employed the Operation Control definition to outline our carbon footprint boundary, included within that boundary are Scope 1 and 2 emissions from manufacturing sites and offices which we own and operate. Excluded from our footprint boundary are emissions from manufacturing sites and offices which we do not own and control, and emissions considered non-material by the business. We have reported on emissions from Scope 1 and 2 emissions sources with some Scope 3 emissions sources included (emissions for Scope 3 have been calculated from business air travel only). Refrigerant gases were taken into account this year as an improvement to our carbon emissions reporting processes. We have also used the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) and guidance provided by UK's Department for Environment, Food & Rural Affairs (Defra) on voluntary and mandatory carbon reporting. Emission factors were used from UK Government's GHG Conversion Factors for Company Reporting 2013.

Risk Management and Internal Controls

Internal control

The Board meets regularly throughout the year and has adopted a schedule of matters which are required to be brought to it for decision. This procedure is intended to ensure that the Directors maintain full and effective control over all significant strategic, financial and organisational issues.

During the year, actions to strengthen the control environment continue to be taken centrally by Group management. The duties and responsibilities of subsidiary management are continually refreshed as well as documented in a manual circulated to all subsidiary managing directors and available on our collaboration platform. A comprehensive induction programme for subsidiary finance directors was launched two years ago and our internal financial review procedures have been recently refreshed. We strengthened the resources dedicated to identifying and investigating potential acquisitions and the policies to ensure a rapid and successful integration following acquisition. The scope of the Group's policies and the programme of compliance audits are regularly reviewed to ensure they are sufficient to address current risks. The Group placed additional emphasis on updating our business continuity plans over recent years ensuring that they are mutually complementary to our insurance programme.

The Group's treasury and hedging policy is kept under review to ensure that appropriate accounting and banking arrangements are aligned with the Group's growth and to ensure continued compliance with accounting requirements.

The internal audit function has operated independently since 2004, reporting to the Audit Committee. In 2008/09, a dedicated Internal Audit manager was added to support the function and during 2010/11 an internal auditor based in China was recruited. A further review of resources occurred in 2013/14 resulting in a plan to strengthen them in 2014/15. Internal audit procedures evolve to reflect changing circumstances and specific requirements and to enhance effectiveness.

Group risk is mitigated by means of an operating structure which spreads the Group's activities across a number of autonomous subsidiary companies. Each of these companies is led by a high-quality board of directors including a finance executive.

Group companies operate under a system of controls which includes but is not limited to:

– a defined organisational structure with an appropriate delegation of authority to operational management which ensures appropriate segregation of key duties;

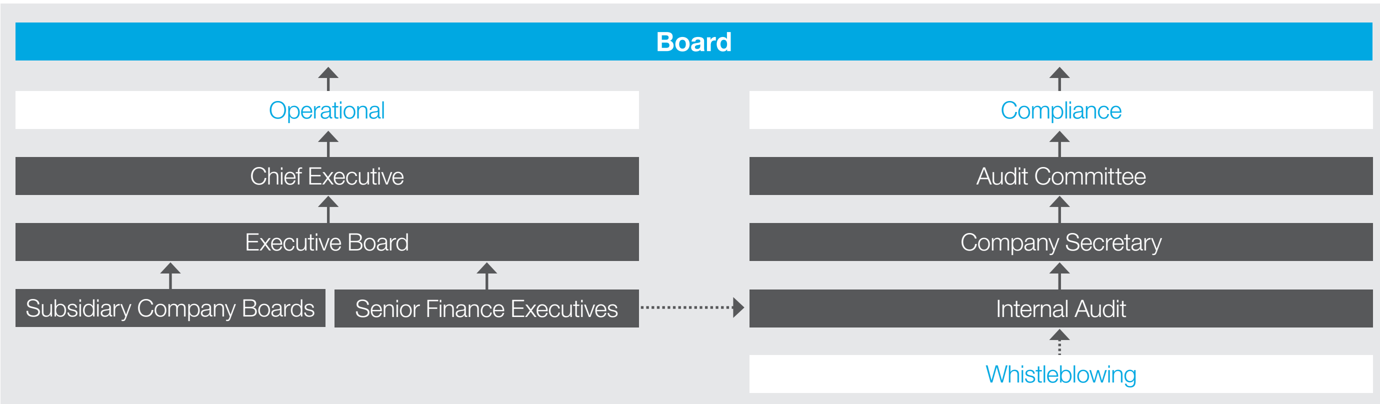
Group internal control system

The processes which the Board has applied in reviewing the effectiveness of the Group's system of internal control are summarised below:

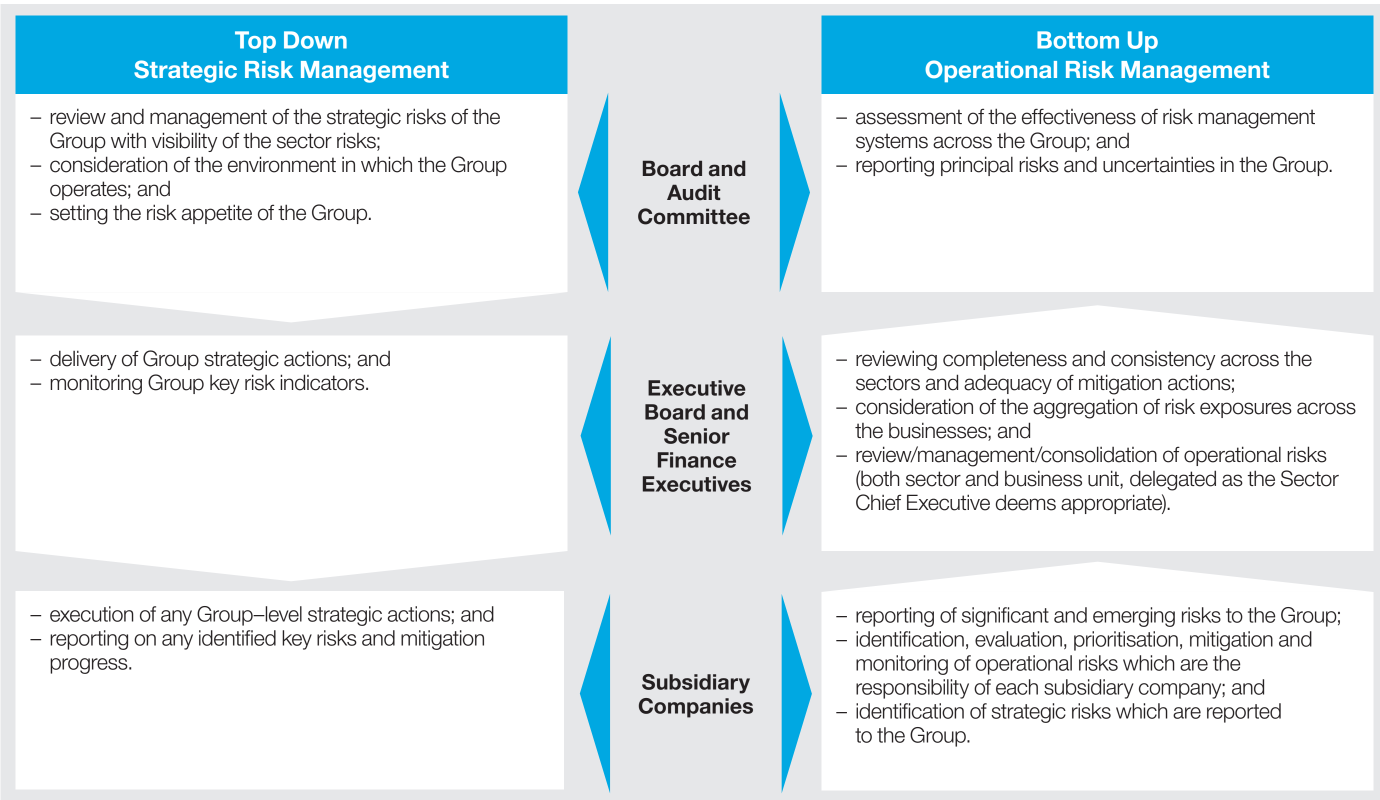
- operating companies carry out a detailed risk assessment each year and identify mitigating actions in place or proposed for each significant risk. A risk register is compiled from this information, against which operational risk action is monitored through to resolution and strategic risks are reported to the Group. Group management also compiles a summary of significant Group risks, documenting existing or planned actions to mitigate, manage or avoid risks;
- each month the board of every operating company meets, discusses and reports on its operating performance, its opportunities, the risks facing it and the resultant actions. The relevant Divisional Chief Executive (now the Sector Chief Executive) chairs this meeting and he meets regularly with the Chief Executive and Finance Director and reports on divisional (sector) progress to the Executive Board. Please see page 29 for the Group structural changes;
- financial and trading 'warning signs' are reported to Group and sector management. Weekly data on cash management and sales and orders are also reported directly to the Chief Executive, the Finance Director and the Group finance team. This framework is designed to provide an early warning of potential risks and to direct appropriate action where necessary;
- the Chief Executive submits a report to each Halma plc Board meeting which includes the main features of Group operations and an analysis of the significant risks and opportunities facing the Group. The report also covers progress against strategic objectives and shareholder related issues. The Finance Director also submits a separate financial report to each Halma plc Board meeting;
- regular Director visits to Group companies are scheduled and open access to the subsidiary company boards is encouraged; cyclical and risk-based internal control visits are carried out by internal audit or senior finance staff resulting in actions being fed back to each company and followed up by Senior Finance Executives and Sector Chief Executives. Reviews are coded in terms of risk and a summary of all such reviews is given to the Audit Committee, with any significant control failings being reported directly to the Audit Committee; senior finance staff also conduct financial reviews at each operating company before publication of half-year and year-end figures. We have a Group-wide IT policy supported by a programme of IT audits. Group IT manages aspects of our cyber security risks and IT development needs; and
- the Chief Executive, Finance Director and Internal Audit function report to the Audit Committee on all aspects of internal control. The Board receives regular reports from the Audit Committee Chairman and the papers and minutes of the Audit Committee meetings are used as a basis for its annual review of internal control.

- the identification and appraisal of risks both formally, through the annual process of preparing business plans and budgets, through an annual detailed risk assessment carried out at local level and informally through close monitoring of operations;
- a comprehensive financial reporting system, regularly enhanced, within which actual and forecast results are compared with approved budgets and the previous year's figures on a monthly basis. Weekly cash/sales/orders reporting including details of financial institutions is also maintained within the financial reporting system, all of which is reviewed at both local and Group level;
- an investment evaluation procedure to ensure an appropriate level of approval for all capital expenditure and other capitalised costs;
- self-certification by operating company management of compliance and control issues;
- a robust structure for electronic communication and conducting e-commerce to ensure that the Group is not negatively impacted by threats to its information technology infrastructure and to minimise potential for business disruptions. The Group has a wide range of measures and policies and a framework in place which includes a virtual private network covering over 100 sites worldwide, secure firewalls, a new IT security and threat monitoring system, information management audits, disaster recovery and a mobile devices management system; and
- an acquisitions and disposals framework which governs the due diligence, negotiation, approval and integration processes to ensure that value-enhancing, quality investments are made in order to meet our strategic objectives.

Group risk management

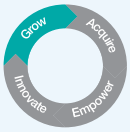


The diagram below summarises our complementary integrated approach to risk management which has been aligned with the new sector changes. Halma has also refined the timings of the Group-wide risk assessment as well as the division of responsibility for the yearly risk reviews.



Principal Risks and Uncertainties

Halma's principal risks and uncertainties are detailed below and are supported by the robust risk management and internal control systems and procedures noted on pages 28 and 29.

Strategic objective	Risk description	Movement	Potential impact
	**Remoteness of operations and globalisation** A key operational risk emanates from remoteness of operations from Head Office and the increasing global spread of our businesses.	▲	– Weakening of financial, tax, audit and legal control and divergence from overall Group strategy in remote operations, leading to businesses taking on more risks than intended or unexpected financial outcomes – Failure to comply with local laws and regulations in unfamiliar territories, leading to legal or regulatory disputes – Continued international growth increases risk
	**Competition** The Group faces competition in the form of pricing, service, reliability and substitution.	►	– Loss of market share due to price pressure and changing markets – Reduced financial performance arising from competitive threats
	**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.	►	– Reduced financial performance – Loss of market share – Unforeseen liabilities – Disruption of service to customers
	**Financial** Funding A key risk is that the Group may run out of cash or not have access to adequate funding. In addition, cash deposits need to be held in a secure form and location.	▼	– Constraints on, or inability to, trade and buy new companies – Inability to deliver on growth strategies – Permanent loss of shareholders' funds – Financial capacity increased during the year
	Treasury 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 Group is exposed to a lesser extent to other treasury risks such as interest rate risk and liquidity risk.	▲	– Volatile financial performance arising from translation of profit from overseas operations or poorly-managed foreign exchange exposures – Deviation from core strategy through the use of speculative or overly complex financial instruments – Financial penalties and reputational damage arising from breach of banking covenants – More of Group profit now earned in non-Sterling currencies – Increased interest rate risk on higher forecast borrowings
	Pension deficit To meet our pension obligations, we must adequately fund our pension plans. Our UK Defined Benefit pension plans are closed to new members and future benefit accrual for existing members will cease in the coming year.	▼	– Excessive consumption of cash, limiting investment in operations – Unexpected variability in the Company's financial results

Movements indicate management's perception of how the pre-mitigation risk has moved year on year.

▲ Increased risk

► No change to risk

▼ Decreased risk

Mitigation

- Control is exercised locally in accordance with the Group's policy of autonomous management. We seek to employ local high-quality experts.
- The Group's acquisition model ensures retention of management and staff in acquired businesses, meaning that local expertise is maintained.
- Sector Chief Executives ensure that overall Group strategy is fulfilled through ongoing review of the businesses. The right balance between autonomy and adherence to the overall objectives of the Group is a key function of the Sector Chief Executives and Senior Finance Executives.
- Regular visits and maintenance of key adviser relationships by senior management, finance staff and Internal Audit support local control.

- By empowering and resourcing innovation in 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.
- The Group operates in specialised global niche markets offering high barriers-to-entry.

- Risks are primarily managed at the operating company level where local knowledge is situated. The financial strength and availability of pooled finances within the Group mitigates local risks faced by operating companies as does the robust credit management processes in place across the Group.
- The Halma Executive Board identifies any wider trends which require action.
- The Group's geographic diversity limits its exposure to economic risk arising in any one territory. The Group does not have significant operations, cash deposits or sources of funding in economically uncertain regions.

- 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 renewed and increased to £360m its five-year revolving credit facility during the year providing security of funding and sufficient headroom for its needs. Debt levels decreased this year, further increasing the funding available to the Group.
- Cash deposits are monitored centrally and spread amongst a number of high credit-rated banks. Subsidiaries report their cash/indebtedness status to Head Office every week.

- The risk has increased because more of the Group's profits are derived from non-Sterling currencies. 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 (and in exceptional cases 24 months) ahead. Longer-term currency trends can only be covered through a wide geographic spread of operations.
- The Group does not use overly complex derivative financial instruments and no speculative treasury transactions are undertaken.
- We closely monitor performance against the financial covenants on our revolving credit facility and operate well within these covenants.

- 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 maintained additional 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 of shareholders.
- The UK Defined Benefit plans close to future accrual on 1 December 2014 reducing future risk.

Principal Risks and Uncertainties continued

Strategic objective	Risk description	Movement	Potential impact
	**Cyber security/Information Technology/Business interruption** Group and operational management depend on timely and reliable information from our software systems. We seek to ensure continuous availability, security and operation of those information systems.	▲	– Delay or impact on decision making through lack of availability of sound data – Reduced service to customers due to poor information handling or interruption of business – Global threats to systems and critical information increase each year
	**Acquisitions** The identification and purchase of businesses which meet our demanding financial and growth criteria are an important part of our strategy for developing the Group, as is ensuring the new businesses are rapidly integrated into the Group.	▶	– Failure to deliver expected results resulting from poor acquisition selection – Reduced financial performance arising from failure to integrate acquisitions into the Group – Unforeseen liabilities arising from a failure to understand acquisition targets fully
	**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. The laws and regulations we are exposed to as our businesses expand around the world increase each year.	▶	– Diversion of management resources creating opportunity costs – Penalties arising from breach of laws and regulations – Loss of revenue and profit associated with contractual disputes
	**Succession planning and staff quality** Group performance is dependent on having high-quality leaders at all levels and an organisation allowing us to continue to grow through acquisition as well as driving organic growth.	▲	– Failure to recruit and to retain key staff could lead to reduced innovation and progress in the business – Unethical actions of staff could cause reputational damage to the Group – Acquisition growth can be limited by our organisation's and leaders' ability to absorb acquisitions effectively – International growth increases risk and need for high-quality local talent
	**Research & Development and Intellectual Property strategy** New products are critical to our organic growth and underpin our ability to earn high margins and high returns over the long term. Protection of our intellectual property builds competitive advantage by strengthening barriers-to-entry. Our intangible resources include patents, product approvals, technological know-how, branding and our workforce.	▶	– Loss of market share resulting from product obsolescence and failure to innovate to meet customer needs – Loss of market share resulting from a failure to protect key intellectual property

Movements indicate management's perception of how the pre-mitigation risk has moved year on year.

▲ Increased risk

▶ No change to risk

▼ Decreased risk

Mitigation

- There is substantial redundancy and back-up built into group-wide systems and the spread of business offers good protection from individual events.
- We have a small central resource, Halma IT Services, to assist Group companies with strategic IT needs and to ensure adequate IT security policies are used across the Group.
- An IT security committee was set up in December 2012 comprising Halma plc IT members and selected subsidiary IT managers.
- Halma IT has been ISO 27001: 2013 certified for its information security management systems.
- We carry out regular IT audits. Comprehensive IT systems monitoring was introduced in 2013/14.
- We carry out cyber risk briefings and security awareness training for employees. Cyber security is a regular Board agenda item.
- We utilise external penetration testing and have completed the rollout of a centralised IT disaster recovery solution to supplement local processes.
- Business continuity plans are well advanced in each business unit.

- We acquire businesses whose technology and markets we know well. Sector Chief Executives are responsible for finding and completing acquisitions in their business sectors, subject to Board approval, supported by central resources to search for opportunities. We employ detailed post-acquisition integration plans.
- Thorough due diligence is performed by a combination of in-house and external experts to ensure that a comprehensive appraisal of the commercial, legal and financial position of every target is obtained.
- Incentives are aligned to encourage acquisitions which are value-enhancing from day one.

- The Group's emphasis on excellent internal controls, high ethical standards, the deployment of high-quality management resources and the strong focus on quality control over products and processes in each operating business help 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 good. Health and Safety policies, guidance and monthly reporting requirements are updated to reflect changing reporting and governance requirements and to enhance compliance. Our well-established policies on bribery and corruption have been maintained during the year to ensure continued compliance with best practice internally, via the Group Code of Conduct and externally, via appropriate clauses included in third-party agreements.
- We carry comprehensive insurance against all standard categories of insurable risk. Contract review and approval processes mitigate exposure to contractual liability.

- Group development programmes enhance the skills of executives and middle managers needed in their current and future roles.
- Comprehensive recruitment and ongoing evaluation processes assist high-quality hiring and development.
- The Group regularly surveys staff to assess the alignment of individuals with Group values.
- The appointment of a Group Talent Director underpins our identification and development of Group executives.

- By devolving control of product development to the autonomous operating businesses, we both spread risk and ensure that the people best placed to service the customers' needs are driving innovation.
- New product development 'best practice' is shared between Group companies and return on investment of past and future innovation projects is tracked monthly. This ensures that the collective experience and expertise of the Group can be utilised to maximum effect.
- Large R&D projects, especially those which are capitalised, require Head Office approval, ensuring that the Group's significant projects are aligned to overall strategy.
- Workforce quality and retention is a central objective. This focus ensures that intangible resources stay and grow within the business.
- Operating businesses are actively encouraged to develop and protect know-how in local jurisdictions.
- Innovation is encouraged and fostered throughout the Group, inter alia, via the Halma Innovation Awards.

Process Safety

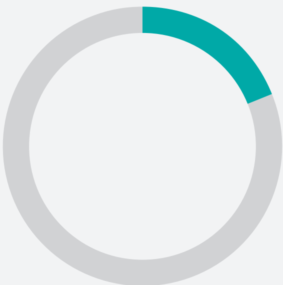
Products which protect assets and people at work. Specialised interlocks which safely control critical processes. Instruments which detect flammable and hazardous gases. Explosion protection and corrosion monitoring products.

Neil Quinn, Sector Chief Executive, Process Safety

Another year of continued strong organic growth in our Process Safety businesses resulted from further extensions to our global reach through establishing additional regional sales operations and new routes to market. Momentum on new product introductions was maintained and investment in our manufacturing operations ensured that our customers received the levels of product quality and on-time delivery to meet their needs. The acquisition of Rohrback Cosasco Systems in May 2014 expands our portfolio of critical safety products.

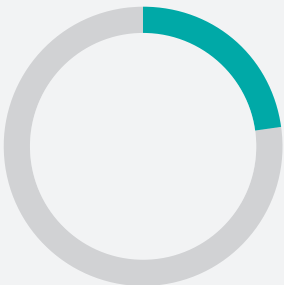
Revenue % of Group

19%



Profit % of Group

23%



Performance

KPIs	Sector performance	Group target
Revenue growth	0.8%	>5%
Profit growth[1]	7.9%	>5%
Return on Sales[2]	27.5%	>18%
ROCE[3]	108.8%	>45%
R&D % of Revenue[4]	3.5%	>4%

Contribution to Group

£m	**2014**	2013	2012	2011	2010
Revenue	**127**	126	122	103	98
Profit	**35**	32	29	24	20

1 Sector revenue and adjusted[5] sector profit before finance expense are compared to the equivalent prior year figure.

2 Return on Sales is defined as adjusted[5] before finance expense and taxation expressed as a percentage of sector revenue.

3 Adjusted[5] sector profit before finance expense expressed as a percentage of sector operating net assets.

4 Sector research and development expenditure expressed as a percentage of sector revenue.

5 Adjusted to remove the amortisation of acquired intangible assets and acquisition items (see Note 1 to the Accounts).

Market trends

Long-term growth in Process Safety markets is supported by two key drivers:

- rising expectations of workplace safety and more stringent safety and environmental legislation
- rising demand for life-critical resources, such as energy

The continuous introduction of new safety regulations and tougher enforcement of occupational safety and environmental protection laws drives growth in both developed and developing markets.

The global process safety market is forecast to grow by over 11% annually for the next two years. A key factor is rising demand for safety systems in the oil and gas industry.

Population growth and rising global incomes drive increasing demand for energy. By 2030 world population is expected to reach 8.3 billion. Compared to today, this will add an extra 1.3 billion energy consumers. Global income levels in 2030 are forecast to be about double what they were in 2011. World primary energy consumption is forecast to grow 1.6% annually between 2011 and 2030.

Because onshore oil reserves are maturing, the oil and gas industry's focus is shifting to deepwater offshore platforms. Sustained rising energy demand coupled with high oil prices is expected to increase offshore oil and gas investment at over 10% per year until 2018.

Throughout the world, governments continue to impose stricter safety regulations to protect industrial workers and our environment. Following the Deepwater Horizon incident in the Gulf of Mexico in 2010, the European Commission concluded that existing oil and gas industry safety practices did not provide adequate risk protection. In response, in 2013 a new EU Directive came into force which will implement higher offshore safety standards in Europe.

Continuing investment in new oil and gas exploration techniques, and delivery of conventional, unconventional and renewable energy resources, has supported our sales growth. Sustained investment in hydraulic fracturing (fracking) in the fast-growing shale oil and gas market, deep sea drilling and LNG production and storage ensures that we are operating in vibrant markets.

The global market for gas detection equipment is forecast to grow at over 4% annually until 2018. This is driven by increasing regulations to protect workers from harmful gases. The International Organization for Standardization (ISO) is working on a new global standard for occupational health and safety which may prompt new safety legislation in many countries.

[1] See Note 1 to the Accounts.

Geographic trends
Worldwide growth in demand for energy, chemicals, food and metals continues to increase with the USA, Middle East and Asia Pacific very buoyant. European process safety markets are returning to growth and emerging markets are performing well. Economic conditions have reduced demand in India and Australia but we expect these areas to recover slowly.

The main existing areas of offshore activity, such as the 'golden triangle' including Brazil, US Gulf of Mexico, and West Africa, are the key markets where offshore investment is focused. Asia Pacific is the key emerging market in terms of energy demand and offshore drilling activities.

Awareness of process safety in China has increased following a pipeline explosion last year that cost 62 lives. A large number of government officials were dismissed and a nationwide survey of 3,000 petrochemical sites revealed 20,000 disaster risk points.

Strategy
In the Process Safety sector, our strategy for growth focuses on:

- geographic market diversification via shared hubs
- investment in new product development to meet local market needs
- acquisitions in adjacent markets

Our commitment to new product development R&D investment has seen sales of products designed in the last three years make up over 30% of total sales in this sector. New technology and shorter product lifecycles, together with industry-leading quality and customer service, ensures that we maintain competitive advantage with sales growth ahead of market growth.

Our safety product companies now have 21 manufacturing sites across four continents. In addition to 22 existing regional sales and service centres, during 2013/14 we opened three new regional hubs in Brazil, the Middle East and Poland. R&D resources are increasingly localised to ensure that products meet local market needs.

To optimise customer service we continue to develop internal collaboration and strategic alliances between our businesses. More long-term customer partnerships to maintain market leadership in our process safety market niches remains a key strategic goal.

Performance
Process Safety grew revenue by 1% to £126.7m (2013: £125.7m) and profit[1] by 8% to £34.9m (2013: £32.3m). Excluding the contribution of Tritech, which was sold in August 2012, revenue increased by 5% and profit by 11%. These were also the sector's organic growth rates.

Return on Sales improved from 25.7% to 27.5% due to continued strong product margins and good operational management. New product introductions contributed to both this margin expansion and to revenue growth through diversification into new application niches.

Excluding the prior year disposal, there was growth in all major geographic regions except the UK, where revenue declined by 1%. There was double-digit growth from the USA (up 13%) and Asia Pacific (up 12%). Mainland Europe revenue increased by 1%. The sector hub set up in Brazil in 2013 is now firmly established and promises to boost Process Safety revenue from this territory in the future.

Outlook
Growth prospects in the Process Safety sector remain positive supported by rising investment forecasts in our targeted oil, gas and energy markets. We plan to extend further into the transport and logistics market where the latest forecasts also suggest a positive growth outlook.

In May 2014 we acquired Rohrback Cosasco Systems Inc. (RCS) for a cash consideration of $108m (see Note 30 to the Accounts). As a world leader in the design, manufacture and sale of pipeline corrosion monitoring products and systems, RCS expands our portfolio of critical safety products which are sold into the energy and utility markets to protect life and operational assets.

We continue to search for further acquisitions in the Process Safety sector, particularly in complementary markets, to expand our technology portfolio and access new sales channels.

Sector Review
Infrastructure Safety

Products which detect hazards to protect assets and people in public spaces and commercial buildings. Fire and smoke detectors, fire detection systems, security sensors and audible/visual warning devices. Sensors used on automatic doors and elevators in buildings and transportation.

Nigel Trodd, Sector Chief Executive, Infrastructure Safety

All major businesses within the sector contributed to a strong year. Increasing investment in new products is driving growth above market rates in both developed and developing regions. The acquisition of Talentum in April 2013 and Advanced Electronics in May 2014 demonstrates our strategy to acquire synergistic businesses which broaden our product range across our chosen markets.

Revenue % of Group

32%

Profit % of Group

29%

Performance

KPIs	Sector performance	Group target
Revenue growth	7.3%	>5%
Profit growth[1]	7.0%	>5%
Return on Sales[2]	20.2%	>18%
ROCE[3]	74.3%	>45%
R&D % of Revenue[4]	5.1%	>4%

Contribution to Group

£m	2014	2013[6]	2012	2011	2010
Revenue	**220**	205	204	197	183
Profit	**44**	42	39	39	36

1 Sector revenue and adjusted[5] sector profit before finance expense are compared to the equivalent prior year figure.

2 Return on Sales is defined as adjusted[5] before finance expense and taxation expressed as a percentage of sector revenue.

3 Adjusted[5] sector profit before finance expense expressed as a percentage of sector operating net assets.

4 Sector research and development expenditure expressed as a percentage of sector revenue.

5 Adjusted to remove the amortisation of acquired intangible assets, acquisition items and the effects of closure to future benefit accrual of the Defined Benefit pension scheme (net of associated costs) (see Note 1 to the Accounts).

6 Profit restated for the effects of adopting IAS 19 (revised) in 2013/14 (see Accounting Policies note).

Market trends

Increasing health and safety regulation remains the primary driver in our Infrastructure Safety sector.

The global trend of increasing urbanisation also stimulates demand for our building safety and security products. In China, for example, the government has recently announced plans to move 100 million people from rural areas to cities by 2020. Global construction output is forecast to grow by 70% between 2012 and 2025. More than half of that growth will probably take place in just three countries: China, India and the United States.

Tougher fire regulations continue to be introduced in Asia and Europe; we now maintain over 3,000 international fire product approvals to give us access to world markets. New European fire safety legislation, introduced last year, sets new standards for visual fire alarm devices that alert people who cannot hear warning sounders. We launched new visual fire warning products in 2013 compliant with the new regulations to protect people with hearing disabilities.

The global market for our elevator safety and communications equipment is divided into two segments of almost equal size: new building installations, mainly in developing markets, and elevator modernisation and service in Europe and the USA. Ageing populations, urbanisation, rising safety awareness and tighter building safety regulations continue to underpin global growth in the new-build elevator market.

Elevator equipment demand is projected to grow worldwide by almost 6% annually until 2017, despite slowing demand in China. China still accounts for over half of the world's new elevator installations and high single-digit growth is set to continue, driven by China's extensive social housing programme. Elevator equipment sales are growing steadily in Asia and Latin America, the US market is recovering well and Europe is starting to recover.

Door sensor revenue and profits grew due to innovative new products and new European safety regulations that protect pedestrians from automatic door accidents. Door sensor demand grew in North and South America, and Asia, during 2013/14 but was weaker in Europe. Sales of sensors for use on train doors grew strongly in both China and Europe. New laser technology, developed for people detection, has opened new markets in security and industrial automation.

The electronic access control systems market, the target for our intruder alarm business, is forecast to grow by 7% per year until 2017. Growth drivers are rising security concerns in many countries plus increasing regulation. New wireless intruder detection sensors, plus greater UK market share, delivered significant revenue and profit growth this year. Sales of intruder detectors and emergency signalling devices grew due to new products that enable customers to comply with the latest UK and European burglar alarm regulations. A new security product undergoing EU approvals will open additional markets in 2014/15.

[1] See Note 1 to the Accounts.

Geographic trends

The home automation and controls market is growing quickly, particularly in the USA where sales of our wireless carbon monoxide home safety detectors grew strongly in 2013/14.

We relocated our existing elevator safety product manufacture within China to a new factory with more sophisticated manufacturing capability. The China elevator sales team was strengthened and a new local R&D unit will develop localised products to meet the needs of Chinese customers. The resulting elevator sales performance in China was very strong. Last year China passed the new Special Equipment Safety Law to reduce accidents, including deaths and injuries caused by elevators. This stricter safety law is expected to create favourable growth conditions and stimulate demand from the growing Chinese elevator service and modernisation market.

Our door sensor business grew in all territories, even in Europe where we increased market share in a flat market. In China the slowing pace of construction stabilised demand but revenue growth was still strong throughout the Asia Pacific region.

Strategy

Our primary growth strategy in the Infrastructure Safety sector is to penetrate new markets. We will develop our presence in high growth areas, such as Russia and Eastern Europe, ASEAN nations and Brazil. Other key target markets are those with commercial barriers-to-entry such as Japan, France and the USA.

We have developed a dual channel strategy for fire detection products. In some markets we sell directly under our own brand. However, OEM sales now make up 50% of international fire detection revenue. We will target fire detector sales growth in Russia during 2014 after gaining new technical product approvals.

We aim to grow elevator equipment market share with a dual brand strategy. We now sell highly specified door sensors with global support to international elevator manufacturers in developed markets. Lower specification sensors made in China are sold to cost-focused customers in developing economies. Global branding was strengthened by reorganising our elevator equipment businesses into a single organisation called Avire during 2013.

Investment in our elevator emergency telephone business centres on products to penetrate new European markets. R&D activity at our elevator display business will add advanced viewing features for high-end building projects. China will continue to be a strategic focus for elevator product R&D, sales and manufacture.

During 2013/14 we entered adjacent pedestrian automatic doors markets with new sensors to activate sliding and swinging doors. We aim to extend our door sensor customer base beyond the pedestrian segment where we are market leader. Organic profit growth will centre on new products for industrial and transport sector customers. To precisely meet customer needs, door sensor R&D and manufacture is increasingly based in target markets. In 2013/14 we increased new product development spending in the USA and China.

Performance

Infrastructure Safety performed strongly, growing both revenue and profit[1] by 7% to £220.3m (2013: £205.3m) and £44.4m (2013 restated: £41.5m) respectively. At constant currency, organic revenue growth was 6% and profit growth was 5% demonstrating the resilience of demand for our products which is underpinned by increasing Health & Safety regulation.

Return on Sales remained strong at 20.2% (2013 restated: 20.2%) due to successful new product launches and an effective balance between investment and cost control to maintain strong product margins.

Revenue increased in all major geographic regions, including 12% growth in Mainland Europe. Healthy mid-single digit growth in the UK, USA and Asia Pacific reflected the global reach of our products, whether selling into major multinational OEMs or through local distribution partners. Our strategy of increasing investment in locally based sales and technical resources continues to pay dividends.

The Talentum flame detector business, acquired in 2013, extended our fire detection technology offering and has been successfully integrated.

Outlook

We expect continued Infrastructure Safety growth due to technology advances, regulatory pressure and products that are increasingly developed and manufactured locally within target markets.

A significant amount of emerging market infrastructure cannot accommodate rising urbanisation and population growth trends. To combat this, a number of emerging countries' governments have committed to substantial urban infrastructure stimulus plans.

Demand for certified products in Europe will be a strong driver and we expect to benefit from adoption of integrated building monitoring systems and intruder alarms based on wireless communication over time.

Mature market growth is expected to be modest, while developing economies should grow well. Russia, Eastern Europe, Middle East, Latin America, ASEAN nations and China all offer good growth potential. In the USA and Western Europe legislation-driven adjacent markets and the rising use of home automation technology offers good growth prospects.

In May 2014 we sold Monitor Elevator Products Inc. which manufactures customised control panels for elevators focused in north-eastern USA and no longer fits with our global market-leading door safety sensor and display product business.

In May 2014 we acquired Advanced Electronics Limited (Advanced) for an initial cash consideration of £14.1m. Advanced manufactures networked fire detection and control systems adding complementary products that will help capture the international growth opportunities in the increasingly regulated fire market.

Sector Review
Medical

Products used to improve personal and public health. Devices used to assess eye health, assist with eye surgery and primary care applications. Fluidic components such as pumps, probes, valves and connectors used by medical diagnostic OEMs.

Adam Meyers, Sector Chief Executive, Medical

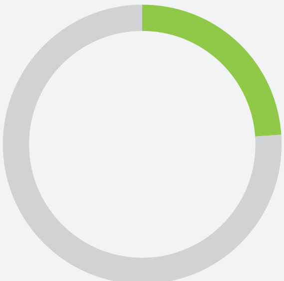
The Medical sector continued its record of producing both revenue and profit growth due to a combination of prior year acquisitions and organic growth.

Returns remain high and continue well above Group targets. Although Return on Sales was down slightly on the prior year, ROCE improved, leading to good cash generation.

We continue to invest in new products and process innovation and in expanding our resources in developing economies. Revenue from these markets is increasing as a proportion of the sector.

Revenue % of Group

24%



Profit % of Group

27%

Performance

KPIs	Sector performance	Group target
Revenue growth	20.0%	>5%
Profit growth[1]	16.4%	>5%
Return on Sales[2]	25.6%	>18%
ROCE[3]	116.3%	>45%
R&D % of Revenue[4]	3.7%	>4%

Contribution to Group

£m	**2014**	2013	2012	2011	2010
Revenue	**163**	136	100	82	69
Profit	**42**	36	26	20	17

1 Sector revenue and adjusted[5] sector profit before finance expense are compared to the equivalent prior year figure.

2 Return on Sales is defined as adjusted[5] before finance expense and taxation expressed as a percentage of sector revenue.

3 Adjusted[5] sector profit before finance expense expressed as a percentage of sector operating net assets.

4 Sector research and development expenditure expressed as a percentage of sector revenue.

5 Adjusted to remove the amortisation of acquired intangible assets and acquisition items (see Note 1 to the Accounts).

Market trends

The Medical sector growth driver of increasing demand for healthcare is underpinned by:

- worldwide population ageing and increasing life expectancy
- increasing prevalence of obesity and hypertension
- increasing healthcare access in developing economies
- new medical diagnostic technologies
- new or improved surgical and pharmaceutical therapies

The proportion of people aged over 60 continues to rise and drives demand for healthcare both in developed and developing geographies. Population ageing is a key driver for our ophthalmology and hypertension management businesses because eyesight problems and rising blood pressure are both age-related.

The global market for ophthalmic diagnostic and eye surgery products is forecast to grow at 4% per year through 2017 as new technologies, population ageing and rising healthcare expectations and affordability in developing economies continue to drive demand.

Eye surgeons are increasingly switching to the type of single-use surgical instruments that we make. Cataract surgery is a key market niche and demand for cataract instruments is forecast to grow annually by over 5% through 2019.

We expect continued growth in spending on hypertension management tools throughout the developed world. In the USA for example, one in three adults has high blood pressure, but over 50% do not realise they have this condition which causes, or leads to, over 2.4 million American deaths annually. In addition, rising obesity can lead to both an increase in hypertension-related conditions and an increase in diabetic-related eye disorders.

In South East Asia medical product demand should remain strong as governments continue to improve healthcare provision and extend it to rural areas. Last year China announced a three-year, £75 billion healthcare investment project to build 2,000 new regional hospitals and 29,000 township hospitals.

Molecular diagnostics (tests on patients' genetic codes), is expected to be our fastest growing market for fluidic components with forecast global growth of 11% annually through 2019. North America and Europe comprise the largest global markets, while growth in Asia is expected to outpace all other geographies, with an expected annual growth rate of over 14%.

We continue to invest in resources to increase sales in the fast-growing Asian and South American healthcare markets. In the past year we increased staff in China, India, Brazil and the Middle East. Additional medical device R&D engineers recruited in China should deliver new products with specifications to meet the needs of Asian customers during 2014/15.

1 See Note 1 to the Accounts.

Geographic trends

Apart from Japan, our sales in Asia continue to grow strongly as governments invest in health and medical infrastructure and extend healthcare to a wider section of their populations. China now has more than 330 million people with high blood pressure (one out of every three adults) with prevalence increasing particularly among the young and rural populations. Increased awareness and programmes to combat hypertension will increase demand for our diagnostic devices.

In China, most of our medical products have now completed lengthy and costly official testing and registration. This should ensure that China continues to offer substantial growth opportunities. However, Chinese growth may be affected by government control of the medical device market, including the possibility of price controls.

US healthcare spending is forecast to continue to rise rapidly at almost 6% annually through 2022. However, short-term medical market growth in the USA is less certain as the impact of the recently enacted Patient Protection and Affordable Care Act (PPACA) is being digested. The US market for single-use surgical devices and consumables should continue to grow with medical procedure growth, but capital equipment sales could be slower until the increased patient flow from the PPACA is realised.

Growth in the US medical diagnostic market, our largest fluidics niche, was also affected by uncertainty in the new US healthcare model. Its new 2.3% tax on medical devices in the USA increased sales costs by over £0.6m in 2014 and was reported by some of our customers to cause reductions in their spending. We expect flat short-term sales in Europe as economic conditions slowly improve.

With the acquisition of a Chinese peristaltic pump maker in 2013, we began selling their products through our US distribution channels and our US-made products through the acquired business' Chinese channels.

Strategy

Following strong growth in 2012/13 Medical sector strategy is to increase organic growth through:

– broadening our product lines and commercialising innovative new products
– further penetration of geographical markets
– increasing our customer diversity
– expansion into adjacent market niches

We aim to increase R&D investment in ophthalmology and hypertension management products where we have a competitive advantage due to our strong sales channels in these niche markets. Product line growth will come from both internally and externally developed products. Medical sector R&D focus is on high quality components and instrumentation that will be readily accepted by our existing conservative customer base. However, local development and manufacture in emerging markets, to better satisfy local customer needs, is a key Medical sector strategic priority.

Focusing on Asia, South America, USA and Russia extended market penetration will be achieved through additional sales resources, market intelligence sharing, cooperative marketing between sector companies and new sales channel partnerships.

Compliance with national product regulation continues to get more complex and costly, in both developing and developed markets. Product registration and renewal overheads continue to rise but provide market access and bar entry by weaker competitors.

Further acquisitions of value-enhancing healthcare businesses should also add significant growth.

Performance

Following strong growth in 2012/13 our Medical sector grew revenue by 20% to £163.2m (2013: £136.1m) and profit[1] by 16% to £41.8m (2013: £35.9m), including a sizeable contribution from acquisitions completed in the prior financial year. Organic revenue growth at constant currency was 7% and organic profit growth was 1%. Return on Sales remained strong at 25.6%, albeit slightly below last year's record 26.4% due to a combination of minor factors, including the full-year effect of the new medical device tax in the USA.

Increased investment internationally to support good rates of underlying revenue growth also impacted profitability this year.

While currency translation impact was minimal in the year, if exchange rates remain at current levels we expect an adverse impact on results in 2014/15 due to the relative strength of Sterling versus the US Dollar and Euro.

There was strong revenue growth in all geographic regions. Asia Pacific growth of 52% benefited from a good first year's performance from Longer Pump in China and strong organic growth of 22% (constant currency). Elsewhere, organic revenue growth (constant currency) from the UK was up 8%, Mainland Europe grew by 6% and the USA increased 3%.

Outlook

Ageing populations in developed economies and rising populations with increasing access to affordable healthcare in the developing world should, subject to budgetary contraints, continue to create a favourable environment for growth.

We expect our Medical businesses to outperform the market in the medium term with sales into the healthcare and medical diagnostics markets rising consistently, driven by enhanced distribution in export markets, new products and acquisitions. We expect the strongest growth in the short term in developing markets, especially Asia and the Middle East. Growth in South East Asia, particularly China, should remain strong as government healthcare spending continues to rise.

While our fluidics businesses will remain US-centric, we expect to reduce reliance on large customers by diversifying our customer base in emerging markets and Europe.

Sector Review
Environmental & Analysis

Products and technologies for analysis in safety, life sciences and environmental markets. Market-leading opto-electronic technology and gas conditioning products. Products to monitor water networks, UV technology for disinfecting water, and water quality testing products.

Chuck Dubois, Sector Chief Executive, Environmental & Analysis

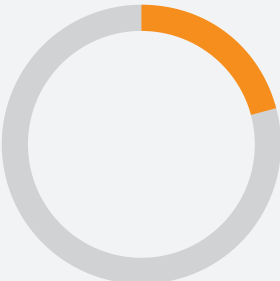
The sector has delivered increasing revenue and profit growth as the year progressed and made good progress on its reorganisation. Action within the businesses to improve performance will continue and we expect to see the benefits of this in the coming year, including more collaborative inter-company projects.

Revenue % of Group

25%

Profit % of Group

21%



Performance

KPIs	Sector performance	Group target
Revenue growth	9.3%	>5%
Profit growth[1]	4.5%	>5%
Return on Sales[2]	19.1%	>18%
ROCE[3]	74.8%	>45%
R&D % of Revenue[4]	6.3%	>4%

Contribution to Group

£m	**2014**	2013	2012	2011	2010
Revenue	167	152	154	136	109
Profit	32	30	32	26	18

1 Sector revenue and adjusted[5] sector profit before finance expense are compared to the equivalent prior year figure.

2 Return on Sales is defined as adjusted[5] before finance expense and taxation expressed as a percentage of sector revenue.

3 Adjusted[5] sector profit before finance expense expressed as a percentage of sector operating net assets.

4 Sector research and development expenditure expressed as a percentage of sector revenue.

5 Adjusted to remove the amortisation of acquired intangible assets and acquisition items (see Note 1 to the Accounts).

Market trends

Our Environmental & Analysis sector businesses operate in diverse markets where sustained growth is delivered by three key drivers:

- rising demand for basic resources such as energy and water
- increasing environmental monitoring and regulation
- growing demand for healthcare

In many countries water demand outstrips supply and water quality often fails to meet minimum standards. The quality and scarcity of water, and the need to reduce water treatment energy costs, are the key factors behind increasingly strict regulation and enforcement which drives demand for our water analysis and water and wastewater treatment systems.

Increasing water scarcity is due to finite resources, population growth, increasing urbanisation in developing economies and climate change impact. In about 15 years' time almost half of the world's population is forecast to live in regions of high water stress or water scarcity. Within the next 20 years water demand will exceed supply by 40%.

New carbon reduction regulations, such as the CRC Energy Efficiency Scheme in the UK, is increasing demand for cost effective monitoring and remote transmission of data related to water usage and energy consumption.

Sales to the scientific analysis market grew faster in 2013/14 than in previous years. The global market for laboratory analytical instruments and environmental sensors and monitoring is forecast to grow at about 6% per year until 2016. Photonics technology is no longer just a science and research tool, but is increasingly used in manufacturing processes; industrial photonics is the fastest growing photonics sector worldwide.

Environmental regulations in China are being strengthened and the government has made a series of multi-billion dollar funding commitments to increase controls on air and water pollution, and decrease greenhouse gas emissions.

China's most heavily-polluting industries, including thermal power, iron and steel, and petrochemicals will, in the future, have to comply with international pollution standards. New environmental regulations and stronger enforcement in China will create increased opportunities for our businesses which make analytical and monitoring equipment for controlling environmental pollution.

US environmental protection regulations are also undergoing significant change, with many more stringent requirements being issued by the EPA. US government spending on environmental monitoring is increasing. As a result, we expect rising demand in America for our analytical technologies that monitor pollutants in trace amounts.

[1] See Note 1 to the Accounts.

Geographic trends

In April 2014 we created a new subsidiary in China by transforming the Shanghai R&D, sales and manufacturing operations of our US-based Ocean Optics business into a stand-alone company to deliver an optimal service to Asian customers. This company not only distributes spectroscopy products made by Ocean Optics in the USA, but is designing and developing products fit for purpose in China and Southeast Asia.

In the USA, we reorganised our multispectral sensing and imaging business by investing in a consolidated manufacturing centre.

Plans for deregulation of the UK commercial water market from 2017 are prompting UK water companies to increase investment in treatment and distribution to retain existing customers. Continued economic difficulties in Europe significantly reduced spending by some of our key OEM customers in the water market.

China is now the world's fastest growing water and wastewater treatment market. It recently announced plans to invest almost £200 billion in water treatment technology to control water resources pollution.

Strategy

Our organic profit growth strategy for the Environmental & Analysis sector centres on geographic expansion, with a strong focus on emerging markets, increased R&D investment in new product development and continued diversification of the customer base.

R&D will focus on products to meet emerging market customer needs. Investments to develop emerging markets include a new business unit in India and local manufacture in China.

Sales development in the US alternative energy market was cut back because progress on alternative energy projects depends on government funding, which has proven to be very variable.

While we will aim to maintain world leadership in products to reduce treated water loss in distribution networks, we succeeded in reducing dependence on water conservation technology sales to UK water companies within their cyclical 5-year investment programmes. We diversified our customer base and achieved strong sales growth in non-water markets such as energy monitoring, building management systems and commercial remote data logging.

Our strategy for opto-electronic analytical products is to grow organic profit by extending our offering in the life sciences and environmental monitoring sectors.

Performance

Environmental & Analysis achieved a pleasing full-year performance after a disappointing prior year and some reorganisation in the first half. Revenue increased by 9% to £166.5m (2013: £152.4m) and profit[1] grew by 4% to £31.7m (2013: £30.4m). At constant currency, organic revenue growth was 5% and profit was up 2%.

Return on Sales was 19.1% (2013: 19.9%) which represented a useful improvement from 18.2% at the end of the first half. The consolidation of our two optical coating business facilities has gone to plan with a newly expanded facility now operational in Florida and product lines being transferred from Colorado. In addition, our main photonics business, Ocean Optics, has spun-off a new Halma subsidiary in China while our water UV companies have restructured their distribution channels in the USA. The total cost of these restructuring projects was below £1m in the year.

In addition to the reorganisation costs noted above the sector incurred the cost of fully addressing a supplier component quality issue within the water monitoring business.

As noted with the Medical sector, if exchange rates remain at current levels we expect an adverse impact on results in 2014/15 due to the relative strength of Sterling in particular in relation to the US Dollar.

Revenue grew by 53% in the UK, dominated by large sales of flow/pressure data loggers to UK water utilities as part of their preparation for the deregulation of the UK commercial water market in 2017. There was mid-single digit growth in Mainland Europe and the USA whilst revenue from Asia Pacific declined by 5% as major contracts for certain water and photonics businesses last year were not repeated. Restructuring completed during the year and additional senior management changes made shortly after year-end should improve the consistency of this sector's performance in the medium term.

Outlook

Market growth prospects and key drivers for our environmental and analysis product niches remain strong. We anticipate rising global demand in the Environmental & Analysis sector through increased regulation for water supply security and drinking water quality, plus environmental pressures on wastewater discharge.

We are uniquely placed to develop systems for remote collection and management of environmental data through our technology portfolio enhanced by the acquisition of ASL Holdings in 2013.

New environmental regulations and stricter enforcement in China should significantly increase demand for our technology in coming years. Growth in India remains more elusive, but we expect to increase market share with new localised products.

We have a strong pipeline of Environmental & Analysis acquisition prospects in both developed and emerging markets.

Corporate Responsibility

Commitment to Corporate Responsibility

Halma companies are involved in the manufacture of a wide range of products that protect and improve the quality of life for people worldwide. This report focuses on areas of progress and our performance for all areas of corporate responsibility which are considered to be material by our stakeholders and are also important to the success of our Group's business. Halma has developed meaningful key performance indicators (KPIs) that reflect the importance the Group places on corporate responsibility and enable the Board to monitor the Group's progress in meeting its objectives and responsibilities in these areas. Further details are given on pages 26 and 27.

These areas of emphasis include health and safety, employee engagement and development, human rights and ethics, corporate responsibility and sustainability. Safety is critical to the Group and is a major priority. We recognise the necessity of safeguarding the health and safety of our own employees while at work and operate so as to provide a safe and comfortable working environment for employees, visitors and the public. Our policy is to manage our activities to avoid causing any unnecessary or unacceptable risks to health and safety and the environment. Halma has an excellent health and safety record and a culture of safety is deeply embedded within the Group.

Our core values are Achievement, Innovation, Empowerment and Customer Satisfaction. These core values have been selected following extensive surveying of employees across the Group. Our culture is one of openness, integrity and accountability. We encourage our employees to act fairly in their dealings with fellow employees, customers, suppliers and business partners.

We recognise that our employees determine our success and therefore continue to invest in and encourage their development more and more each year, not only with a suite of Halma development programmes, but also through clear leadership and decisive action. By ensuring that our team has the approach and skills required to succeed we are better placed to meet the challenges of the future.

We support the concept of sustainability and recognise that, in common with all businesses, our activities have an environmental impact. Our strategy is not to have capital-intensive manufacturing processes and to operate close to our end markets in terms of geography, so the environmental impact of our operations is relatively low compared to manufacturers in other sectors. We also recognise that we can improve our own environmental performance and so resources are deployed to actively reduce our own carbon footprint. Halma has been a member of the FTSE4Good UK index since its establishment in July 2001.

The Environment

We have an excellent long-term record and a clear strategy for addressing environmental issues that affect our businesses and for developing products that protect the environment and improve safety at work and in public places.

Our products

Many of our innovative products play a very positive role in monitoring and improving the environment. Halma brands lead the world in a number of technologies which help to minimise environmental damage. Our principal environmental technologies are water leakage detection and wireless monitoring, gas emissions monitoring, water and effluent analysis, UV water treatment and optical sensing. We promote the use of UV water sterilisation which eliminates the need to use dangerous chemicals, as well as making products that minimise the waste of clean water.

Our commitment to the development of equipment for measuring and monitoring environmental changes and controlling the damaging impact of industrial activities is long term. We are the major world supplier in several of these areas.

Our impact

The environmental effect of our operations is relatively low compared to manufacturers in other sectors. Our manufacturing model is decentralised permitting our operations to be located close to their customers. Manufacturing operations are established across the world for this very reason rather than to save labour costs. The ethos of being close to our customers reflects the importance we place on the quality of our products and the service levels we provide to our customers. It also makes our operations more flexible and responsive to their markets and customers. With operations spread around the globe, our supplier base is understandably fragmented. Therefore, responsibility for vetting and managing suppliers is devolved to local management while meeting the Group's ethical standards.

Environmental Management System (EMS)

We are committed to developing and implementing an EMS throughout the Group to measure, control and reduce our environmental impacts. We have developed performance indicators that assist local management in implementing the policy and ultimately developing an EMS. The requirement for an EMS and the related reporting has been rolled out to all UK business units, which represent approximately 36% of Group production facilities in terms of external turnover.

All Group companies are encouraged to undertake ISO 14001, the international environmental accreditation, where warranted. The requirement to implement an EMS will be extended to the rest of the Group in the medium term. In terms of revenue, currently 18% (2013: 20%) of the Group has ISO 14001 approval.

Group companies are also encouraged to improve energy efficiency, reduce waste and emissions and reduce the use of materials in order to minimise their environmental impact. A good example is the £250,000 solar panel installation undertaken in 2013/14 by our subsidiary, Apollo, which has improved their energy efficiency for the longer term. The Group established baseline data in 2004/05 on emissions to air and water, water and energy consumption, and waste production, the results of which are updated on the Halma website each year. The data collected for the past number of years has enabled the Group to set comprehensive and quantifiable objectives for reducing its environmental impacts in those areas and to set and monitor targets for reduction in key areas. The collected data confirms that the main area of impact on the environment is energy consumption.

Carbon Footprint

The Group's policy on carbon is published on our website and has been distributed and explained to all Halma business units. A senior executive in each of our higher impact business units is responsible for implementing the carbon policy at local level. Our Finance Director, Kevin Thompson, has principal responsibility for coordinating and monitoring the policy.

We are committed to reducing our carbon footprint. Reduction of the Group's carbon footprint has received increased attention since 2007 with the initial objective of a 10% reduction in the Group's total carbon emissions relative to revenues over three years to March 2010. We have worked hard to reduce the energy impact of our facilities and achieved that target for the last period from 2010 to 2013. Whilst we recognise that reduction by another 10% would be challenging for the third period, we have set ourselves the same target to March 2016 and are working hard to achieve this. We are pleased to report that we are still on course to meet our three-year target.

From April 2010, we have worked with providers of energy efficiency and carbon reduction solutions to ensure compliance with the new Carbon Reduction Commitment Energy Efficiency Scheme (CRC) which is the UK's mandatory energy saving scheme administered by the Environment Agency. We are in full compliance with the CRC requirements. All major UK sites have received an energy survey and set an action plan for improved energy usage. The Group's environmental performance will continue to be reported both in the Annual Report and Accounts and on our website.

The Group does not operate a fleet of distribution vehicles although we do own a number of company cars. From May 2007, we implemented a cap on permissible CO_2 emissions of all UK company vehicles and have extended an equivalent requirement to the USA and Europe. Limits are usually lowered each year so as to reduce our vehicles' environmental impact. We have taken the decision to maintain the same limits for company vehicles as last year. We will keep this under review for future years.

We have stepped up our activities internationally to comply with the new mandatory carbon reporting requirements which UK public listed companies are subject to under the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulation 2008 as amended in August 2013.

We have reported on all of the emission sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations for the reporting period 31 March 2013 to 29 March 2014.

We have employed the Operation Control definition to outline our carbon footprint boundary; included within that boundary are Scope 1 and 2 emissions from manufacturing sites and offices which we own and operate. Excluded from our footprint boundary are emissions from manufacturing sites and offices which we do not own and control and emissions considered non-material by the business. We have reported on emissions from Scope 1 and 2 emissions sources with some Scope 3 emissions sources included (emissions for Scope 3 have been calculated from business air travel only). Refrigerant gases were taken into account this year as an improvement to our carbon emissions reporting processes.

We have also used the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) and guidance provided by the UK's Department for Environment, Food & Rural Affairs (Defra) on voluntary and mandatory carbon reporting. Emission factors were used from the UK government's GHG Conversion Factors for Company Reporting 2013.

Greenhouse Gas Emissions (GHG) Reporting

We are now working with our newly appointed consultants to better monitor our environmental performance and future external reporting requirements. The Group is committed to examining the establishment of 'green' procurement policies and increasing our use of recycled materials.

GHG Emissions data for the period 31 March 2013 to 29 March 2014

	CO_2 emissions global tonnes
Scope 1: Combustion of fuel and operation of facilities	4,199
Scope 2: Electricity, heat, steam and cooling purchased for own use	17,105
Scope 3: Business air travel	4,810
Total gross emissions	26,113[1]
Intensity measure of tonnes of CO_2 emissions per £m revenue	38.6

Note

1. Due to the changes introduced in Defra's 2013 conversion factors and the categories of reporting, there is a reduction in our emissions due to the disaggregation of Scope 1 and 2 emissions. There is no like-for-like comparison with 2012/13 emissions.

Corporate Responsibility continued

Health and Safety

Halma companies are involved in the manufacture of a wide range of products that protect and improve the quality of life for people worldwide. Therefore, safety is critical to the Group and is a major priority for management.

The Group manages its activities to avoid causing any unnecessary or unacceptable risks to health and safety to our employees in the work place or to the public as a result of our activities. The policy is understood by all Group companies and was reinforced in 2010/11 through improved guidance and reporting following a comprehensive review led by an external expert.

Halma has an excellent health and safety record and a culture of safety is deeply embedded within the Group. To ensure each Group company has appropriately embedded the updated Health and Safety procedures in their business, independent Health and Safety reviews were performed in each operating company last year. These reviews were conducted with a view to ensuring a consistent approach in quality of reporting, internal processes, integration in operations, appropriateness of company policies, culture of Health and Safety and also as a means of identifying any patterns or underlying causes of reported incidents. We have continued to actively promote our safety culture throughout the year using the outputs from these reviews. As a result, reporting of Health and Safety incidents and corrective action where needed has been given an even higher profile. This is a contributory factor in the group-wide reduction in the number of days lost due to specified major injury accidents and reportable work-related injuries in 2013/14.

Given the autonomous structure of the Group, operational responsibility for compliance with relevant local Health and Safety regulations is delegated to the directors of each operating company. We believe Health and Safety training is important and it is carried out within companies as appropriate. This year an additional head office driven initiative to provide further IOSH Managing Safely training was organised for our UK companies. Adequate internal reporting exists in order that the Group's Finance Director can monitor each company's compliance with this policy.

The Group collects details of its worldwide reported Health and Safety incidents, and these are available on our website at www.halma.com. We are also pleased to report that there were no work-related fatalities in 2013/14 or prior years.

Injuries recorded

	2014	2013	2012
Days lost due to reportable* work-related injuries	**118**	382	301
Total recorded injuries to all employees	**323**	320	362

* Specified major injury incidents and reportable incidents which result in more than three working days lost.

Our People

Leadership in the global marketplace requires a group culture and an inclusive business environment where the best and brightest diverse minds, employees with varied perspectives, skills, and experiences, work together to meet customer demands. We believe that employing the top talent from all groups within our communities, from many backgrounds and with varied experiences, helps us to better serve our customers and gives us a competitive advantage in the global marketplace. To achieve this, we seek to hire, inspire, develop and empower top talent from around the globe.

Periodically we complete a survey of employees to determine whether our core values are authentic in our organisation. The survey establishes the values individual employees wish to see in our operating culture and to what extent they exist in our current culture.

In 2006, our survey of senior managers showed that five (50%) of the values they wanted to see in our business were actually present. In 2012, our survey was extended to over half of Group employees; at this time the survey showed that six (60%) desired values were present in our business. This indicated that there was a healthy level of alignment between the culture we aspire to have and the culture we actually have. Since 2012, we have increased participation by over 60% by making the survey available in paper format as well as online, and by offering it in four languages. This year's and last year's surveys showed that there continues to be a good alignment of five (50%) matching values.

No survey is capable of capturing all the appropriate sentiments, but our executives, who regularly visit all Group companies, agree that observable and valuable improvements in the Group culture have occurred over recent years. The Group will continue to monitor the survey results to enable us to better support our people in bringing these values and strengths to work so that they and we may derive further benefit from them.

People

"We see diversity and inclusiveness as an essential part of our productivity, creativity, innovation and competitive advantage. It is the foundation of a performance culture…"

Jennifer Ward, Diversity Champion

Diversity

We see diversity and inclusiveness as an essential part of our productivity, creativity, innovation and competitive advantage. It is the foundation of a performance culture that promotes respect, understanding and appreciation of different perspectives, backgrounds and experiences.

Developing regions, including China, Brazil, India and Africa make up an increasing share of the world population. They will account for approximately 88% of the global population by 2050. Economically, diverse markets represent a growing source of consumption and buying power, and we must be prepared to serve the needs of the changing marketplace.

Because our customer base is constantly changing and growing, we need to be prepared in the following ways:

- diverse and inclusive enough to recognise the needs of customers in our current and new markets;
- aware enough to anticipate, respond to, and serve the needs of the changing marketplace; and
- engaged enough to contribute at the highest levels to deliver superior performance.

By increasing the diversity and inclusion of our workforce and leveraging the insights of our diverse talent through an inclusive environment, we enhance our ability to compete in the world's increasingly diverse marketplace. We regularly monitor our progress toward these aims through executive site visits and annual values surveys, which indicate how strongly our desired culture is demonstrated in our businesses.

Our efforts are directed towards increasing the proportion of individuals with experience in the business and geographic markets in which we see our operations growing.

Our strong preference is to develop policies and actions which support our aims rather than establishing measurable targets. We believe the former evolves into part of the corporate culture more readily than simply setting a target.

Each year our Board of Directors reviews these policies and their implementation to ensure that they create and maintain a diverse and inclusive organisation.

Gender diversity

The Board of Directors responded to the consultation document that the UK's Financial Reporting Council issued in respect of 'Gender Diversity on Boards'. We are not satisfied with the proportion of women in senior roles and on the boards of our companies. We are proactively identifying talented women internally and externally who could potentially join our leadership teams in the future.

We appreciate the task ahead of us in sectors where relevant graduates are more than 85% male, so part of our strategy will involve ensuring that Halma has a culture and working practices that make it more attractive to women. To that end, we issued a Diversity Policy in 2012 which is available on our website.

The 2014/15 year intake on the Halma Graduate Development Programme (HGDP) demonstrates diversity with an intake of graduates from four different countries and 30% of them being female. The HGDP is already demonstrating our success in attracting women and individuals of diverse backgrounds to Halma. We must now ensure that they continue to thrive and grow their careers with us.

Diversity Policy

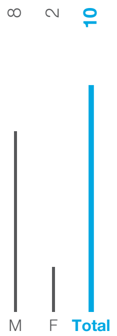
Halma believes that the diversity of our staff is a significant contributor to our success:

- diversity in our organisation attracts talented people to join the Group and to develop to their full potential;
- diversity within our leadership improves decision making processes and effective teamwork; and
- diversity encourages fresh thinking and challenges the status quo and boosts innovation.

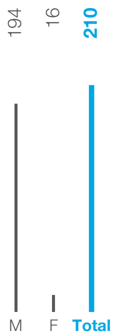
Our policy's objectives are:

- to build a culture that encourages talented people of all backgrounds, beliefs or any form of personal identity to want to work for Halma;
- to use recruitment, training, development, promotion and compensation to increase diversity in our organisation; and
- to ensure that our procedures, systems and behaviours are not discriminatory.

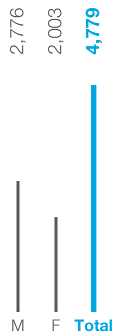
Halma plc Board Directors[1]



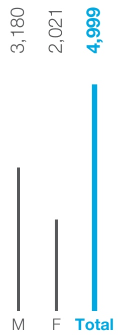
Other senior managers[2]



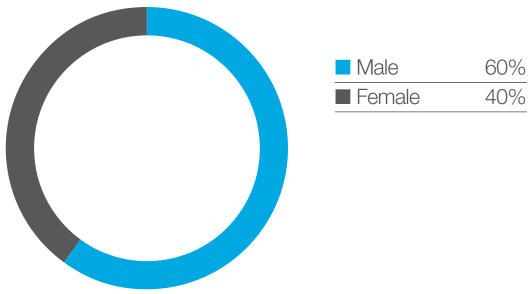
Other employees



Total



% of Total



Notes

[1] Includes non-executive Directors of the Company.

[2] Halma's definition of 'senior managers' is defined as subsidiary company officers and above.

Corporate Responsibility continued

Disabled employees

Applications for employment by disabled people are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled people should, as far as possible, be identical to that of other employees.

Employee consultation

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. This is achieved through formal and informal meetings, the Group collaboration platform and the annual financial statements.

Employee representatives are consulted routinely on a wide range of matters affecting their current and future interests.

People development

People development is a key part of our organic growth strategy.

We run a number of people development programmes. Our training programmes are constantly reviewed to reflect changing training needs amongst our companies. The Halma Executive Development Programme (HEDP), which is based on our recognition of the fundamental part our people play in the success of the Group, continued to strengthen in recent years. HEDP is an integrated development plan for our senior people – including the next generation of Managing Directors and Sector Chief Executives. Our objective is to provide these individuals with the tools and training they need to achieve more in their existing role and potentially to advance through the organisation if their achievements merit it.

HEDP is aimed at employees already serving on subsidiary boards but we also encourage applications from senior functional managers who can demonstrate they already have equivalent responsibilities and will benefit from the programme.

There are approximately 270 such eligible employees in total.

The programme has been developed from a proven course structure and is specifically and continuously tailored to suit Halma's needs, aligning the content to the Group's four core values of Achievement, Innovation, Empowerment and Customer Satisfaction. It focuses strongly on strategic and leadership capabilities and developing personal attributes – commitment, determination and resilience. There is an emphasis on performance management and team development. It includes skill based elements such as sales and marketing management, project leadership, corporate governance, finance and innovation, but all are presented in a strategic context.

Seventeen programmes have been successfully completed.

Once a significant proportion of executives had completed HEDP, a follow up programme, HEDP+, was introduced to provide updated training and to reinforce the original course contents.

> "People development is a key part of our organic growth strategy."

Complementing the HEDP is a programme for subsidiary managers and supervisors – the Halma Management Development Programme (HMDP). During the year, four HMDP and two HMDP+ programmes were completed. Programmes were held in the USA, Europe and Asia.

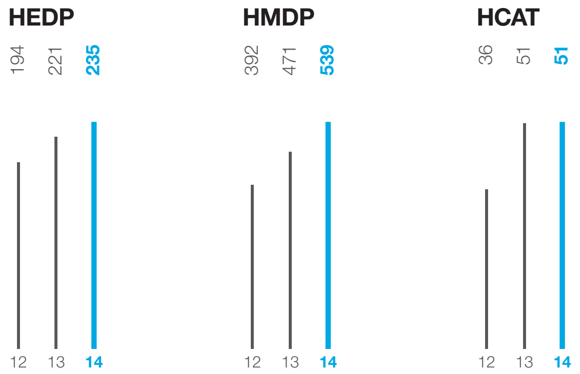
In 2011, we introduced a new programme, Halma Certificate of Applied Technology (HCAT), targeted at our technical engineers to equip them with a broader understanding of Halma's technology, improve their productivity and provide specific skills training in areas such as project management. Three such programmes, with 51 participants, have been completed with great success.

The Halma Graduate Development Programme (HGDP) was introduced during 2011/12 and the first participants started working with us in mid-2012. HGDP is targeted at engineering, science and technical graduates with the potential to become future leaders of our companies, or next generation specialists driving our technology.

The programme lasts 18 to 24 months and is based on placements in our various operating companies. Through project work, participants quickly assume responsibility and learn in detail how businesses operate. We support participants through residential training modules to help develop communication and teamwork skills alongside a mentoring programme for personal development. Our intake from 2011/12 is now identifying permanent positions within the Group.

Training

Cumulative number of candidates that have completed:



Responsible investment

Investing in Halma shares meets the criteria of many professional and private investors who base their decisions on environmental, ethical and social considerations. The Group is a world leader in several key environmental technologies and has a reputation for honesty and integrity in its relationships with employees, customers, business partners and shareholders.

Social conditions can be improved for all through the creation of wealth. Halma creates wealth responsibly allowing our employees, customers, business partners and shareholders to determine where this wealth is best distributed.

Human Rights

Halma's Human Rights and Labour Conditions Policy reflects the core requirements of the Universal Declaration of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work, including the conventions relating to forced labour, child labour, non-discrimination, freedom of association and right to collective bargaining. We do not tolerate practices which contravene these international standards. Regulatory demands upon us vary considerably around the world, so Halma establishes the core structure to ensure that Group companies fully comply with legislative and regulatory requirements while permitting them to tailor their approach to their particular needs.

Compliance with, and respect for, these core requirements are integrated within our organisation. Everyone in Halma is responsible for having due regard for human rights. Managers and supervisors must provide leadership that promotes human rights as an equal priority to other business issues. All employees are responsible for ensuring that their own actions do not impair the human rights of others, and are encouraged to bring forward, in confidence, any concerns they may have about human rights. Our Chief Executive, Andrew Williams, has overall responsibility for ensuring that human rights considerations are integral to the way in which existing operations and new opportunities are developed and managed.

Ethics

The Group culture is one of openness, integrity and accountability. Halma requires its employees to act fairly in their dealings with fellow employees, customers, suppliers and business partners. Halma introduced a Code of Conduct during 2011/12 which applies to all Group employees and our external business relationships. We require suppliers to be of high quality and to operate to accepted international standards. Halma operates a confidential whistleblowing policy with an external call centre, which enables all Group employees to raise any concerns they may have.

Halma has a zero-tolerance policy on bribery and corruption which extends to all business dealings and transactions in which we are involved. This includes a prohibition on making political donations, offering or receiving inappropriate gifts or making undue payments to influence the outcome of business dealings. Our robust policy and guidance in this area are routinely reviewed.

Financial Review

Kevin Thompson
Finance Director

"Halma has a very long record of growing its dividend, increasing it by 5% or more for every one of the last 35 years."

Long-term model delivering widespread growth

This is another set of record results with widespread growth in all sectors and all regions. High returns were maintained and good cash generation supported the continuation of our long-term record of dividend increases. Halma's financial position remains strong.

Record results

Halma has increased revenue in 38 of the last 40 years. This year we increased revenue by 9.3% to £676.5m (2013: £619.2m), up £57.3m. Our long-term objective is to achieve a balance between acquired and organic growth. It was weighted a little more to organic growth in this year. There was minimal net currency translation effect on the results. Acquisition growth came mainly from acquisitions made in 2012/13. Organic revenue growth at constant currency was 5.7%.

This is the eleventh consecutive year of record results. Adjusted[1] profit increased by 9.1% to £140.2m (2013 restated[3]: £128.5m). Again there was minimal net currency impact. Organic profit growth at constant currency was 5.3%.

Statutory profit before taxation increased by 15% to £138.7m (2013 restated[3]: £120.1m). Statutory profit is calculated after charging the amortisation of acquired intangible assets of £17.5m (2013: £14.2m), disposal costs of £0.5m (2013: £8.1m gain on sale of Tritech) and after crediting acquisition transaction items and movements on acquisition contingent consideration including related foreign exchange movements of £12.5m (2013 charge of £2.3m). In addition statutory profit includes a curtailment gain, net of costs, of £4.0m recorded following the decision to close the two UK Defined Benefit pension plans to future accrual from 1 December 2014. Further information on movements in acquisition contingent consideration and changes to pension plans is provided later on.

Revenue growth was 12% in the first half and 7% in the second half, with the first half benefiting more from acquisitions made later in the prior year. Organic revenue growth at constant currency was similar in both periods. Adjusted[1] profit grew by 9% in the second half, as in the first half, and giving a first half/second half profit split of 46%/54%, the same as in the prior year. Higher revenue and profitability in the second half is quite typical for Halma, as is revenue and profit growing very much in line with each other.

All four sectors grew both revenue and profit. The Medical sector grew fastest benefiting from prior year acquisitions. The highest rates of underlying organic profit growth came from the two safety sectors: Process Safety and Infrastructure Safety. Environmental & Analysis delivered profit growth in the full year after a small reduction in the first half, growing profit by 12% in the second half. As anticipated, the costs of reorganisation in our photonics business, charged against adjusted[1] profit, was less than £1m.

Revenue and Profit growth

				Percentage growth		
	2014 £m	2013 £m	Increase £m	Total	Organic growth[2]	Organic growth[2] at constant currency
Revenue	**676.5**	619.2	57.3	9.3%	5.9%	5.7%
Adjusted[1] profit (restated[3])	**140.2**	128.5	11.7	9.1%	5.7%	5.3%

1 In addition to those figures reported under IFRS Halma uses adjusted figures as key performance indicators. The Directors believe the adjusted figures give a more representative view of underlying performance. Adjusted profit figures exclude the amortisation of acquired intangible assets; acquisition items; the effects of closure to future benefit accrual of the Defined Benefit pension plans (net of associated costs) and profit or loss on disposal of operations. All of these are included in the statutory figures. More details are given in Note 3.

2 See Financial Highlights.

3 In this financial review, and where appropriate, the 2013 comparative figures have been restated to reflect the adoption of IAS 19 (Revised) in relation to the accounting for the Group's Defined Benefit pension plans. This has no impact on revenue but leads to restatement of profit figures. Results prior to 2012/13 have not been restated.

Central administration costs totalling £7.9m (2013: £6.7m) were higher this year due to the costs of the biennial HITE conference as well as increased investment in our graduate programme and in international expansion.

Widespread geographic growth

There was good growth in all regions throughout the year. The USA is our largest sales destination at 32% (2013: 31%) of total revenue. US revenue grew by 10% in the year, with all sectors growing, supported by acquisitions made in the prior year. Mainland Europe showed strong growth of 8% despite a tough economic environment, with Infrastructure Safety growing fastest and with underlying growth in each sector. The UK increased by 11% due in particular to a strong performance by the water businesses within Environmental & Analysis. Asia Pacific continued to grow well, up 11%, with China up 26% (16% excluding last year's Chinese acquisition) and now accounting for 7% (2013: 6%) of Group revenue.

We targeted 30% of Group revenue coming from outside the UK/Mainland Europe/USA by 2015. This year we achieved 25.2% (2013: 25.4%). This KPI sets an important direction for the Group to increase its penetration of global markets. The task has been made tougher as despite having achieved 74% revenue growth since 2010 in these 'rest of world' territories, the revenue to UK/Mainland Europe/USA has grown by 40%. Over the coming years we will continue to maintain this focus on international expansion.

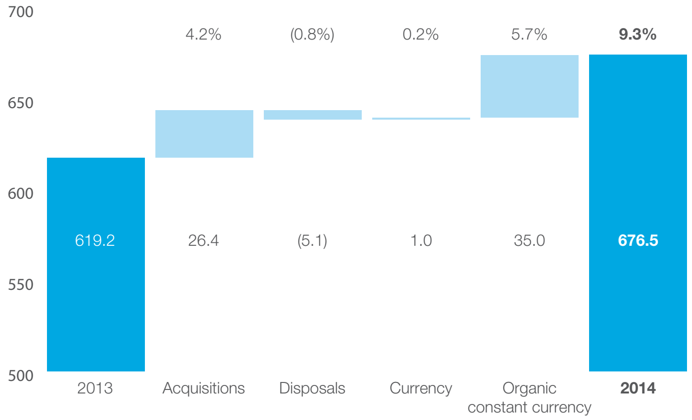
High returns

We aim to operate with a Group Return on Sales in the range of 18-22%. It has been above 16% every year for 29 consecutive years. This year Return on Sales was 20.7% (2013 restated: 20.8%), a reflection of the value customers place on our products and on our good management of costs. Process Safety increased Return on Sales in the year. Medical and Environmental & Analysis saw modest reductions in Return on Sales, although both recorded an increase in profitability in the second half over the first half, and over the second half of the prior year. The Group's increasing profitability during the year resulted in a second half Return on Sales of 21.9% (2013 second half: 21.4%).

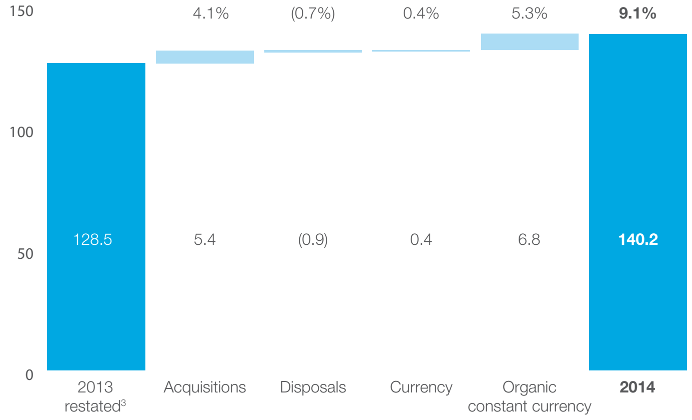
Gross Margin (revenue less direct material and direct labour costs) is a key contributor to our profitability and increased to 64.4% (2013: 64.0%). This was a good performance in what continued to be a competitive operating environment with cost and price pressures.

Return on Capital Employed[2] (ROCE), the pre-tax return on the Group's operating assets increased to 76.4% (2013 restated: 70.7%) reflecting the efficiency of our 'asset light' operating model. Return on Total Invested Capital[2] (ROTIC), the post-tax return on the Group's total assets including all historic goodwill, also increased to 16.1% (2013 restated: 15.6%).

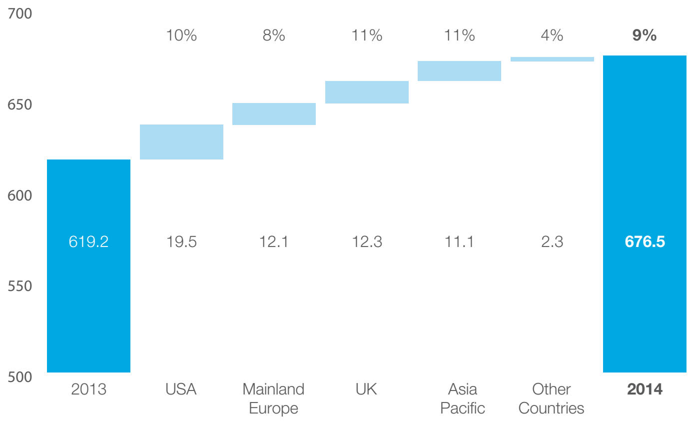
Revenue bridge £m



Adjusted profit bridge £m



Geographic revenue growth £m



Strategic Report
Governance
Financial Statements

Currency translation had minimal effect

Halma reports its results in Sterling. The other key trading currencies are the US Dollar and Euro. Approximately 40% of Group revenue is denominated in US Dollars and 15% in Euros.

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 transactions differs from the functional currency in which each company prepares its local accounts.

	Weighted average rates used in Income Statement		Year end exchange rates used to translate Balance Sheet	
	2014	2013	**2014**	2013
US Dollar	**1.59**	1.58	**1.66**	1.52
Euro	**1.19**	1.23	**1.21**	1.19

We take a neutral view of the future movements of currencies. After matching currency of revenue with currency costs wherever practical, forward exchange contracts are used to hedge a proportion (up to 75%) of the remaining forecast net transaction flows where there is a reasonable certainty of an exposure. We hedge up to 12 months and in certain specific circumstances 24 months, forward. At 29 March 2014 over 50% of our next 12 months' currency trading transactions were hedged. There is a good degree of natural hedging within the Group in US Dollars but we typically buy fewer products in Euros than we sell and so have a net exposure of approximately €35m at any time.

Favourable currency translation gains in the first half of 2014 were progressively eroded by the strengthening of Sterling relative to the US Dollar and Euro in particular. This strengthening has produced a tougher trading environment for our UK exporting businesses. Currency translation had a minimal effect on Group results for the year with the net currency translation impact of 0.2% favourable on revenue and 0.4% favourable on profit. By the financial year end, Sterling was 9% stronger relative to the US Dollar than at the start of the year. If currencies continue at current levels relative to Sterling (assuming a constant mix of currency results) then we might expect approximately 3% adverse impact on revenue and profit due to currency translation in 2014/15 compared with 2013/14. The adverse impact in these circumstances would be greater in the first half of 2014/15 than in the second half.

Based on the current mix of currency denominated revenue and profit, a 1% movement in the US Dollar relative to Sterling changes revenue by £2.7m and profit by £0.5m. Similarly, a 1% movement in the Euro changes revenue by £0.9m and profit by £0.2m.

Consistent financing cost

Net financing cost in the Income Statement at £4.7m was in line with the prior year (2013 restated: £4.9m). The average cost of bank financing remained in line with 2013 with higher levels of average debt for the year, following acquisitions made in the second half of 2012/13, but a slightly lower cost of funding (see the 'Average debt and interest rates' table on page 52 for more information).

Interest cover (EBITDA as a multiple of net interest expense as defined by the revolving credit facility) was 53 times (2013: 54 times) well in excess of the 4 times minimum required in our banking covenants.

The net pension financing charge is included within the net financing cost, and this year increased to £1.9m (2013 restated: £1.5m). The restatement of the prior year results from a change in the accounting for Defined Benefit pension costs under IAS 19 (Revised). The main change is the new requirement to use the pension plans' discount rate to calculate the return on pension related assets, rather than using a rate of return appropriate to the various asset classes. The total restatement for IAS 19 in the 2013 Income Statement is a reduction in profit of £2.1m being the £1.0m revision to net pension finance cost plus the charge against profit of pension administration costs not previously included. 2014 and future years' profits are expected to be impacted by similar amounts so that overall Group reported growth rates are largely unaffected.

Stable Group tax rate

The Group has major operating subsidiaries in 10 countries so the Group's effective tax rate is a blend of these different national rates applied to locally generated profits. Tax arrangements are driven by commercial transactions. We manage these tax arrangements in a responsible manner, keeping good relationships with tax authorities based on legal compliance, transparency and cooperation. Intercompany trading is set on a commercial arm's length basis.

The effective tax rate on adjusted[1] profit reduced to 23.3% (2013: 24.2%). Approximately one-third of Group profit is generated and taxed in the UK and the UK Corporation tax rate fell from 24% to 23% this year, with it forecast to drop to 20% in 2016. Halma also benefited from the new UK 'Patent Box' rules, resulting in lower tax on profits generated from the use of patents. We anticipate that the effective tax rate in 2015 will be similar to that in 2014.

Geographic revenue growth

	2014		2013			
	£m	**% of total**	£m	% of total	Change £m	% growth
United States of America	**214.5**	**32%**	195.0	31%	19.5	10%
Mainland Europe	**163.7**	**24%**	151.6	25%	12.1	8%
United Kingdom	**127.9**	**19%**	115.6	19%	12.3	11%
Asia Pacific	**111.6**	**16%**	100.5	16%	11.1	11%
Africa, Near and Middle East	**33.0**	**5%**	31.4	5%	1.6	5%
Other countries	**25.8**	**4%**	25.1	4%	0.7	3%
	676.5	**100%**	619.2	100%	57.3	9%

Increasing earnings per share and dividends

For many years we have delivered value to shareholders through growth in earnings per share and dividend increases. Adjusted[1] earnings per share increased by 10.4% to 28.47p, above the rate of increase in adjusted[1] profit, due to the lower effective tax rate compared with the prior year. Statutory earnings per share increased by 13.5% due primarily to the factors noted earlier which are included in the calculation of statutory profit.

An increase in the final dividend of 7.1% to 6.82p per share (2013: 6.37p) is recommended which, together with the 7.1% increase in the interim dividend, gives a total dividend of 11.17p per share (2013: 10.43p). Halma has a very long record of growing its dividend and with this latest rise will have increased the dividend by 5% or more for every one of the last 35 years. We have paid out more than £300m to shareholders in the last decade. The final dividend for 2013/14 is subject to approval by shareholders at the AGM on 24 July 2014 and will be paid on 20 August 2014 to shareholders on the register at 18 July 2014.

We have maintained a progressive dividend policy balancing dividend increases with organic growth rates achieved, taking into account potential acquisition spend and the maintenance of moderate debt levels. Dividend cover (the ratio of adjusted profit after tax to dividends paid and proposed) is slightly higher than last year at 2.55 times (2013 restated: 2.47 times). Our policy is to maintain dividend cover above two times and we will continue to determine dividend payout each year based on the factors noted above.

Good cash generation

Strong cash generation is an important feature of the Halma model. Our cash performance in 2013/14 was good. Adjusted operating cash flow was £129.0m (2013: £113.7m) and represents 89% (2013 restated: 85%) of adjusted operating profit, ahead of our KPI target of 85% cash conversion.

Operating cash flow summary

	2014 £m	2013 £m
Operating profit (restated)	**143.6**	117.3
Net acquisition costs and contingent consideration fair value adjustments	**(12.5)**	2.2
Defined Benefit pension plan closure costs/ curtailment gain	**(4.0)**	–
Amortisation of acquisition-related acquired intangibles	**17.5**	14.2
Adjusted operating profit	**144.6**	133.7
Depreciation and other amortisation	**18.8**	17.7
Working capital movements	**(10.9)**	(10.9)
Capital expenditure net of disposal proceeds	**(15.6)**	(14.6)
Additional payments to pension plans (restated)	**(5.9)**	(7.2)
Other adjustments	**(2.0)**	(5.0)
Adjusted operating cash flow	**129.0**	113.7
Cash conversion %	**89%**	85%

Non-operating cash flow and reconciliation to net debt

	2014 £m	2013 £m
Adjusted operating cash flow	**129.0**	113.7
Tax paid	**(28.3)**	(25.5)
Acquisition of businesses and shares of associates including cash/debt acquired	**(16.9)**	(153.7)
Net finance costs and arrangement fees	**(2.5)**	(2.3)
Dividends paid	**(40.5)**	(37.8)
Issue of shares/treasury shares purchased	**(7.3)**	(5.1)
Disposal of businesses	**1.9**	19.6
Effects of foreign exchange	**0.4**	(0.5)
Movement in net debt	**35.8**	(91.6)
Opening net debt	**(110.3)**	(18.7)
Closing net debt	**(74.5)**	(110.3)

Net Debt to EBITDA

	2014 £m	2013 £m
Operating profit (restated)	**143.6**	117.3
Depreciation and amortisation	**36.3**	31.9
EBITDA	**179.9**	149.2
Net Debt to EBITDA (restated)	**0.41**	0.74

A summary of the year's cash flow is shown in the table above. The largest outflows in the year were in relation to dividends and taxation paid. Working capital movements, comprising changes in inventory, receivables and creditors, totalled £10.9m (2013: £10.9m). This year's increase reflects not just the growth in our business but also our wider geographic footprint and higher sales in the final quarter. Working capital management is the responsibility of each individual subsidiary board and therefore will continue to receive close attention.

Capital expenditure on property, plant and computer software this year was 12% above last year at £17.4m (2013: £15.5m), maintaining investment in our operating capability. This year's spend represents 117% of depreciation, falling within the 100% to 125% range we expect.

Dividends totalling £40.5m (2013: £37.8m) were paid to shareholders in the year. Taxation paid increased to £28.3m (2013: £25.5m).

Financial Review continued

Strong financial position maintained

Halma operations are cash generative and the Group has substantial bank facilities. 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 undertaken.

We use debt to accelerate the Group's development, reviewing our funding needs and the structure of borrowing facilities regularly to ensure we have ample headroom. In November 2013 we increased and extended our syndicated revolving credit facility with the existing core group of banks. The facility was increased to £360m (from £260m) and the term extended to November 2018 (from October 2016). This increase in facilities provides Halma with the financial resources to operate within its existing business model for the medium term, continuing investment in our business and with capacity for further value-adding acquisitions. The Group continues to operate well within its banking covenants with significant headroom under each financial ratio.

At the year end net debt was £74.5m (2013: £110.3m), a combination of £109.0m of debt and £34.5m of cash held around the world to finance local operations. The ratio of net debt to EBITDA was 0.41 times (2013 restated: 0.74 times), well below the level of 1.25 times within which we feel comfortable operating. Net debt represents 3% (2013: 6%) of the Group's year end market capitalisation.

Average debt and interest rates

	2014	2013
Average gross debt (£m)	**150.9**	133.7
Weighted average interest rate on gross debt	**1.26%**	1.34%
Average cash balances (£m)	**47.1**	45.2
Weighted average interest rate on cash	**0.54%**	0.43%
Average net debt (£m)	**103.8**	88.5
Weighted average interest rate on net debt	**1.59%**	1.80%

Acquisition and disposal activity

Acquisitions and disposals are an important part of our operating model and strategy, ensuring the portfolio of companies in the Group can sustain growth and high returns. We buy businesses already successful in, or adjacent to, the niches in which we operate.

Following a record acquisition spend in 2012/13 (£137m spent on acquiring six businesses excluding net cash acquired of £5m) we made only one acquisition in 2013/14. In April 2013 we acquired Talentum, a small technology bolt-on for one of our Infrastructure Safety businesses, for £2.6m excluding cash acquired. In addition £14m was paid out in deferred contingent consideration for acquisitions made in prior years.

Despite continued growth from MicroSurgical Technologies (MST), we have revised our estimate of deferred contingent consideration payable on the acquisition down from £16m to £4m due to slower than expected new product adoption. The change in deferred contingent consideration is accounted for as a credit in the Income Statement but is not included in adjusted profit.

Following the year end we made the following acquisitions:

- Plasticspritzerei AG, a supplier to one of our businesses in the Medical sector, was acquired on 2 May 2014 for a net cash consideration of CHF4.8m (£3.2m).
- Advanced Electronics Limited, a manufacturer of networked fire detection and control systems which will form part of our Infrastructure Safety sector, on 14 May 2014 for an initial cash consideration of £14.1m. Contingent consideration of up to £10.1m is payable based on earnings growth for the period to March 2015.
- Rohrback Cosasco Systems Inc. (RCS), a manufacturer of pipeline corrosion monitoring products and systems, acquired on 30 May 2014 for $108m (£64.7m) (excluding cash acquired) and which will be included in the Process Safety sector.

Given the short period between these acquisitions and completion of these accounts we have included more limited disclosure (see Note 30 to the Accounts) and full disclosure will be included in the 2014/15 Half Year Report.

Also in May 2014 we sold Monitor Elevator Products Inc., a business within the Infrastructure Safety sector, for a consideration of $6m (£3.6m). We expect a gain of approximately £1m before tax to result from the transaction.

The business acquired in 2013/14 and those acquired in 2014/15 to date, net of the disposal made, are expected to add a net amount of £29m to revenue and £6.4m (after financing costs) to profit in 2014/15, based on their run rate at the time of acquisition/disposal.

Pension plans cease future accrual

The Defined Benefit (DB) sections of the Group's UK pension plans were closed to new entrants in 2003. Following consultation during the year, we announced in March 2014 that the DB pension plans will cease future accrual as at 1 December 2014. Members will earn future benefits within the Group's Defined Contribution (DC) pension plan under agreed transitional arrangements. This change reduces risk for the future and we will work with the plans' trustees to achieve a balanced asset investment strategy and to ensure Halma meets all pension obligations.

On an IAS 19 basis the deficit on the UK DB plans at March 2014 was £36.5m (2013: £47.2m) before the related deferred tax asset. Plan assets increased to £187.5m (2013: £176.3m) due to some further recovery in equity values and cash contributions by Halma and the plan members. In total, 54% of plan assets are invested in return seeking assets: 32% in equities and 22% in diversified growth funds providing a higher expected level of return over the longer term. Plan liabilities were at a very similar level to the prior year at £224.0m (2013: £223.4m) having benefited from a curtailment gain of £4.2m (before costs) arising from the cessation of future DB accrual noted above.

We continue to make extra cash contributions to the UK pension plans as agreed with the trustees and expect this to be at the rate of £7m per year for the immediate future with the objective of eliminating the pension deficit over the next five years.

R&D Investment

R&D expenditure increased by 5% to £32.1m (2013 excluding disposal: £30.6m). In 2012/13 we increased R&D spend by 13% on a 7% revenue increase including some larger projects, and this year there were fewer such projects. Investment in new products remains an important strategic priority and in the medium term we expect R&D to increase broadly in line with revenue growth.

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 2013/14 we capitalised £5.2m (2013: £5.4m) and amortised £3.9m (2013: £3.5m). This results in an asset carried on the Consolidated Balance Sheet, after £0.3m of foreign exchange movements, of £13.0m (2013: £12.0m).

Risk management and the year ahead

Halma has a well established business and financial model delivering success consistently over the long term. The model is based on considerable autonomy and accountability at operating company level, within a clear strategic framework with strong policies and procedures.

Risk is managed closely and is spread across the well-resourced companies, each of which manages risk to its individual level of materiality. There are extensive review processes in place including peer financial review and Internal Audit. The key Group risks have been referenced in this Annual Report primarily on pages 30 to 33 and in the Chief Executive's Strategic Review and Sector Reviews. In addition key risks are highlighted in the Audit Committee Report on page 66 and Auditor's Report on page 94.

We have an ethical approach to business and this is reflected in our Code of Conduct which is adopted internationally. This year we have increased our focus on cyber security with enhanced IT monitoring systems in place and security awareness programmes being rolled out across the Group.

The Board considers all of the above factors in its review of 'Going Concern' as described on page 65 and has been able to conclude its review satisfactorily.

This Annual Report and Accounts is prepared in line with the latest requirements for integrated reporting and the Board has taken care to ensure that it is 'fair, balanced and understandable'. The Audit Committee took a key role in assessing compliance with reporting requirements supported by robust management processes.

The key performance indicators (KPIs) we choose reflect the importance of investment, growth and returns. These externally reported KPIs are an important part of our day to day management of the business. In the year ahead we will focus on successful integration of the recent acquisitions, search for further opportunities and continue to emphasise strong cash generation to fund investment and increasing dividends. In this way we aim to continue to deliver significant long-term value to shareholders.

Kevin Thompson
Finance Director

The Strategic Report was approved by the Board of Directors on 12 June 2014 and signed on its behalf by:

Andrew Williams
Chief Executive

Cautionary note: this Strategic Report has been prepared solely to assist shareholders to assess the Board's strategies and their potential to succeed. It should not be relied on by any other party, for other purposes. Forward-looking statements have been made by the Directors in good faith using information available up until the date that they approved the Report. Forward-looking statements should be regarded with caution because of the inherent uncertainties in economic trends and business risks.

Chairman's introduction to Governance

"The Board is committed to maintaining the highest standards of corporate governance and ensuring values and behaviours are consistent across the business."

Dear Shareholders,

As Halma's new Chairman, I am proud to be able to present Halma's Corporate Governance report on behalf of our Board for the first time. I hope the report provides you with a clear and meaningful explanation of how we as a Board and the committees discharge our governance duties and apply the principles of good governance enshrined in the UK Corporate Governance Code (the Code). Halma reports in accordance to the revised September 2012 Code, the Listing Rules and the Disclosure & Transparency Rules.

The Board is committed to maintaining the highest standards of corporate governance and ensuring values and behaviours are consistent across the business. We have sought to manage the affairs of the Company not by merely following regimented rules, but by promoting open and transparent discussion, constructive challenge and support in the Board and across the Group. I am pleased with the progress Halma has made. We continually seek to ensure best practice is maintained and that governance is integral to our strategy and decision-making processes for the benefit of our shareholders.

We were sorry to lose Geoff Unwin as Chairman during the year as he has been an invaluable and excellent leader and Chairman to our Board and team. I am honoured to have worked with him for a few brief months. It is my belief that we have to continually nurture talents throughout the Group to enable effective succession planning. We have continued to review our governance structures and the composition of our Board and Executive Board throughout the year.

I am delighted to report that we further strengthened our Board and aligned our Executive Board with the four market sectors in which we are engaged. We are also sorry that Lord Blackwell and Steve Marshall will both be retiring from our Board at the forthcoming AGM. I would like to thank them for their significant contribution to the Halma Board. We will soon be welcoming Roy Twite, an executive director at IMI plc, to our Board immediately following the end of our AGM on 24 July 2014. Roy brings with him substantial engineering and operational experience which I am sure will be invaluable to our Board discussions.

I am so pleased to welcome Jennifer Ward to our team. She has global responsibility for the development of management talent across Halma, with a strong focus on subsidiary company boards and Halma's senior management. This appointment reinforces our commitment to continuously improve the quality and performance of Halma's management talent across the world. Jennifer comes to us with a wealth of experience from a wide range of roles held in both the USA and London. Her biography is detailed on page 58 of the report.

Reviews of management capabilities and potential are performed on a routine basis and Halma is always focused on the ways in which we attract, identify, assess and develop Board-level talent which is a critical factor for us to achieve our mid to long-term strategic goals. Talent also continues to be developed through programmes such as the Halma Executive Development Programme which itself evolves to meet the changing needs of the Group. Whenever we identify a need for improvement to management resources we take action to ensure full strength is attained as soon as practicable.

Lastly, I would like to encourage all shareholders to find the time to attend our AGM on 24 July 2014. It is an excellent opportunity to meet the Board and the newly constituted Executive Board.

Paul Walker
Chairman
12 June 2014

Board of Directors

Paul Walker
Non-executive Chairman
Location UK

Paul was appointed non-executive Chairman of Halma in July 2013, having been appointed to the Board in April 2013. Paul is non-executive Chairman of Perform Group plc and WANdisco plc and a non-executive director of Experian plc. He was CEO at the Sage Group plc from 1994 to 2010 and has previously served on the boards of Diageo plc and Mytravel Group plc. Paul qualified as a Chartered Accountant with Ernst & Young, having graduated from York University with an economics degree.

Andrew Williams
Chief Executive
Location UK

Andrew was appointed Chief Executive of Halma plc in February 2005. He was promoted to Director of the Halma plc Board in 2004. Andrew became a member of the Halma Executive Board in 2002 as Divisional Chief Executive after joining Halma in 1994 as Manufacturing Director of Reten Acoustics (now HWM-Water), where he became Managing Director in 1997. Andrew is a Chartered Engineer and a production engineering graduate of Birmingham University. He attended the Advanced Management Program at Wharton Business School, University of Pennsylvania in 2004.

Kevin Thompson
Finance Director
Location UK

Kevin was appointed to the Halma plc Board in 1998. He became Group Finance Director in 1997 after joining the Halma Executive Board as Finance Director in 1995. Kevin joined Halma as Group Financial Controller in 1987. Kevin qualified as a Chartered Accountant with Price Waterhouse and is an economics and accounting graduate of Bristol University. He attended the Advanced Management Program at Harvard Business School in 2007.

Neil Quinn
Sector Chief Executive, Process Safety
Location UK

Neil was appointed to the Halma plc Board in 1998 and is Chief Executive of the Process Safety sector. He joined the Halma Executive Board in 1995 as Divisional Chief Executive. He became Managing Director of Apollo Fire Detectors in 1992, after joining as Sales Director in 1987. Neil has a material sciences degree from Sheffield University.

Steve Marshall
Non-executive Director
Location UK

Steve was appointed a non-executive Director of Halma in July 2010. He is executive Chairman of Balfour Beatty plc and non-executive Chairman of Wincanton plc and Biffa Group Holdings Limited. He is a former chairman of Delta plc, Queens' Moat Houses plc and Torex Retail plc as well as a former non-executive director at Southern Water Services Limited. He was Group Chief Executive of Railtrack Group plc and prior to that Thorn plc, having also served as Finance Director at each company. His earlier career included a wide range of corporate and operational roles at Grand Metropolitan plc, Burton Group, Black & Decker and BOC Group. He is a fellow of the Chartered Institute of Management Accountants and a member of its Governing Council.

Stephen Pettit
Senior Independent Director
Location UK

Stephen was appointed a non-executive Director of Halma in September 2003. Previously Stephen was a non-executive director of National Grid plc, non-executive Chairman of ROK plc, an executive director with Cable & Wireless PLC, a member of the BT Group plc Equality of Access Board and a divisional chief executive with BP PLC. Stephen has an MSc from London School of Economics and an MBA from INSEAD and is an economics and politics graduate of Cardiff University.

Carol Chesney
Company Secretary
Location UK

Carol was appointed Company Secretary of Halma plc in 1998. She joined Halma in 1995 as Group Finance Manager having spent three years with English China Clays plc. Carol is a non-executive director of Renishaw plc where she chairs the Audit Committee. She qualified as a Chartered Accountant with Arthur Andersen and is a mathematics graduate of Randolph-Macon Woman's College, Virginia.

Adam Meyers
Sector Chief Executive, Medical
Location USA

Adam joined the Halma plc Board in April 2008 and is Chief Executive of the Medical sector. He became a member of the Halma Executive Board in 2003 as Divisional Chief Executive, having joined Halma in 1996 as President of Bio-Chem Valve. Adam gained his MBA from Harvard Business School and is a systems engineering graduate of the University of Pennsylvania.

Jane Aikman
Non-executive Director
Location UK

Jane was appointed a non-executive Director of Halma in August 2007. She is Chief Operating Officer and Chief Financial Officer of Phoenix IT Group plc. Previously Jane was Finance Director of Infinis Energy Limited, Wilson Bowden Plc and Pressac plc. She spent three years as an internal audit manager with GEC Alsthom and five years in East Asia with Asia Pulp and Paper Co Limited. Jane qualified as a Chartered Accountant with Ernst & Young and has a degree in civil engineering from Birmingham University.

Daniela Barone Soares
Non-executive Director
Location UK

Daniela was appointed a non-executive Director of Halma in November 2011. She is Chief Executive Officer of Impetus – The Private Equity Foundation (Impetus-PEF). She is on the advisory board and a trustee of a number of non-listed, social sector organisations in the UK and Brazil. In November 2013, Daniela was appointed to the UK National Advisory Board, which advises the G8 Social Impact Investment Taskforce. Her past business roles have included Head of Institutional Support at Save the Children, Assistant Vice President of Private Equity and Venture Capital at BancBoston Capital, Inc. and roles at Goldman, Sachs & Co. (New York) and Citibank, N.A. (Brazil). Daniela has an MBA from Harvard Business School and a BSc in economics from Universidade Estadual de Campinas (UNICAMP), Brazil.

Norman Blackwell
Non-executive Director
Location UK

Norman was appointed a non-executive Director of Halma in July 2010. He is non-executive Chairman of Lloyds Banking Group Plc and Interserve Plc. His past business roles have included non-executive director of Ofcom, the communications regulator, Senior Independent Director at both Standard Life Plc and SEGRO plc, Director of Group Development at NatWest Group and Partner at McKinsey & Company. He was Chairman of the independent Centre for Policy Studies from 2000 to 2009 and remained a board member until 2014. Norman was created a Life Peer in 1997 and served as Head of the Prime Minister's Policy Unit from 1995 to 1997.

Make-up of our Board (as at 29 March 2014)

Board tenure (number of years)

0-1	10%
2-3	10%
4-5	20%
6-10	20%
>10	40%

Gender

Male	80%
Female	20%

Board composition

Chairman	10%
Executive Director	40%
Non-executive Director	50%
Company Secretary	

Nationality

UK	80%
USA	10%
Brazil	10%

Committee membership

	Audit	Nom[1]	Rem[2]
Paul Walker		Chairman	Member
Andrew Williams		Member	
Kevin Thompson			
Stephen Pettit	Member	Member	Member
Neil Quinn			
Adam Meyers			
Jane Aikman	Chairman	Member[3]	Member[3]
Norman Blackwell	Member	Member	Member
Steve Marshall	Member	Member	Chairman
Daniela Barone Soares	Member	Member[3]	Member[3]

• Chairman • Member

[1] Nomination
[2] Remuneration
[3] Appointed in April 2014

Executive Board

Andrew Williams
Chief Executive
Location UK

Andrew was appointed Chief Executive of Halma plc in February 2005. He was promoted to Director of the Halma plc Board in 2004. Andrew became a member of the Halma Executive Board in 2002 as Divisional Chief Executive after joining Halma in 1994 as Manufacturing Director of Reten Acoustics (now HWM-Water), where he became Managing Director in 1997. Andrew is a Chartered Engineer and a production engineering graduate of Birmingham University. He attended the Advanced Management Program at Wharton Business School, University of Pennsylvania in 2004.

Kevin Thompson
Finance Director
Location UK

Kevin was appointed to the Halma plc Board in 1998. He became Group Finance Director in 1997 after joining the Halma Executive Board as Finance Director in 1995. Kevin joined Halma as Group Financial Controller in 1987. Kevin qualified as a Chartered Accountant with Price Waterhouse and is an economics and accounting graduate of Bristol University. He attended the Advanced Management Program at Harvard Business School in 2007.

Chuck Dubois
Sector Chief Executive, Environmental & Analysis
Location USA

Chuck was appointed to the Executive Board in April 2008 and is Chief Executive of the Environmental & Analysis sector. He joined the Group in 1999 as Vice President of Perma Pure LLC and was previously President of Diba Industries. He earned his MBA from the F.W. Olin School of Business at Babson College and holds a Bachelor's degree in physics from the College of the Holy Cross. Chuck attended the Advanced Management Program at Harvard Business School in 2013.

Adam Meyers
Sector Chief Executive, Medical
Location USA

Adam joined the Halma plc Board in April 2008 and is Chief Executive of the Medical sector. He became a member of the Halma Executive Board in 2003 as Divisional Chief Executive, having joined Halma in 1996 as President of Bio-Chem Valve. Adam gained his MBA from Harvard Business School and is a systems engineering graduate of the University of Pennsylvania.

Neil Quinn
Sector Chief Executive, Process Safety
Location UK

Neil was appointed to the Halma plc Board in 1998 and is Chief Executive of the Process Safety sector. He joined the Halma Executive Board in 1995 as Divisional Chief Executive. He became Managing Director of Apollo Fire Detectors in 1992, after joining as Sales Director in 1987.
Neil has a material sciences degree from Sheffield University.

Nigel Trodd
Sector Chief Executive, Infrastructure Safety
Location Singapore

Nigel joined the Executive Board in July 2003 and is Chief Executive of the Infrastructure Safety sector. He had joined Halma in July 2003 as Chief Executive of the Process Safety Division. Nigel is a member of the Chartered Institute of Marketing and a business studies graduate of Thames Valley University. He relocated to Singapore in April 2012.

Philippe Felten
Sector Vice President, Medical
Location Belgium

Philippe was appointed to the Executive Board in April 2012 and is Sector Vice President of the Medical sector. He joined the Group in 1998 as Sales Director for BEA Europe and was previously Chief Executive of BEA Group. Philippe completed the Programme for Executive Development at IMD Lausanne, holds a Bachelor degree in Marketing and Management (ICHEC – Brussels) and is an Electro-Mechanical Engineer (ECAM – Brussels).

Martin Zhang
Director – Halma China
Location China

Martin is a member of the Halma Executive Board and has been an adviser to that Board since February 2008. He joined the Group in June 2006 as Director of Halma China and successfully established Halma China offices in Beijing and Shanghai. Martin holds an Executive MBA from the University of Texas at Arlington (Tongji University Shanghai) and a Bachelor's degree in chemical engineering from Chengdu University of Science and Technology.

Jennifer Ward
Group Talent Director
Location UK

Jennifer was appointed as Halma's first Group Talent Director in March 2014. Prior to joining Halma, Jennifer spent over 15 years leading HR, Talent and Organisational Development for divisions of PayPal (an eBay company), Bank of America and Honeywell. She has a Master's degree from Michigan State University and a Bachelor of Science degree from Oregon State University.

Corporate Governance Report

Compliance with the Code of best practice

As required by the Listing Rules this Report explains how the Company applies the principles and complies with the provisions of the Corporate Governance Code (the Code) that was published in 2012 by the Financial Reporting Council which applied to the Company throughout the year ended 29 March 2014.

Throughout the year, the Company has fully complied with the provisions as set out in the Code. The Group's internal controls are detailed on page 65.

The Board has determined its ideal composition as a Chairman, five independent non-executive Directors and four executive Directors. The Board adjudged this composition as an appropriate structure for the Company providing valuable direct knowledge of operations and effective challenge surrounding the issues facing the Group. The Board reverted to its ideal composition following Geoff Unwin's retirement after the 2013 annual general meeting.

Therefore, with the exception of Norman Blackwell and Steve Marshall, in accordance with the Code each of the Directors, being eligible, will offer themselves for election or re-election at the AGM. Norman Blackwell and Steve Marshall will be retiring from the Board with effect from the end of the AGM, at which time Roy Twite will be joining the Board. Further details on their resignations and appointment are provided on pages 62, 64 and 71.

Annual Report and Accounts

In accordance with the Code, the Directors confirm that they consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

Reporting Requirements Chart

Reporting requirement	Location
Description of the business model and strategy.	Chief Executive's Strategic Review and Sector Reviews See pages 10 to 27 and 34 to 41
Description of the significant issues that the Audit Committee considered in relation to the financial statements and how these issues were addressed, having regard to the matters communicated to it by the external audit team.	Audit Committee Report See pages 68 and 69
Explanation of how the Audit Committee has assessed the effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor to enable shareholders to understand why it recommended reappointing or changing the auditor.	Audit Committee Report See pages 67 and 68
Identification of search consultancies used and any connections with the Company.	Corporate Governance Report and Nomination Committee report See pages 62 and 71
Statement that the Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides information necessary for shareholders to assess the Company's business model and strategy.	Corporate Governance Report and Audit Committee Report See pages 59 and 69
Future policy table and notes, performance scenario charts, remuneration obligations in service contracts and statement of shareholder vote on the 2012/13 remuneration report.	Remuneration Committee Report See pages 72 to 89
Implementation report, remuneration paid to service advisers, single total figure tables, CEO pay comparison to company performance and relative importance of spend on pay.	Remuneration Committee Report See pages 72 to 89
Directors' shareholdings and variable pay awarded in the year.	Remuneration Committee Report See pages 72 to 89

Corporate Governance Report continued

The Board

The Board considered the independence of the Chairman and each of the non-executive Directors and subjected Stephen Pettit's term as a non-executive Director to particular rigorous review. Details are given on pages 64, 70 and 71. The Board continues to regard Stephen Pettit as independent and considers the Chairman and all non-executive Directors to be independent of management and free from business and other relationships which could interfere with the exercise of independent judgment now and in the future. The Board believes that any shareholdings of the Chairman and non-executive Directors serve to align their interests with those of shareholders.

Upon appointment and at regular intervals, all Directors are offered appropriate training. Under the Company's Articles, each Director is subject to re-election at least once every three years however, since 2011, the Board agreed that each Director shall stand for annual re-election. The Board confirms that all Directors standing for election or re-election continue to be effective and demonstrate commitment to their roles, following the performance evaluation as described on page 63.

Details of Directors' biographies appear on pages 56 and 57 and in the Notice of Meeting.

The Directors retain responsibility for the formulation of corporate strategy, investment decisions and treasury and risk management policies. There is a formal schedule of matters reserved for the Board's decision and the Board meets at least six times each year with further ad hoc meetings as required. Directors are issued an agenda and comprehensive Board papers in the week preceding each Board meeting. All Directors have access to the advice and services of the Company Secretary as well as there being an agreed procedure for obtaining independent professional advice.

Board meeting attendance

During the year attendance by Directors at Board and Committee meetings was as follows:

		Committees			
Board attendance	**Board**	**Audit**	**Remuneration**	**Nomination**[1]	**Overall attendance %**
Total meetings	**6**	**3**	**4**	**2**	
Geoff Unwin[2]	3	–	2	1	100%
Paul Walker[3]	5	–	3	1	100%
Andrew Williams	6	–	–	1	100%
Kevin Thompson	6	–	–	–	100%
Stephen Pettit	6	3	4	2	100%
Neil Quinn	6	–	–	–	100%
Jane Aikman	6	3	–	1	100%
Adam Meyers	6	–	–	–	100%
Lord Blackwell	6	3	4	1	100%
Steve Marshall	6	3	4	2	100%
Daniela Barone Soares[4]	6	2	–	1	90%

[1] The first Nomination Committee meeting consisted of the reformulated Nomination Committee appointed for the Chairman succession search comprising four non-executive Directors, led by Stephen Pettit, the Senior Independent Director. The June Nomination Committee meeting was constituted by the usual members Geoff Unwin, Andrew Williams, Stephen Pettit, Steve Marshall, Norman Blackwell and the Chairman Designate Paul Walker.

[2] Geoff Unwin attended all meetings until he stepped down at the July 2013 annual general meeting.

[3] Paul Walker attended all meetings from his appointment on 12 April 2013 as Chairman Designate.

[4] Daniela Barone Soares was unable to attend one Audit Committee meeting due to conflicting work commitments.

Chairman's responsibilities

Governance

- promoting high standards of corporate governance;
- leading, chairing and managing the Board;
- ensuring all Board committees are properly structured and operate with appropriate terms of reference;
- regularly considering the composition and succession planning of the Board and its committees;
- ensuring that the Board and its committees' performances are evaluated on a regular basis; and
- ensuring adequate time is available for all agenda items.

Strategy

- leading the Board in developing the strategy of the business and achievement of its objectives;
- promoting open and constructive debate in Board meetings;
- ensuring effective implementation of Board decisions with the support of the Chief Executive;
- ensuring the Board manages risk effectively; and
- consulting where appropriate with the Senior Independent Director on Board matters.

People

- chairing the Nomination Committee;
- identifying and meeting the induction and development needs of the Board and its committees;
- developing a strong working relationship with the Chief Executive;
- ensuring a strong working relationship between executive and non-executive Directors;
- setting clear expectations concerning the Company's culture, values and behaviours; and
- ensuring effective relationships are maintained with all major stakeholders in the business.

Chief Executive's responsibilities

- providing coherent leadership and management of the Company with the Chairman;
- developing objectives, strategy and performance standards to be agreed by the Board;
- providing input to the Board's agenda;
- providing effective leadership of the Executive Board to achieve the agreed strategies and objectives;
- securing an Executive Board of the right calibre, with specific responsibility for its composition, and that its succession plan is reviewed annually with the Chairman and the non-executive Directors;
- monitoring, reviewing and managing key risks and strategies with the Board;
- ensuring that the assets of the Group are adequately safeguarded and maintained;
- building and maintaining the Company's communications and standing with shareholders, financial institutions and the public and effectively communicating the Halma plc investment proposition to all stakeholders;
- ensuring the Board is aware of the view of employees on issues of relevance to Halma plc;
- living and fostering the Group values which promote ethical practices, integrity and a positive work climate, enabling the Group to attract, retain and motivate a diverse group of high quality employees; and
- leading by example in establishing a performance orientated, customer focused and publicly responsible Group culture.

Corporate Governance Report continued

Board constitution

Halma refreshed the composition and diversity of our Board with the appointment of Paul Walker as our new non-executive Director and Chairman in April 2013. The Nomination Committee appointed for the Chairman succession search comprised four non-executive Directors, led by the Senior Independent Director, Stephen Pettit. A global search firm, Korn Ferry Whitehead Mann, which has no other connection to Halma was appointed. A wide range of high calibre candidates was considered for the role and each Director had the opportunity to meet Paul Walker ahead of his appointment. The Board confirmed Paul Walker's independence upon appointment and was unanimous in its decision to appoint Paul Walker.

Succession planning for the Senior Independent Director was well in hand when Norman Blackwell indicated that his April 2014 chairmanship of Lloyds Banking Group Plc may preclude his continuing as a non-executive Director at Halma. Similarly, Steve Marshall undertook the CEO role at Balfour Beatty plc in May 2014 and found that he could not continue to devote the time that is necessary as Remuneration Committee Chairman and non-executive Director of Halma. The Board search for a new independent non-executive Director was led by our Chairman, Paul Walker. A global search firm, JCA Group, which has no other connection to Halma was appointed. The Board considered a wide and diverse range of candidates and the Board, having had the opportunity to meet Roy Twite, confirmed his independence upon appointment and was unanimous in its decision to appoint Roy effective following the conclusion of the July 2014 AGM.

These matters are discussed on page 64 and in the Nomination Committee Report on page 71.

Board induction

Newly appointed non-executive Directors follow an induction programme which includes scheduled trips to a variety of companies in each of the four sectors. All new Directors appointed to the Board have a comprehensive induction programme tailored to their individual needs.

Paul Walker met with the Company Secretary to review an induction pack which included Halma's governance and risk management structure, Board evaluations, Board and Committee meeting minutes, strategy papers, recent analyst and broker reports on Halma, and access to Halma's policies and procedural notes was also provided. As well as providing a schedule of meetings with executives and company visits, Paul Walker also attended the biennial Halma Innovation and Technology Exposition (HITE) in 2013 to gain a better understanding of the Halma group, our strategy, our operating companies, their management teams and their products.

When new non-executive Directors are appointed, Halma tailors our existing induction and training programme to suit their individual needs and we will similarly be doing so for Roy Twite.

Board diversity

The Board reviewed the report of Lord Davies published in February 2011 on Boardroom Diversity and contributed to the FRC review of Gender Diversity on Boards noting its support for the benefits of greater diversity, which is not just gender specific, but relates also to other factors such as market and international experience and diversity of thought. It was agreed by the Board that a manufacturing and technology company such as Halma would have to adopt policies to attract a greater number of females into management roles. The Board hopes to support these aims through the adoption and implementation of Halma's Diversity Policy (detailed on page 45) rather than set quotas. Halma aims to improve the representation of women in senior roles and on the Board of Directors by refreshing our policies and reviewing implementation to ensure that they create and maintain a diverse and inclusive culture.

As at year end, the Board had a total of ten Directors. The skill set of the non-executive Directors includes financial, economics, banking, engineering, technology, IT, communications and consumer expertise. They include eight British, one American and one Brazilian nationals. 20% of the Board are women.

Board activity throughout the year

February
- Budget (initial)
- Remuneration Committee proposals
- Results of Board effectiveness survey and meetings
- Interim Management Statement
- Risk management review
- Cyber security

April
- Budget
- Chairman and NED fees
- HITE and CEO conference objectives
- Pensions strategy update
- 2015 Board Calendar

June
- Preliminary Results
- Evaluation of prior year objectives
- Annual objectives for Group
- Environmental policy annual approval and target setting
- Dividend proposal/planning
- Pension fund accounts
- Assessment of upper quartile performance
- Special Guarantees guidelines update
- Matters Reserved for the Board

July
- AGM
- AGM trading update/IMS
- PSP awards
- SIP award consideration
- TSR performance

Halma has the ambition to increase the number of executives based outside Europe and the USA to better reflect the proportion of our revenue generated outside those markets. The diversity of all other employees is detailed on page 45 within the Corporate Responsibility report.

Board activity throughout the year 2013/14

During the year the Board received training and briefing updates on our sectors, market assessments and changes, acquisition opportunities and geographical priorities, succession planning, changes in corporate governance, risk management and compliance, audits, bribery and corruption, health and safety, environmental matters, cyber security, city and shareholder matters, and other relevant legislative and accounting changes.

The Directors have a programmed schedule of meetings and visits with the Executive Board, Group companies and Halma's development programmes to ensure that they are able to engage with management and employees at all levels. The Directors also have the opportunity to attend the biennial HITE and the associated conferences.

October

- Strategy/3-year plan
- Relative attractions of different sectors
- Candidates for acquisition/disposal
- Review progress towards annual objectives
- External sum of the parts valuation
- Debt/capital structure considerations
- Succession planning update/management bench

November

- Half-yearly results
- PSP vesting update
- Consideration of Board Evaluation process – internal/external review

Board performance and evaluation

The Board considers the evaluation of its performance as a whole and that of the Audit, Nomination and Remuneration Committees annually, with each Committee also evaluating its own performance. The aim of the evaluations is to improve the effectiveness of the Board and its members as well as the performance of the Company. The Board ensures that an external facilitator is engaged at least every third year. Dr Tracy Long of Boardroom Review performed the last external review in 2011/12 covering the full Board and Committee evaluations. For 2012/13 and 2013/14, the Company Secretary facilitated an internal evaluation of Board performance and that of the Audit, Nomination and Remuneration Committees. The Board will undergo an externally-facilitated review of the Board and its Committees next year.

This year's evaluation was conducted in the final quarter of the financial year and its outcome was first discussed with the Chairman and subsequently presented to the full Board. The evaluation results were circulated to the Board in February 2014 and discussed at the April 2014 Board meeting.

The Board members' many positive responses indicated their widely held view that ongoing improvements have been made since the 2011/12 external evaluation which concluded that the Board was effective, methodical and thorough in the way it approaches its work. There continues to be an open and transparent debate and an even contribution from all members of the Board and an active and collaborative approach to performance management reflected in the constructive debates in the Remuneration Committee. The Board continues to spend a significant amount of time considering risks and controls and was assisted by strong financial information, effective internal and external audit processes and a strong Audit Committee. Overall, the process confirmed the right blend of behaviours and skills around the Halma Board table although the Board recognises that additional geographic spread of experience and more gender diversity would aid more effective debate. The Board freely and openly expresses any concerns which results in more considered outcomes emphasising collective responsibility, transparency, clarity and integrity.

The most significant issue arising from the 2013 review surrounded the importance of Chairman and Senior Independent Director succession planning and the preservation of the Group's positive culture during such a transition in these roles. The Board felt that this was achieved during 2013/14 with the identification of Paul Walker as Chairman-elect and the smooth handover from Geoff Unwin.

Otherwise, the evaluation noted the Board's continuing recognition of the importance of the non-executive Directors investing sufficient time to enable them to operate with a sound knowledge of the Company and to establish relationships with the executive Directors.

The Board and Executive Board have also introduced more opportunities for interaction around topics of strategic and operational importance.

Performance evaluation cycle

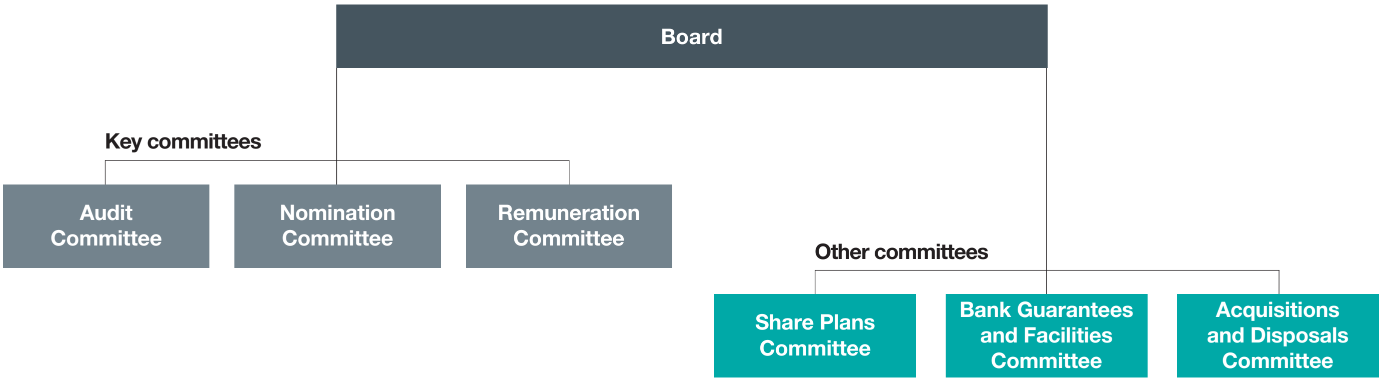
Year 1
External evaluation facilitation

Year 2
Internal review

Year 3
Internal review

Corporate Governance Report continued

Board governance structure



In recognition of the time required to properly induct new Board Directors and accepting that a maximum of two new appointments per annum is ideal, the Nomination Committee and the Board proposed that Stephen Pettit's appointment be extended another year (having already extended it once in 2013) to ensure continuity and an appropriate transition process is undergone with the aim of preserving the Group's culture while permitting healthy reflection on our current structure and processes. In reaching this decision, the Board concluded that Stephen Pettit's independence was not compromised by his ongoing directorship and the entire Board supported his continuing involvement. Halma also consulted our advisers. Stephen Pettit will remain on the Board until such time as his experience of Halma's culture is embodied in his colleagues and no later that the 2015 annual general meeting.

As in prior years, the Board also met in February 2014 before the scheduled Board meeting. There was a meeting of the Chairman and non-executive Directors with the Chief Executive. This was followed by a meeting of the Chairman and non-executive Directors only. The Senior Independent Director also led a meeting with the non-executive Directors without the Chairman present. The Executives were also given the opportunity to meet with the Chairman and/or the Senior Independent Director separately. The outcome of these meetings was then fed back to individuals by the Chairman, Senior Independent Director or Chief Executive, as appropriate.

Committees of the Board

Our Committees are a valuable part of the Company's corporate governance structure. The workload of the Committees includes the table of scheduled meetings as well as ad hoc meetings and communications frequently requiring considerable amounts of time.

Halma has six committees and sub-committees of the Board: the Audit Committee, the Nomination Committee, the Remuneration Committee, the Share Plans Committee, the Bank Guarantees and Facilities Committee and the Acquisitions and Disposals Committee. Each of these Committees has terms of reference which have been recently reviewed, updated and approved by the Board, copies of which are available on the website or on request from the Company Secretary.

Minutes of Committee meetings are made available to all Directors and the Chairmen of each of the three key Board Committees, the Audit, Nomination and Remuneration Committees, provide regular updates to the Board. As of April 2014, all non-executive Directors sit on the Nomination and Remuneration Committees.

A chart setting out the Company's Board and Committees' structure is given above with the Board and Committee memberships and Directors' biographical details shown separately on pages 56 and 57. The responsibilities of the key Board Committees and the key issues and activities during 2013/14 are set out in the following Committee reports on pages 66 to 89.

Investor relations

The Board recognises the importance of effective communication with our shareholders. In regular meetings with shareholders and analysts the Chief Executive and Finance Director communicate the Group's strategy and results, disclosing such information as is permitted within the guidelines of the Listing Rules. Such meetings ensure that institutional shareholders representing over 50% of the Company's issued share capital meet or hold discussions with the Company on a regular basis. Major shareholders are also offered the opportunity to meet the Chairman and/or Senior Independent Director. Notes from all investor meetings are circulated to the Chairman with investor feedback results from roadshows circulated to the whole Board.

All shareholders are encouraged to attend the annual general meeting where they can gain a better understanding of the Company. Shareholders are able to pose questions to the Board on the matters put to the meeting, including the Annual Report and Accounts and the management of the Company. Major shareholders are also invited to briefings following the half-year and annual results. In February 2014, the Chief Executive, Finance Director and a Divisional Chief Executive held a Capital Markets Day at which an update on the Group's strategy and the new reporting sectors was detailed and the Group's mergers and acquisitions performance was reviewed. The content of presentations to shareholders and analysts at results announcements and all announcements are available on the Group website: www.halma.com.

The Group website also contains electronic versions of the latest Annual Report and Accounts, Half-year Reports, biographical information on Directors and the Executive Board, share price information, and full subsidiary company contact details as well as links to their own websites. The website also features the facility to request e-mail alerts relating to announcements made by the Group and there is a feedback form to invite suggestions for improvements to the website and our investor relations activities.

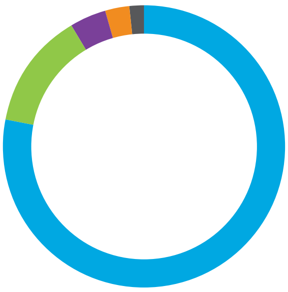
Shareholders can keep up to date with the latest Halma financial news, on the move, with our Investor Relations iPad app. This is available as a free download from the Apple iTunes store, as detailed below. The app is updated at the same time as our website and delivers news releases, regulatory announcements, presentations, reports, webcasts, videos, financial documents and the share price.

To help investors understand the scope of our business we have produced a new 'Introduction to Halma' animated video. This can be viewed from the home page of our website (www.halma.com) and from our iPad investor app.

Type this link into your browser to go to the Halma Investor Relations app download page on iTunes: http://goo.gl/4W91y

The Financial calendar is set out on page 158.

Shareholders (number) at 15 May 2014



1-5,000	78.1%
5,001-25,000	13.4%
25,001-100,000	4.1%
100,001-750,000	3.0%
750,001 and over	1.4%

Analysis of shares (number) at 15 May 2014

1-5,000	1.9%
5,001-25,000	2.3%
25,001-100,000	3.3%
100,001-750,000	14.6%
750,001 and over	77.9%

Results of our 2013 annual general meeting

		Total votes for %	Total votes against %	Votes withheld %
1	Report and Accounts	99.0	0.0	1.0
2	Dividend	99.7	0.0	0.3
3	Remuneration Report	98.1	0.8	1.1
4–13	Directors	96.1 to 99.5	0.1 to 3.6	0.3
14	Reappointment of Auditor	98.5	0.5	1.0
15	Auditor's remuneration	99.1	0.6	0.3
16	Authority to allot shares	98.9	0.8	0.3
17	Disapplication of pre-emption rights	99.6	0.1	0.3
18	Authority to purchase own shares	99.6	0.1	0.3
19	Notice of general meetings	92.6	7.1	0.3

Internal control

The Board has overall responsibility to the shareholders for the Group's system of internal control and risk management, and the review of the system's effectiveness has been delegated to the Audit Committee. Whilst not providing absolute assurance against material misstatements or loss, this system is designed to identify and manage those risks that could adversely impact the achievement of the Group's objectives. The Group's risk management structure and process is detailed on pages 28 and 29. The Group's principal risks and uncertainties are detailed on pages 30 to 33.

The Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group, which has been in place for the year under review and up to the date of approval of the Annual Report and Accounts. This process has been reviewed by the Board and the Board is satisfied that the Group accords with the Turnbull guidance. The Board made several enhancements in the conduct of the process during the year and will continue to review the system routinely to ensure that the system of internal control and risk management remains fit for purpose.

The Group's external Auditor, Deloitte LLP, has audited the financial statements and has reviewed the financial control systems to the extent Deloitte considers necessary to support the audit report.

Going concern

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 in the Strategic Report. In addition, note 26 to the financial statements includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposures to currency and liquidity risks.

The Group has considerable financial resources (including a £360m five-year revolving credit facility, of which £255m was undrawn at 29 March 2014) together with contracts with a diverse range of customers and suppliers across different geographic areas and industries. No one customer accounts for more than 2% of Group turnover. The Directors have considered the Group's potential exposure to the Eurozone crisis and have concluded that this is minimal due to the fact that less than 5% of sales arise in areas experiencing macro-economic uncertainty and the Group does not maintain significant banking or other business relationships in these areas. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully.

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. For this reason, they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

Audit Committee Report

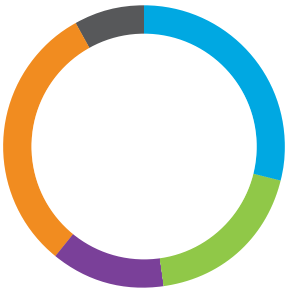
"The Audit Committee focused on the integrity of the Group's financial reporting including the processes to make our Annual Report and Accounts 'fair, balanced and understandable', the effectiveness and appropriateness of our system of risk management and internal controls as well as our internal and external audit processes."

Jane Aikman, Chairman, Audit Committee

Audit Committee members

- Jane Aikman (Chairman)
- Stephen Pettit
- Norman Blackwell
- Steve Marshall
- Daniela Barone Soares

Allocation of time %



Financial statements and reports	29%
Risk management	19%
Internal audit	13%
External audit	31%
Other	8%

During 2013/14, the Audit Committee focused on the integrity of the Group's financial reporting including the processes to make our Annual Report and Accounts 'fair, balanced and understandable', the effectiveness and appropriateness of our system of risk management and internal controls as well as our internal and external audit processes. I am pleased to present the first Audit Committee Report prepared in accordance with the newly revised Corporate Governance Code, in which the role of the Audit Committee and its activities during the year are further expanded upon, in particular:

- description of the significant issues that the Audit Committee considered in relation to the financial statements and how these issues were addressed, having regard to the matters communicated to it by the auditor; and
- explanation of how the Audit Committee has assessed the effectiveness of the external audit process and the approach taken to the reappointment of the external auditor to enable shareholders to understand why it recommended reappointing our auditor.

During the course of the year, the regular challenge and engagement with management, internal audit and the external auditor, together with the timely circulation of reports and information, has enabled the Committee to discharge its duties and responsibilities effectively.

I hope you find this Report helpful in understanding the work of the Audit Committee.

Responsibilities

The Audit Committee is appointed by the Board from the non-executive Directors of the Group. The Audit Committee's terms of reference include all matters indicated by Disclosure and Transparency Rule 7.1 and the Code. The terms of reference are considered annually by the Audit Committee and are then referred to the Board for approval. The full terms of reference were recently updated in April 2014 in line with the revised recommendations of the Institute of Chartered Secretaries and Administrators (ICSA) June 2013 audit committee terms of reference guidance. The terms of reference can be found on the Company's website or can be obtained from the Company Secretary.

The primary responsibilities of the Audit Committee are to:

- monitor the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance and review significant financial reporting judgments contained therein;
- have oversight of risk management, including the review of the Group's financial, operational and compliance internal controls, as well as whistleblowing and fraud prevention procedures;
- monitor and review the effectiveness of the Group's Internal Audit function;
- make recommendations to the Board, for a resolution to be put to the shareholders for their approval at the general meeting, on the appointment of the external auditor and the approval of the remuneration and terms of engagement of the external auditor;
- review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration the periodic rotation of audit personnel and relevant UK professional and regulatory requirements; and
- develop and implement a policy on the engagement of the external auditor to supply non-audit services, taking into account relevant guidance regarding the provision of non-audit services by the external audit firm.

Key issues and activities

The Committee not only reviews the financial reporting of the Company, but spends a significant amount of its time reviewing the effectiveness of the Group's internal control process. Combined with the Committee's review of the internal and external audit functions, it is able to obtain sufficient information to discharge its responsibilities.

More specifically, during the year the Committee reviewed its own effectiveness and looked at its activities as detailed in the table below.

Audit Committee activities

Financial statements and reports

- reviewed the 29 March 2014 Annual Report and Accounts, the 28 September 2013 Half year report and the IMSs issued in July 2013 and February 2014. As part of these reviews the Committee received a report from the external auditor on the audit of the Annual Report and Accounts;
- reviewed the effectiveness of the Group's internal controls and disclosures made in the Annual Report and financial statements;
- considered acquisition valuation methodology;
- review of pension fund accounts; and
- review of taxation provisions.

Risk management

- considered the output from the Group-wide risk review process to identify, evaluate and mitigate risks, the Group's changing risk profile and future risk reports;
- devoted additional time to adequately address risk management in the Group; and
- export controls.

Internal audit

- evaluated the effectiveness and the scope of work to be undertaken by the Internal Audit function;
- reviewed management responses to audit reports issued during the year;
- reviewed the Group's whistleblowing policy which allows Internal Audit to receive, in confidence, complaints on accounting, risk issues, internal controls, auditing issues and related matters; and
- reviewed the resourcing of Internal Audit.

External auditor and non-audit work

- reviewed, considered and agreed the scope and methodology of the audit work to be undertaken by the external auditor;
- evaluated the independence and objectivity of the external auditor; and
- agreed the terms of engagement and fees to be paid to the external auditor for the audit of the 29 March 2014 financial statements.

Governance

The Audit Committee was in place throughout the financial year with Jane Aikman as the Chair. All five members are independent non-executive Directors in accordance with provision C.3.1 of the Code. The Chief Executive, Finance Director and representatives from the external Auditor attend Committee meetings by invitation in order to provide appropriate advice. The Committee meets at least three times per year and routinely meets the Auditor without the involvement of the executive Directors. The Committee meets with the Internal Auditor on a regular basis throughout the year. The Finance Director works closely with the Chairman of the Audit Committee to ensure open communication between them. The Board has designated Jane Aikman as the member of the Audit Committee with recent and relevant financial experience. She is a chartered accountant, is a finance director and has listed company experience.

Training

The Audit Committee has extended all of its meetings by an hour to incorporate additional time for risk-related topics and training on relevant topics, for example valuation of acquisitions and disposals, financial reporting (including additional coverage of audit procedures, scope and methodology), fraud, cyber security, internal control and governance.

Engagement of the external auditor

The external auditor is engaged to express an opinion on the Group's and Company's financial statements. The audit includes the review and test of the data contained in the financial statements to the extent necessary for expressing an audit opinion on the truth and fairness of the financial statements.

Deloitte LLP has been the external Auditor of the Group since 2003 and a review of the independence of Deloitte LLP is undertaken each year. At the year end the Auditor formally confirmed its independence and that objectivity has been maintained. The Committee concluded that the relevant independence continues to be met. In addition, the partner responsible for the Group audit is rotated at least every five years.

Deloitte LLP provides the Committee with relevant reports, reviews and advice throughout the year, as set out in their terms of engagement.

External auditor tendering

In accordance with UK regulations, the Company's Auditor adheres to a rotation policy based on best practice and a new Group lead engagement partner is appointed in place of the previous lead engagement partner once he has completed a term of five years in that role.

Following a rigorous evaluation of the audit service and a change in audit partner in 2010/11, the Audit Committee agreed that a full tender was not required for the 2012/13 audit. The Committee reconsidered its review during 2013/14 and concluded that a full tender is not currently required. In making this assessment the Committee focused on the robustness of the audit, the quality of delivery of audit services and the effectiveness, objectivity and independence of the Auditor in its reviews.

The Committee is satisfied that the audit continues to be effective and provides an appropriate independent challenge to the Group's senior management.

The Committee has noted the revisions to the UK Corporate Governance Code introduced by the Financial Reporting Council (FRC) in September 2012 and effective for Halma's 2013/14 financial year and in particular the recommendation to put the external audit out to tender at least every 10 years. The Committee noted the proposed transitional arrangements with respect to audit tendering to fit the five-yearly cycle of partner rotation.

The Committee is satisfied that Deloitte continues to provide an effective audit. The Committee remains supportive of the Code's requirement that the audit should be put out to tender at least once in every ten years and intends to conduct its external tendering arrangements before the end of December 2016.

Auditor independence

The Group's 'Policy on Auditor Independence and Services provided by the External Auditor' sets out restrictions on the categories of non-audit services which the external auditor is allowed to provide to the Group, a summary of which is provided in the table below. This policy is regularly reviewed and states that the Group will only use the appointed external auditor for non-audit services in cases where these services do not conflict with the auditor's independence.

Audit Committee Report continued

The Committee confirms that Deloitte LLP remains best placed to advise the Group on matters related to tax compliance and the structure of the Group. The Committee accepts that certain work of a non-audit nature is best undertaken by Deloitte, and appointments are made taking into account factors including expertise and fees. The Committee regularly reviews the amount and nature of the non-audit work Deloitte performs. The Audit Committee is notified of all of Deloitte's non-audit services with fees between £50,000 and £100,000. The policy also sets a fee level per project of £100,000 above which non-audit services are subject to a tendering process. The above fee levels for non-audit services are also subject to an annual cap equal to the audit fee. At each meeting, the Audit Committee also receives a summary of all fees, audit and non-audit, payable to the external Auditor.

The audit fees payable to Deloitte LLP during 2013/14 were £759,000 (2013: £740,000) and non-audit service fees were £65,000 (2013: £307,000). The principal non-audit service is tax-advisory related. A summary of fees paid to the external Auditor is set out in note 6 to the Accounts on page 116.

In accordance with International Standards on Auditing (UK & Ireland) 260 and Ethical Standard 1 issued by the Accounting Practices Board, and as a matter of best practice, the external Auditor has confirmed its independence as Auditor of the Company, in a letter addressed to the Directors.

Accordingly, the Committee unanimously recommended to the Board that a resolution for the reappointment of Deloitte LLP as the Company's independent Auditor be proposed to shareholders at the AGM in July 2014 and the Board has accepted and endorsed this recommendation.

External audit effectiveness

The effectiveness of the external audit process is assessed by the Committee, which meets regularly throughout the year with the audit partner and senior audit managers. Key to the overall effectiveness of the process is a 'no surprises' approach adopted by both the Group and the Auditor under which each party makes the other aware of accounting and financial reporting issues as and when they arise, rather than limiting this exchange to the period in which formal audit and review engagements take place.

This general approach is supported by a formal annual survey process involving subsidiary and Group management as well as Audit Committee members and attendees.

Surveys are tailored and issued to three distinct groups of respondents:

- Subsidiary Finance Directors;
- Sector Chief Executives and Sector Vice Presidents; and
- Audit Committee members and attendees.

The survey completed by the first group is divided between questions focusing on audit quality and client service. As this group is involved primarily in the execution phase of the audit the responses cover practical audit management issues as well as observations made of the integrity and quality of audit field teams. The second and particularly the third group interact mainly with senior audit management and the audit partner and so the survey covers more general audit planning and wider issues around the audit relationship.

In addition to assessing the effectiveness of the external Auditor the Committee recognises that Group management has an important role to play in the overall effectiveness of the external audit process and the Auditor is therefore asked to conduct its own survey of both subsidiary and head office companies that Deloitte interacts with. This survey addresses items such as the timeliness, quality and reliability of data provided to the Auditor.

Taken together the Committee believes that sufficient and appropriate information is obtained to form an overall judgment on the effectiveness of the external audit process.

Policy of auditor independence and services

Prohibited non-audit services

- appraisal or valuation services;
- financial information systems design and implementation;
- bookkeeping services;
- management functions;
- executive recruiting and resource services;
- broker-dealer services; and
- legal services.

Audit-related services not subject to separate tender if fees <£100,000

- audits of businesses acquired or to be sold and due diligence services;
- opinions/audit reports on information provided by the company upon request from a third party;
- advice on accounting policies;
- electronic data processing audits; and
- tax services including local tax compliance.

Permitted non-audit services, subject to approval

- due diligence services relating to acquisitions with fees in excess of £100,000;
- public reporting on investment circulars;
- liquidation services in respect of redundant subsidiaries or associate companies; and
- tax-advisory fees in excess of £100,000 where the firm's existing knowledge of the Group structure is preferred.

Risk management and internal controls

Further details of risk management and internal controls are set out on pages 28 to 33. Through monitoring of the effectiveness of its internal controls and risk management, the Committee is able to maintain a good understanding of business performance, key areas of judgement and decision-making processes within the Group.

Significant issues in relation to financial reporting matters in 2013/14

During the year the Committee considered significant risks and issues in relation to the Group's financial statements and disclosures relating to:

- the assessment of the carrying value of goodwill and intangible assets due to the significance of the amounts recorded on the consolidated balance sheet, the number of judgements involved in assessing goodwill and intangible assets for impairment and the continued challenging economic conditions;
- the risk that acquisitions are not accounted for correctly in line with IFRS 3 'Business combinations' including the recording of fair value adjustments and the identification of acquired intangibles;
- the valuation of any contingent consideration arising on acquisitions in current and prior periods;
- the judgements involved in valuing Defined Benefit pension schemes including the discount rate, the mortality assumption and the inflation level;
- the risk around capturing the capitalised development costs in relation to qualifying products as well as the subsequent impairment review based on predicted product launch and performance; and
- ensuring the Annual Report and Accounts are fair, balanced and understandable.

These issues were discussed with management at various stages during 2013/14 and during the preparation and conclusion of the financial statements. After reviewing the presentations and reports from management the Committee is satisfied that the financial statements appropriately address the critical judgements and key estimates, both in respect of the amounts reported and the disclosures made. The Committee is also satisfied that the significant assumptions used for determining the value of assets and liabilities have been appropriately scrutinised, challenged and are sufficiently robust. The Committee has discussed these issues with the Auditor during the audit planning process and at the conclusion of the year end audit and is satisfied that its conclusions are in line with those drawn by the Auditor in relation to these issues.

The Committee's process for challenging the assumptions of management and addressing the risks identified includes the following activities:

- considering the appropriateness of reviews conducted of the purchase agreements against the related accounting entries and fair value calculations for the acquired opening balances. This involved challenging, where required, assumptions and key judgements underpinning the valuations, and benchmarking acquisitions;
- assessing treatments of contingent consideration payment arrangements against the requirements of IFRS 3;
- focusing on, monitoring regularly and constructively challenging the reasonableness of the assumptions used in impairment calculations by management and the appropriateness of judgements and forecasts used including discount rates, growth rates, the level of aggregation of individual cash generating units and methodology applied, and any other associated disclosures in note 11 to the Accounts;
- assessing capitalisation of development costs in line with the accounting policy and standards;
- assessing the assumptions in determining the pension obligations, particularly given recent market volatility and determined whether the key assumptions were reasonable. These assumptions were also benchmarked against other listed companies and variances highlighted for consideration; and
- considering the appropriateness and reasonableness of stated judgements and conclusions and that reporting was accurate.

As part of the above process the Committee specifically considered the following:

- the valuation of contingent consideration payable in respect of the acquisition of MicroSurgical Technology, Inc. (MST) in the prior year. Following a review of the expected performance of MST against its contingent consideration earnings targets, management concluded that a significant proportion of the accrued payable should be released to the Consolidated Income Statement as the balance was unlikely to be paid in full. The Committee challenged the assumptions on which management based its conclusion (company forecast and budget data and the impact of this on the contingent consideration calculation) by understanding the risks and opportunities in the forecast and budget data and concluded that, within a range of outcomes, the revised valuation was reasonable;
- the Committee reviewed the relative value of projects in development and completed projects comprising the capitalised development costs balance and the coverage of these values by expected future cash flows to test the assertion of management that no projects were at risk of impairment; and
- the Committee was briefed on the consultation that was undertaken with members of the Defined Benefit schemes regarding the closure of the schemes to future benefit accrual and reviewed the third party report that was prepared by the Group's pension advisers outlining the impact of the closure.

Fair, balanced and understandable report and accounts

One of the key governance requirements is for the report and accounts to be fair, balanced and understandable. Ensuring that this standard is met requires continuous assessment of the financial reporting issues affecting the Group on a year round basis in addition to a number of focused exercises that take place during the Annual Report and Accounts production process.

These focused exercises can be summarised as follows:

- a qualitative review of disclosures and a review of internal consistency throughout the Annual Report and Accounts. This review assesses the Annual Report and Accounts against objective criteria drawn up for each component of the requirement (individual criteria that indicate 'fairness', 'balance' and 'understandability' as well as criteria that overlap two or more components);
- a risk comparison review, which assess the consistency of the presentation of risks and significant judgments throughout the main areas of risk disclosure in the Annual Report and Accounts;
- a formal review of all Board and Committee meeting minutes by the Company Secretary to ensure that all significant issues are appropriately reflected and given due prominence in narrative reporting; and
- preparation and issue to the Audit Committee of the key working papers and results for each of the significant issues and judgments considered by the Audit Committee in the period.

The Directors' statement on a fair, balanced and understandable Annual Report and Accounts is set out on page 59.

On behalf of the Audit Committee

Jane Aikman
Chairman
12 June 2014

Nomination Committee Report

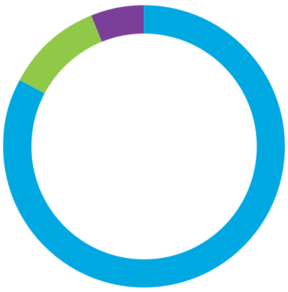
"The Nomination Committee continued to review our governance structures and the composition of our Board and Executive Board throughout the year. I am delighted to have further strengthened our Board and aligned our Executive Board with the four market sectors in which we are engaged."

Paul Walker, Chairman, Nomination Committee

Nomination Committee members

- Paul Walker (Chairman)
- Andrew Williams
- Stephen Pettit
- Steve Marshall
- Norman Blackwell
- Jane Aikman (appointed 10 April 2014)
- Daniela Barone Soares (appointed 10 April 2014)

Allocation of time %



Succession planning	83%
Composition of Board	11%
(Re)-election of Directors	6%

Responsibilities

The Nomination Committee is appointed by the Board from the non-executive Directors of the Group and the Chief Executive. The Nomination Committee's terms of reference include all matters indicated by the UK Corporate Governance Code. The terms of reference are considered annually by the Nomination Committee and are then referred to the Board for approval. The full terms of reference were reviewed during the year and updated in April 2014 in line with the revised recommendations of the ICSA June 2013 nomination committee terms of reference guidance. The terms of reference can be found on the Company's website or can be obtained from the Company Secretary.

The primary responsibilities of the Nomination Committee are to:

- regularly review the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board compared to its current position and make recommendations to the Board with regard to any changes;
- give full consideration to succession planning for Directors and other senior executives in the course of its work, taking into account the challenges and opportunities facing the Company and the skills and expertise needed on the Board in the future; and
- identify and nominate, for the approval of the Board, candidates to fill Board vacancies as and when they arise.

Governance

The Nomination Committee was in place throughout the financial year. It is chaired by the Chairman of the Company who was deemed to be independent on appointment to the Board. Six of the seven members of the Committee are independent non-executive Directors in accordance with provision B.2.1 of the Code.

Key issues and activities

The Committee and the specially formed sub-committee met on several occasions during the year and considered:

- the re-election of all Directors at the July 2013 annual general meeting;
- succession planning;
- external board evaluation;
- Geoff Unwin's proposed retirement;
- Stephen Pettit's re-election to the Board and its Committees;
- the nomination and appointment of Paul Walker as a non-executive Director and Chairman and his membership of the Nomination and Remuneration Committees (as described below); and
- the nominations and appointments of Jane Aikman and Daniela Barone Soares to the Nomination and Remuneration Committees.

When the need to appoint a Director is identified, a candidate profile is developed indicating the skills, knowledge and experience required taking into account the Board's existing composition. External search consultancies are retained when recruiting non-executive Directors and are used to evaluate internal and external candidates for succession planning.

As disclosed on page 60, the Nomination sub-committee appointed for the Chairman succession search comprised four non-executive Directors, led by the Senior Independent Director. A global search firm, Korn Ferry Whitehead Mann, which has no other connection to Halma was appointed. A wide range of high calibre candidates was considered for the role. The Board confirmed Paul Walker's independence upon appointment and was unanimous in its decision to appoint Paul Walker.

Succession planning for the Senior Independent Director was well in hand when Norman Blackwell indicated that his April 2014 chairmanship of Lloyds Banking Group Plc may preclude his continuing as a non-executive Director at Halma. Similarly, Steve Marshall undertook the CEO role at Balfour Beatty plc in May 2014 and found that he could not continue to devote the time that is necessary as Remuneration Committee Chairman and non-executive Director of Halma. They will both be stepping down at the conclusion of the July 2014 AGM. The Committee concluded that in order to ensure continuity and that an appropriate transition process is undergone, with the aim of preserving the Group's culture, Stephen Pettit will remain on the Board until such time as his experience of Halma's culture is embodied in his colleagues and no later than the 2015 annual general meeting. The Committee subjected Stephen Pettit's reappointment to an even more rigorous review to ensure Stephen Pettit's independence is not compromised and that the Board supported his reappointment unanimously.

As noted on page 60 and on pages 62 to 64, the process of appointments to the Board is paramount in ensuring the Company's performance is maintained and continually improved upon. The Board search for a new independent non-executive Director was led by our Chairman, Paul Walker. A global search firm, JCA Group, which has no other connection to Halma was appointed. The Board considered a wide and diverse range of candidates and the Board having had the opportunity to meet Roy Twite confirmed his independence upon appointment and was unanimous in its decision to appoint Roy. Roy Twite, an executive director at IMI plc, will be appointed to the Board effective following the conclusion of the AGM on 24 July 2014. Roy Twite brings with him very relevant engineering experience which will be invaluable to Halma's Board discussions. The Board is in the process of seeking to identify an additional non-executive Director.

On behalf of the Nomination Committee

Paul Walker
Chairman
12 June 2014

Remuneration Committee Chairman statement

"...there were no substantive changes to the remuneration policy or structure of the Group during the year."

Dear Shareholders,

On behalf of the Board I am pleased to present the Remuneration Committee's Directors' Remuneration Report for the year ended 29 March 2014.

As set out on page 5, Halma's strategy is to build a strong competitive advantage in specialised safety, health and environmental technology markets with resilient growth drivers. This strategy is underpinned by the Group's remuneration framework which balances a short-term cash incentive related to improvements in the Economic Value Added ('EVA') in a financial year, with a longer-term share incentive related to returns on invested capital and Total Shareholder Return.

Other than the announced closure of the Halma Defined Benefit pension plan in which a number of executives participated, there were no substantive changes to the remuneration policy or structure of the Group during the year. The Committee continuously assessed the appropriateness of its remuneration structure in the light of the business' performance and confirmed its satisfaction with the structure and the outcomes related to the application of the structure. Accordingly, the Committee:

- determined the remuneration of the Chairman, Executive Board and the Company Secretary in accordance with its Terms of Reference;
- determined the Chief Executive's achievement of personal objectives contributing to a proportion of his performance share plan (PSP) award granted in August 2013;
- confirmed the performance-related bonus arrangements for 2013/14 with no material change from prior year;
- confirmed the PSP arrangements for 2013/14 with no material change from prior year;
- confirmed the pension arrangements for UK senior executives;
- considered the framework for subsidiary chief executives and directors to ensure that a consistent approach was applied;
- considered the 'good leaver' status of departing PSP participants;
- consulted the top ten shareholders on the proposed remuneration of executive Directors for 2015; and
- decided to conduct a more thorough review of remuneration during 2015 to coincide with the necessity to introduce a new long-term incentive plan at the 2015 annual general meeting.

Other than the evaluation of Chief Executive objectives and the determination of good leaver status for departing executives, the Committee did not exercise any discretion during the year.

In August 2013, the UK Government Department of Business Innovation & Skills ('BIS') published a set of regulations on what companies must disclose in the Directors' Remuneration Report from 1 October 2013. In line with the requirements, this report is divided into three sections:

- this Annual Statement;
- the Directors' Remuneration Policy, which details Halma's executive remuneration policies and links to Group strategy, as well as projected pay outcomes under different performance scenarios; and
- the Annual Remuneration Report, which focuses on the remuneration arrangements and outcomes for the year under review, and how the Remuneration Committee intends to implement the policy next year.

As required under the new reporting regulations, the Directors' Remuneration Policy will be put to a binding shareholder vote at the Annual General Meeting on 24 July 2014, and the Annual Remuneration Report will be submitted to an advisory vote at the same time.

My colleagues on the Remuneration Committee ('the Committee') and I hope that you find the new layout of the Remuneration Report to be clear and transparent, and that we can count on your support for the Directors' Remuneration Policy – which remains unchanged – and its implementation during the year under review.

Steve Marshall
Chairman
12 June 2014

Remuneration Committee Report
Remuneration Policy

This section of the report details the policy for executive and non-executive Directors which shareholders are asked to approve at the 2014 AGM. The Committee intends that this policy will formally come into effect from 24 July 2014, being the date of the 2014 AGM, and be effective for up to three years.

Compliance Statement

This report has been prepared in accordance with the provisions of the Companies Act 2006 (‘the Act’), the Listing Rules and Regulation 11 and Schedule 8 of the Large and Medium-Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. The report also meets the relevant requirements of the Listing Rules of the Financial Conduct Authority and describes how the Board has applied the principles relating to Directors’ remuneration in the UK Corporate Governance Code. As required by the Act, resolutions to approve the Remuneration Policy and Annual Report on Remuneration will be proposed at the AGM of the Company at which the financial statements will be approved.

In line with the Regulations, the following parts of the Annual Report on Remuneration are audited: the single figure for total remuneration for each Director, including annual bonus and performance share plan outcomes for the financial year ending 29 March 2014; plan interests awarded during the year; pension entitlements; payments to past Directors and payments for loss of office; and Directors’ shareholdings and share interests. All other parts of the Directors’ Remuneration Report are unaudited.

Remuneration Policy

Executive Director remuneration packages are designed to attract, retain and motivate the high calibre executives needed to manage the Group successfully, and to align their interests with those of our shareholders by rewarding them for enhancing shareholder value. Executive Director remuneration also seeks to reward achievement of stretching performance targets without driving unacceptable behaviours or encouraging excessive risk-taking. The performance measurement of the executive Directors and the determination of their annual remuneration package are undertaken by the Remuneration Committee.

There are six elements of the remuneration packages for executive Directors. The remuneration policy for executive Directors is summarised in the table below.

Element and objective	Operation and process
Salary To attract and retain key employees and reflect their experience and personal contribution to delivery of the Group’s strategy	Reviewed annually or following a material change in responsibilities. Salary is benchmarked against appropriate comparators of similar size and operating in a similar sector, and is linked to individual performance and contribution. Salary is the only element of remuneration that is pensionable.
Benefits To provide benefits that are competitive within the relevant market	Benefits are appropriate to the location of the executive and typically comprise (but are not limited to) a company car, life assurance, permanent disability insurance, private medical insurance, relocation and tax advice for international assignments.
Pension To provide competitive post-retirement benefits, or to provide the opportunity for executives to save for their retirement	Executive Directors participate in either a Group Defined Benefit pension plan, Group Defined Contribution pension plan or the US 401k money purchase arrangement. Cash supplements in lieu of Company pension contributions may be made to some individuals. To the extent the pension contributions exceed the local tax allowance, the contributions may be paid to the executive, subject to taxes and social charges.

In addition to the elements of remuneration set out below, the Committee may consider it appropriate to grant an award under a different structure in order to facilitate the recruitment of an individual, exercising the discretion available under the relevant Listing Rule to replace incentive arrangements forfeited on leaving a previous employer. Such 'buyout awards' would have a fair value no higher than that of the awards forfeited. Further, the Committee also retains discretion to make non-significant changes to the policy without reverting to shareholders.

Opportunity	Performance measures
Base salary increases will be applied in line with the outcome of the review (normally with effect from 1 April). Salaries for the financial year under review (and the following year) are disclosed in the Annual Report on Remuneration (see page 85 for 2013/14 and 2014/15 salaries). It is not anticipated that salary increases for executive Directors will exceed those of the wider employee population over the period this policy will apply. Where increases are awarded in excess of the wider employee population, for example if there is a material change in the responsibility, size or complexity of the role, the Committee will provide the rationale in the relevant year's Annual Report on Remuneration.	Not applicable
Benefits may vary by role, and the level is determined to be appropriate for the role and circumstances of each individual executive Director. The maximum value will equate to the reasonable market cost of such benefits. It is not anticipated that the current cost of benefits (as set out in the Annual Report on Remuneration) would increase materially over the period for which this policy will apply. The Committee retains the discretion to approve a higher cost in exceptional circumstances (e.g. relocation expenses or an expatriation allowance on recruitment, etc.) or in circumstances where factors outside the Company's control have changed materially (e.g. market increases in insurance costs). The rationale behind the exercise of such discretion will be provided in the relevant year's Annual Report on Remuneration.	Not applicable
Defined Benefit: maximum pension after 25 years' pensionable service equivalent to two-thirds of final pensionable salary, up to a CPI-indexed cap; £153,684 for 2014/15. Defined Contribution: maximum contribution of 27.5% of pensionable salary for executive Directors (2014/15: 20% maximum). Cash supplement: Halma contributes 26% of salary in excess of the cap, or up to 26% of the full salary if the executive Director no longer participates in the Defined Benefit scheme. 401k contributions of 3% of salary with a discretionary 2% profit share component subject to IRS caps.	Not applicable

Remuneration Committee Report continued
Remuneration Policy

Element and objective	Operation and process
Annual Incentive To incentivise the achievement of an objective annual target which supports the short- to medium-term strategy of the Group.	The structure of the Annual Incentive (including, but not limited to, performance measures and their weightings) is reviewed at the start of the year to ensure they remain appropriately aligned with the Group's strategy. Performance targets are calibrated and set at the start of the year, with reference to a range of relevant reference points including, but not limited to, the annual budget agreed by the Board. At the end of the year, the Committee determines the extent to which these targets have been achieved.
Performance Share Plan (PSP) To incentivise executives to achieve superior returns to shareholders over a three-year period; to retain key individuals and align interests with shareholders, reflecting the sustainability of the business model over the long-term.	Executive Directors are granted annual awards of Halma plc shares as determined by the Committee, which vest after a period of at least three years based on Group performance. Dividend equivalents accrue over the vesting period. Dividend equivalents are paid in cash or shares at the end of the vesting period, and only on those shares which vest.
Share Incentive Plan (SIP) To encourage share ownership across all UK-based employees using HMRC-approved schemes.	The SIP is an HMRC-approved arrangement which entitles all UK-based employees to receive Halma shares in a potentially tax-advantageous manner. As part of their participation in the PSP, UK executive Directors may be awarded a proportion of their PSP awards in SIP Free Shares. Free shares are awarded based on length of service and earnings.

Notes to the Policy Table
Payments from Existing Awards
The Committee will honour any commitment entered into, and executive Directors will be eligible to receive payment from any award made, prior to the approval and implementation of the Remuneration Policy detailed in this report, i.e. before 24 July 2014. Details of these awards are disclosed in the Annual Report on Remuneration.

Selection of Performance Measures
The performance measures used in Halma's executive incentives have been selected to ensure incentives reinforce the Group's strategy and align executive interests closely with those of our shareholders.

In the annual bonus, the use of EVA, in summary, profit less a charge for capital employed (definition is provided on page 82) reinforces the Group's business objective to double Group revenue and profit every five years through a mix of acquisitions and organic growth. Profit is a function of the extent to which the Company has achieved both its organic growth target and its success in identifying appropriate acquisition targets in current and past years. Ensuring that the cost of funding acquisitions is reflected in the bonus model means that executives share the benefit of an acquisition that outperforms expectations, but equally bear the cost of overpaying for an acquisition. Good or poor management of working capital is also reflected in the calculation of EVA.

In the PSP, the Committee continues to believe that TSR provides close shareholder alignment and incentivises shareholder value creation, and ROTIC reinforces the focus on capital efficiency and delivery of strong returns, thereby further strengthening the alignment of remuneration with the Group strategy.

Opportunity	Performance measures
Maximum opportunity: 100% of salary. Target opportunity: 60% of salary. Bonus payable at threshold: 0% of salary. Target means the attainment of sufficient Economic Value Added (EVA) growth representative of approximately 8% profit improvement. In exceptional circumstances, the Committee has the ability to exercise discretion to override the formulaic bonus outcome within the limits of the scheme where it believes the outcome is not truly reflective of performance and to ensure fairness to both shareholders and participants.	The bonus is based 100% on the achievement of financial performance targets. No element of the bonus is linked to personal objectives. The primary measure used to determine bonus outcomes is EVA, although the Committee may, in its discretion and from time to time, supplement EVA with additional financial measures (including, but not limited to, revenue growth, cashflow, Return on Capital Employed (ROCE), etc.) that reflect Halma's strategic priorities for the year. Discretion is only exercised when a strategic priority that may not be immediately earnings enhancing is targeted. Details of the measures, weightings and targets applicable for the financial year under review are provided in the Annual Report on Remuneration.
Maximum opportunity: 140% of salary, subject to an executive's personal performance during the financial year prior to grant. In exceptional circumstances, such as to facilitate the recruitment of an external candidate, the Committee may, in its absolute discretion, exceed this maximum annual opportunity, as permitted by the Rules (currently up to 150% of salary). Threshold performance will result in the vesting of 16.7% of the maximum award.	Vesting of PSP awards is subject to continued employment and the Company's performance over a three-year performance period. If performance conditions are not met at the end of the performance period, awards will lapse. The performance measures and respective weightings may vary year-on-year to reflect strategic priorities, subject to retaining an element on Total Shareholder Return (TSR) and Return on Total Invested Capital (ROTIC), and subject to a minimum weighting of 25%, currently 50%, on each of these measures. The TSR peer group consists of the FTSE250 excluding financial companies. The Committee considers the performance condition of new awards annually. Details of the measures, weightings and targets applicable for awards made in the financial year under review are provided in the Annual Report on Remuneration.
Participation limits are in line with those set by HMRC from time to time (2013/14: £3,000; 2014/15: £3,600).	Not applicable.

Performance targets are set to be stretching yet achievable, taking into account the Company's strategic priorities and the economic environment in which it operates. Targets are calibrated taking into account a range of reference points including the Group's strategic plan, broker forecasts and historical performance.

Remuneration Policy for Other Employees

Our approach to salary reviews is consistent across the Group, with consideration given to the level of responsibility, experience, individual performance, market levels and the Company's ability to pay. The Committee considers remuneration surveys to establish market rates, as appropriate.

Executive Board members and other senior executives participate in an annual bonus scheme on a similar basis as the executive Directors. A number of senior executives also receive PSP awards. Performance conditions are consistent for all participants, while award sizes vary by organisational level. All UK employees are eligible to participate in the SIP on the same terms.

Pension and benefits arrangements are tailored to local market conditions, and are determined to be appropriately competitive.

Approach to Recruitment Remuneration

The Committee's policy is to set pay for new executive Directors and Executive Board members within the existing remuneration policy in order to provide internal consistency. The Committee aims to ensure that the Company pays no more than is necessary to appoint individuals of an appropriate calibre.

Remuneration Policy

External appointments

In the case of appointing a new executive Director, the Committee may make use of any of the existing elements of remuneration, as follows:

Component	Approach	Maximum incentive opportunity
Salary	The base salaries of new appointees will be determined by reference to relevant market data, experience and skills of the individual, internal relativities and the current salary of any incumbent in the same role. Where a new appointee has an initial base salary set below market, the Committee may make phased increases over a period of several years, subject to the individual's development and performance in the role.	–
Benefits	New appointees will be eligible to receive benefits in line with the current policy, as well as expatriation allowances and any necessary expenses relating to an executive's relocation on appointment.	–
Pension	New appointees will be eligible to participate in the Company's Defined Contribution pension plan or local equivalent.	–
Annual bonus	The scheme as described in the policy table will apply to new appointees with the relevant maximum being pro-rated to reflect the proportion of the year employed.	100% of salary
PSP	New appointees will be granted awards under the PSP on the same terms as other executives, as described in the policy table.	150% of salary
SIP	New appointees will be eligible to participate on identical terms to other employees.	£3,600

The Committee may also make an award in respect of a new appointment to 'buy out' incentive arrangements forfeited on leaving a previous employer, and may avail itself of the relevant Listing Rule to grant an award under a different structure, as appropriate. In making such awards, the Committee will consider relevant factors including any performance conditions attached to these awards, the likelihood of those conditions being met, and the remaining vesting period of these awards. If such an award is made, details will be disclosed in the following year's Annual Report on Remuneration.

Internal appointments

Remuneration for new executive Directors appointed by way of internal promotion will similarly be determined in line with the policy for external appointees, as detailed above. Where an individual has contractual commitments made prior to their promotion to the Board, the Company will continue to honour those commitments. Incentive opportunities for below-Board employees are generally no higher than for executive Directors, and incentive measures vary to ensure they are appropriate.

Share Ownership Guidelines

To ensure alignment between the interests of executive Directors and those of shareholders, the Company requires executive Directors to progressively build up and maintain a beneficial holding of Halma plc shares equivalent to a minimum of 100% of salary.

Executive Director Service Contracts and Exit Payment Policies

It is the Company's policy that executive Directors should have contracts with an indefinite term providing for a maximum of one year's notice. The details of the Directors' contracts are summarised in the table below.

Executive Director	Date of service contract	Notice period
Andrew Williams	April 2003	One year
Kevin Thompson	April 2003	One year
Neil Quinn	April 2003	One year
Adam Meyers	July 2008	One year

The Company's policy is to limit exit payments to pre-established contractual arrangements. In the event that the employment of an executive Director is terminated, any compensation payable will be determined in accordance with the terms of the service contract between the Company and the employee, as well as the rules of any incentive plans. No predetermined compensation is provided for in the Directors' contracts. The UK executive Director contracts enable the Company to pay one year's salary in lieu of notice, with no contractual entitlement to any other benefits, and the Remuneration Committee may determine the individual's leaving status for pro-rated share plan vesting purposes. If the financial year end has passed, any bonus earned is payable to the individual. US Director contracts permit the individual to remain an employee for the entire period of notice enjoying any benefits related to employment. The share plan and bonus provisions are identical to the UK. Both contracts contain appropriate non-compete restrictions for a suitable period post-employment.

When considering termination payments under incentive schemes, the Committee reviews all potential incentive outcomes to ensure they are fair to both shareholders and participants. The table below summarises how the awards under the annual bonus and PSP are typically treated in specific circumstances, with the final treatment remaining subject to the Committee's discretion:

	Reason for leaving	Timing of vesting	Calculation of vesting/payment
Annual bonus	Death, injury or disability, redundancy, retirement, or any other reasons the Committee may determine	After the end of the financial year, although the Committee has discretion to accelerate (e.g. in relation to death)	Performance against targets will be assessed at the end of the year in the normal way and any resulting bonus will be pro-rated for time served during the year
	Change of control	Immediately	
	All other reasons	Awards lapse	
PSP	Injury or disability, redundancy, retirement, or any other reason the Committee may, at its discretion, determine	Immediately (unless otherwise determined by the Committee at its discretion)	Awards will be pro-rated for time and performance to the date of cessation of employment
	Death	Immediately (unless otherwise determined by the Committee at its discretion)	Awards will be pro-rated for time and performance to the date of cessation of employment
	Change of control	Immediately (unless otherwise determined by the Committee at its discretion)	Any outstanding awards will be pro-rated for time and performance up to the point of the change of control
	All other reasons	Awards lapse	

Pay-for-Performance: Scenario Analysis

The following charts provide an estimate of the potential future rewards for executive Directors, and the potential split between different elements of pay, under three different performance scenarios: 'Fixed', 'On-target' and 'Maximum'.

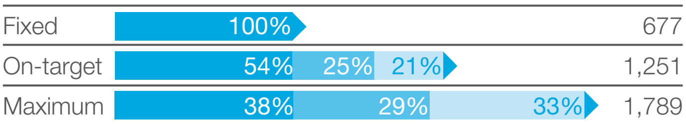
Potential reward opportunities are based on Halma's current remuneration policy, applied to salaries as at 1 April 2014. Note that the projected values exclude the impact of share price movement.

The 'Fixed' scenario shows base salary, pension and benefits only.

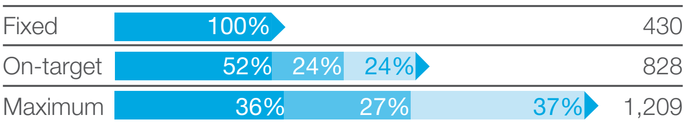
The 'On-target' scenario shows fixed remuneration as above, plus a target payout of 60% of salary under the annual bonus and performance vesting of 44.45% under the PSP (ROTIC of 12% and TSR percentile of 50%).

The 'Maximum' scenario reflects fixed remuneration, plus full payout of all incentives.

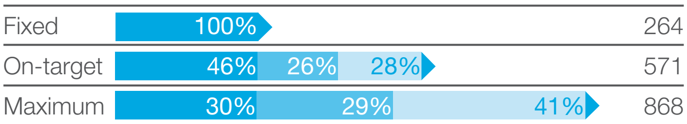
Andrew Williams, Chief Executive
Percentages/amounts £000



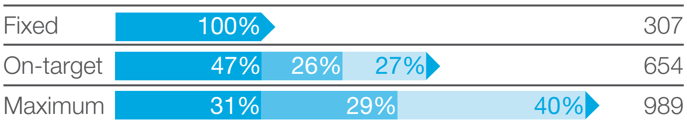
Kevin Thompson, Finance Director
Percentages/amounts £000



Neil Quinn, Sector Chief Executive – Process Safety
Percentages/amounts £000



Adam Meyers, Sector Chief Executive – Medical
Percentages/amounts £000



Salary, pension and benefits | Annual bonus | Long-term incentives

Remuneration Committee Report continued
Remuneration Policy

Non-executive Directors
Unless otherwise indicated, all non-executive Directors (NEDs) have a specific three-year term of engagement which may be renewed for further three-year terms if both the Director and the Board agree. The remuneration of the Chairman and the NEDs is determined by the Committee and the Board based on independent surveys of fees paid to the Chairman and NEDs of similar companies.

The contract in respect of the Chairman's services provides for termination, by either party, by giving not less than six months' notice. The non-executive Directors have contracts in respect of their services, which can be terminated, by either party, by giving not less than three months' notice.

Summary details of terms and notice periods for NEDs are included below.

Non-executive Director	Date of appointment	Notice period
Paul Walker	April 2013	6 months
Stephen Pettit	September 2003	3 months
Jane Aikman	August 2007	3 months
Norman Blackwell	July 2010	3 months
Steve Marshall	July 2010	3 months
Daniela Barone Soares	November 2011	3 months

NEDs do not receive benefits from the Company and they are not eligible to join the Company's pension plan or participate in any incentive schemes. Any reasonable expenses that they incur in performing their duties are reimbursed by the Company.

Paul Walker's personal assistant is an employee of the Company.

Details of the policy on NED fees are set out in the table below:

Purpose and link to strategy	Operation and process	Opportunity
To attract and retain NEDs of the highest calibre with experience relevant to the Company	Fees are normally reviewed annually in April with any increase effective from 1 April. The fee paid to the Chairman is determined by the Committee, and fees to NEDs are determined by the Board. The fees are calculated by reference to current market levels and take account of the time commitment and the responsibilities of the NEDs. Additional fees are payable for acting as Senior Independent Director and for being the Chairman of a Board Committee, as appropriate. Fees are paid in cash.	Aggregate fees are limited to £0.5 million by the Company's Articles of Association. The fees paid to non-executive Directors in respect of the year under review (and for the following year) are disclosed in the Annual Remuneration Report. To avoid setting expectations, there is no prescribed maximum fee. Fee increases will be applied taking into account the outcome of the review.

NED Recruitment
In recruiting a new Chairman or NED, the Committee will use the policy as set out in the table above.

Considerations of Conditions Elsewhere in the Group
The Committee considers the remuneration and employment conditions elsewhere in the Group when determining remuneration for executive Directors. However, the Committee does not currently consult specifically with employees on the executive remuneration policy.

Considerations of Shareholder Views
When determining remuneration, the Committee takes into account the views of our shareholders and 'best practice' guidelines set by shareholder representative bodies. The Committee always welcomes feedback from shareholders on the Company's remuneration policy and commits to undergoing shareholder consultation in advance of any significant changes to policy. Detail on the votes received on the Directors' Remuneration Report at the prior annual general meeting is provided in the Annual Remuneration Report.

External Directorships
The Committee acknowledges that executive Directors may be invited to become independent non-executive directors of other listed companies which have no business relationship with the Company and that these roles can broaden their experience and knowledge to Halma's benefit.

Executive Directors are permitted to accept one such appointment with the prior approval of the Chairman. Approval will only be given where the appointment does not present a conflict of interest with the Group's activities and the wider exposure gained will be beneficial to the development of the individual. Where fees are payable in respect of such appointments, these would be retained by the executive Director.

Annual Remuneration Report

The following section provides details of how Halma's remuneration policy was implemented during the financial year ending 29 March 2014, and how it will be implemented in 2014/15.

The Remuneration Committee

The primary responsibilities of the Remuneration Committee are to:

- Make recommendations to the Board on the framework for executive Directors' and senior executives' remuneration based on proposals formulated by the CEO;
- Determine and agree with the Board the policy and framework for the remuneration of the Chairman, CEO, other executive Directors, the Company Secretary and members of the Executive Board;
- Approve the design of, and determine targets for, any performance-related pay plans operated by the Company and agree the total annual payments made under such plans;
- Review the design of all share incentive plans for approval by the Board and shareholders, and determine, each year, whether awards will be made, and if so, the overall amount of such awards, the individual awards to executive Directors and other senior executives and the performance targets to be set; and
- Determine the policy for, and scope of, pension arrangements for each executive Director and other senior executives.

The Committee also monitors and considers, with the CEO, the framework of remuneration for subsidiary CEOs and directors and ensures a consistent approach is applied.

The full terms of reference can be found on the Company's website or can be obtained from the Company Secretary.

As at 29 March 2014, the Committee comprised the following non-executive Directors:

- Steve Marshall (Chairman)
- Stephen Pettit
- Norman Blackwell
- Paul Walker (from his appointment)

After year end, Jane Aikman and Daniela Barone Soares joined the Committee as recommended by the Nomination Committee and determined at the 10 April 2014 Board meeting. Geoff Unwin was a member of the Committee during the year, until his retirement from the Board.

All members of the Committee are considered independent within the definition set out in the Code. None of the Committee has any personal financial interest in Halma (other than as shareholders), conflicts of interests arising from cross directorships or day-to-day involvement in running the business.

During the year the Committee met four times. Attendance by individual members of the Committee is disclosed in the Corporate Governance section on page 60.

Only members of the Committee have the right to attend Committee meetings. The CEO and Company Secretary attend the Committee's meetings by invitation, but are not present when their own remuneration is discussed. The Committee also takes independent professional advice as required.

External Advisers

Kepler Associates acted as the independent remuneration adviser to the Committee during the year, having been appointed by the Committee in 2011. Kepler attends Committee meetings, as appropriate, and provides advice on remuneration for executives, analysis on all elements of the remuneration policy and regular market and best practice updates. Kepler reports directly to the Committee Chairman and is a signatory to the Code of Conduct for Remuneration Consultants of UK-listed companies (which can be found at www.remunerationconsultantsgroup.com). Kepler provides no other services to the Company, and is therefore considered independent. Kepler's fees for the year were £24,000.

Independent pension advice was provided to the Committee and the Company by Lane, Clark & Peacock LLP during the year. Total fees paid to them for the year were £66,000 primarily related to advice pertaining to cessation of future DB accrual.

Shareholder Vote at 2013 annual general meeting

The following table shows the results of the advisory vote on the 2013 Directors' Remuneration Report at the 25 July 2013 annual general meeting.

	For	Against	Total votes cast	Abstentions
Total number of votes	270,191,620	2,081,758	272,273,378	3,063,744
% of votes cast	99.2%	0.8%	100%	1.1%

Total Single Figure of Remuneration for Executive Directors

The tables below set out the total single figure remuneration received by each Executive Director for the year to 29 March 2014 and the prior year.

2014

Executive Director	Salary[1] £000	Benefits[2] £000	Pension[3] £000	Annual bonus[4] £000	PSP[5] £000	SIP[6] £000	Total remuneration £000
Andrew Williams	**482**	**27**	**146**	**178**	**1,104**	**3**	**1,940**
Kevin Thompson	**310**	**14**	**101**	**114**	**684**	**3**	**1,226**
Neil Quinn	**241**	**14**	**–**	**235**	**538**	**3**	**1,031**
Adam Meyers[7]	**261**	**12**	**12**	**105**	**606**	**–**	**996**

Annual Remuneration Report

							2013
Executive Director	Salary[1] £000	Benefits[2] £000	Pension[3] £000	Annual bonus[4] £000	PSP[5] £000	SIP[6] £000	Total remuneration £000
Andrew Williams	450	27	159	216	922	3	1,777
Kevin Thompson	290	15	135	138	641	3	1,222
Neil Quinn	231	13	–	231	511	3	989
Adam Meyers[7]	249	14	8	249	329	–	849

1. Salary: amount earned for the year.
2. Benefits: company car and private medical insurance.
3. Pension: value based on increase in accrued pensions (net of inflation) multiplied by a factor of 20, and/or the Company's pension contribution during the year. Neil Quinn has reached the Normal Retirement Date and therefore no future pension contribution or cash supplement is payable.
4. Annual bonus: payment for performance during the year.
5. PSP: the value at vesting of awards vesting on performance during the years ending 29 March 2014 and 30 March 2013.
6. SIP: valued based on the face value of shares at grant.
7. Remunerated in US dollars and translated at the average exchange rate for the year (2014: US$1.59; 2013: US$1.58).

Incentive Outcomes for 2014

Annual bonus in respect of 2014

In 2014, the maximum bonus opportunity for executive Directors was 100% of salary, linked to performance as measured by an Economic Value Added (EVA) calculation (90%) and revenue growth outside the UK, USA and Mainland Europe (10%). In setting appropriate bonus parameters the Committee determined that bonuses of approximately 60% of salary were payable on the achievement of targeted levels of growth.

For the CEO and FD, bonuses are calculated based on Group profit exceeding a target calculated from the profits for the three preceding financial years after charging cost of capital, including the cost of acquisitions. As the EVA for each year is utilised for a further three years in the comparator calculations, executives must consider the medium-term interests of the Group otherwise there is the potential for an adverse impact on their capacity to earn a bonus.

EVA calculation:

Profit for each year	**Minus** A charge on cost of acquisitions	**Minus** A charge on working capital	**Plus/minus** Unrealised profit in inventory	**Minus** The resultant bonus itself (to make it self-financing)	**Equals** The EVA for each year

In the case of a Sector CEO, a bonus is earned if the profit of the sector for which they are responsible exceeds a target calculated from the profits of the three preceding financial years. The profits calculated for this purpose regard each Sector as a stand-alone group of companies charging it with the cost of capital it utilises including the cost of acquisitions.

Bonuses for 2014 are based on the divisional allocation that existed throughout 2014. Transitional provisions exist for restructuring to ensure Sector CEOs remain appropriately incentivised. Subsidiary executives participate in bonus arrangements similar to those established for senior executives.

Further details of the bonuses paid and performance against targets are provided in the tables below.

Executive Director	**EVA threshold 000**	**EVA actual 000**	**Overall bonus outcome (% of salary)**	**EVA maximum**
Andrew Williams	£80,730	£92,712	37%	£101,979
Kevin Thompson	£80,730	£92,712	37%	£101,979
Neil Quinn	£26,605	£32,650	98%	£30,900
Adam Meyers	$20,074	$23,335	40%	$25,075

No discretion was applied by the Committee in determining the annual bonus outcome calculation for 2014. The EVA maximum column represents the EVA performance at which 90% of salary is payable as a bonus (the maximum for 2013/14).

The overall bonus outcome above includes the revenue-related element and the EVA-related element of the incentive.

Performance Share Plan (PSP): 2010 Awards (vesting during the year to 29 March 2014)

On 6 August 2010, the executive Directors received awards of performance shares under the PSP. The performance targets for the 2010 awards are illustrated below and the vesting criteria were 50% TSR-related and 50% ROTIC-related.

Performance conditions for awards made in 2011/12 (and prior)

Percentage of award which vests		TSR (percentile) <50%	50%	≥75%
ROTIC (post-tax)	≤ 9.5%	0%	16.7%	50.0%
	11.0%	16.7%	33.3%	66.7%
	12.5%	33.3%	50.0%	83.3%
	14.0%	50%	66.7%	100%

The three-year period over which performance was measured ended on 1 August 2013. Actual average ROTIC was 16.0% and TSR relative to the FTSE250 excluding financial companies was 74th percentile, which resulted in vesting of 98.13% of the maximum award. The award vested on 6 August 2013, as detailed in the table below:

Executive Director	Interest held	Face value at grant	Vesting %	Interest vesting	Price on vesting	Vesting value
Andrew Williams	200,215	£562,764	98.13%	196,470	561.78p	£1,103,729
Kevin Thompson	124,126	£348,893		121,804		£684,271
Neil Quinn	97,531	£274,140		95,707		£537,663
Adam Meyers	110,005	£309,202		107,947		£606,425

Vested awards are satisfied in shares with sufficient shares being sold to meet tax and social costs owing, at the recipient's direction, and the net balance of shares transferred to the individual. Awards lapse if they do not vest on the third anniversary of their award.

Performance Share Plan: Awards (granted during 2013/14)

In August 2013, the executive Directors were granted awards under the PSP, the size of which reflects an assessment of each individual executive's achievement of their objectives (agreed at the start of the 2013 financial year), as follows:

Performance against objectives	Maximum award permitted		Actual award 2014	Estimated vesting in 2017
Chief Executive	140%	At individual % assessment level	**133%**	**84%**
Finance Director	140%		**129%**	**82%**
Executive Directors	140%		**133%**	**84%**

The percentages above are relative to base salaries. The estimated vesting is at 63.2% of awards granted.

Details of the awards granted on 7 August 2013 are provided in the table below:

Executive Director	Awards made during the year	Market price at date of award	Face value at date of award	Face value at date of award (% of salary)
Andrew Williams	114,646	557.6p	£639,266	133%
Kevin Thompson	71,041		£396,125	128%
Neil Quinn	57,054		£318,133	132%
Adam Meyers	62,767		£349,989	140%

The face value of the awards as a percentage of salary can differ from the individual assessment level in the first table due to part of the total share award being delivered through the SIP (for UK executives) and due to using the prior year average exchange rate for translation of US executives' salaries when determining the award. On the latter basis, Adam Meyers' face value was 133% compared to his salary of $415,000 translated at $1.58.

Annual Remuneration Report

The three-year performance period over which ROTIC performance will be measured is April 2013 to March 2016. TSR performance is measured between 1 May 2013 and 1 August 2016 due to three-month averaging of TSR at 1 August 2013 being compared to the three-month average at 1 August 2016. The award is eligible to vest in its entirety on the third anniversary of the date of grant (i.e. 7 August 2016), subject to 50% on ROTIC and 50% on TSR performance. The performance targets applicable to awards granted in 2013 are illustrated below.

Performance conditions for awards made in 2013/14 (unchanged from 2012/13)

Percentage of award which vests		TSR (percentile) <50%	50%	≥75%
ROTIC (post-tax)	≤ 9.5%	0%	16.7%	50.0%
	12.0%	16.7%	33.3%	66.7%
	14.5%	33.3%	50.0%	83.3%
	17.0%	50%	66.7%	100%

Total Single Figure of Remuneration for non-executive Directors

The table below sets out the total single figure remuneration received by each NED for the year to 29 March 2014 and the prior year.

	Base fee		Additional fees		Total fees	
Non-Executive Director	**2014**	2013	**2014**	2013	**2014**	2013
Paul Walker[1]	**£130,667**	N/A	**£2,310**	N/A	**£132,977**	N/A
Stephen Pettit	**£42,000**	£40,000	**£12,500**	£12,500	**£54,500**	£52,500
Jane Aikman	**£42,000**	£40,000	**£10,000**	£10,000	**£52,000**	£50,000
Norman Blackwell	**£42,000**	£40,000	**£7,500**	£5,000	**£49,500**	£45,000
Steve Marshall	**£42,000**	£40,000	**£12,500**	£12,500	**£54,500**	£52,500
Daniela Barone Soares	**£42,000**	£40,000	**£2,500**	£2,500	**£44,500**	£42,500
Geoff Unwin[1]	**£43,750**	£165,000	**N/A**	N/A	**£43,750**	£165,000

[1] Paul Walker was appointed to the Board on 12 April 2013 and the Chairman of the Board on 25 July 2013. Geoff Unwin retired from the Board on 25 July 2013.

Payments to past directors

During the year under review, no payments were made to past directors.

Exit Payments

No exit payments were made during the year under review.

Implementation of Remuneration Policy for 2015

Salary

The Committee conducted a consultation of the top ten shareholders in February and March 2014. The consultation was prompted by the Committee's indentification that, whilst Halma's performance in terms of TSR and market capitalisation has been strong in recent years, salaries for Halma's executive Directors (and the fair value of the total package) were not competitive for a Group of Halma's size and complexity. The Committee believed it was appropriate to move salaries above market lower quartile and closer to a market median level. Going forward, it is anticipated that salary increases will normally align with those awarded across the Group more generally. The Committee recognises the need to continue to exercise restraint on executive remuneration, and notes that the resulting packages remain below median for companies of our size and sector. Therefore, the Committee approved the following salary increases with effect from 1 April 2014. By way of comparison, the average salary increase across the sectors for 2015 was between 3% and 4%.

Executive Director	Salary from 1 April 2014	Salary from 1 April 2013	% change
Andrew Williams	**£515,000**	£482,000	6.8%
Kevin Thompson	**£330,000**	£310,000	6.5%
Neil Quinn	**£250,000**	£241,000	3.7%
Adam Meyers	**$450,000**	$415,000	8.4%

Pension and benefits
No change to the executive Directors' current pension and benefits arrangements is anticipated for 2014/15.

Annual bonus
The maximum annual bonus opportunity for executive Directors in 2015 will remain unchanged from the opportunity in 2014 and will be 100% of salary.

Bonuses will continue to be based on EVA performance against a weighted average target of EVA for the past three years for an executive's sector, in the case of a Sector CEO, or the Group, in the case of the Group CEO and FD.

PSP
PSP awards of new shares will be made in August 2014. The number of shares of which awards will be made is determined by the share price leading up to the award, but the value of each award, relative to salary has been determined based on the individuals' personal, financial and governance objectives as follows:

Executive Director	Salary for 2014/15	PSP attainment (140% max)	Value of August 2014 award
Andrew Williams	£515,000	131.0%	£674,650
Kevin Thompson	£330,000	135.5%	£447,150
Neil Quinn	£250,000	136.4%	£341,000
Adam Meyers	$450,000	126.5%	£358,019

Chairman and non-executive Director fees
The Chairman's and the NEDs' fees, as detailed below, were last reviewed by the Board in April 2014. Fees will next be reviewed in April 2015.

Fees	Fees from 1 April 2014	Fees from 1 April 2013
Chairman	**£180,000**	£175,000
Base fee	**£48,000**	£42,000
Senior Independent Director	**£5,000**	£5,000
Audit Committee Chair	**£7,500**	£10,000
Remuneration Committee Chair	**£7,500**	£7,500
Committee Member	**£nil**	£2,500

The committee membership fee has been consolidated into the base fee with effect from 1 April 2014 and appropriate adjustments made to committee chair fees such that the year on year total fees of the Chairman and non-executive Directors have an overall increase of 3%.

Percentage Change in CEO Remuneration
The table below shows the percentage change in the CEO's remuneration from the prior year compared to the average percentage change in remuneration for other employees. To provide a meaningful comparison, the analysis includes only salaried employees and is based on a consistent set of employees, i.e. the same individuals appear in the 2014 and 2013 populations.

	2014	2013		
	CEO £000	CEO £000	CEO % change	Other employees % change
Salary	**482**	450	7%	5%
Taxable benefits	**27**	27	–%	–%
Annual bonus	**178**	216	(18)%	(9)%

Annual Remuneration Report

Relative importance of spend on pay

The table below shows the percentage change in total employee pay expenditure and shareholder distributions (i.e. dividends and share buybacks) from the financial year ended 30 March 2013 to the financial year ended 29 March 2014.

	2014 £m	2013 £m	**% change**
Distribution to shareholders	**42.2**	39.4	7.1%
Employee remuneration (gross)	**180.8**	164.9	9.6%
Employee remuneration (pro-rated)	**180.8**	174.8	3.4%

The Directors are proposing a final dividend for the year ended 29 March 2014 of 6.82p per share (2013: 6.37p).

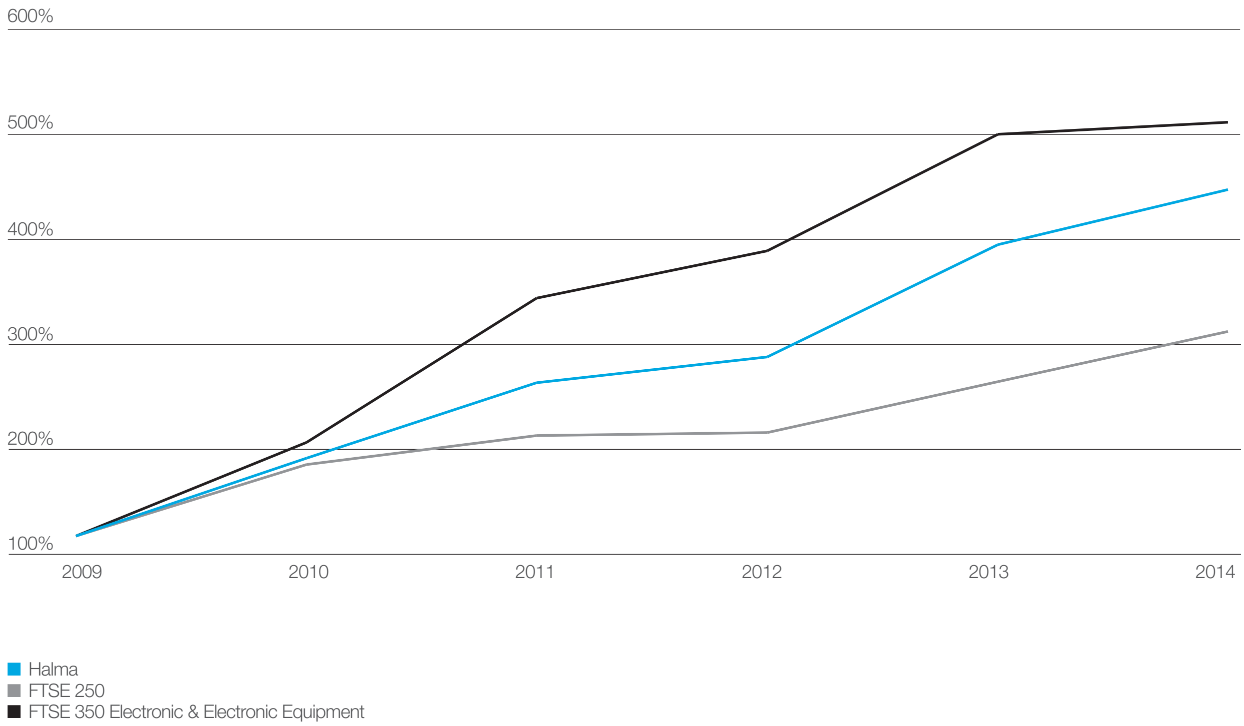
Pro-rated employee remuneration represents a restatement of the prior year employee remuneration for the current year number of employees.

Pay for performance

The five-year graph below shows the Company's TSR performance over the five years to 29 March 2014 as compared to the FTSE250 and the FTSE350 Electronic & Electrical Equipment indices. Over the period indicated, the Company's TSR was 425.2% compared to 292.0% for the FTSE250 and 488.4% for the FTSE350 Electronic & Electrical Equipment Index.

The FTSE250 has been selected as a broad market comparator, and the FTSE350 Electronic & Electrical Equipment index has been selected because the Company believes that the constituent companies of this index are the most appropriate for this comparison as they are affected by similar commercial and economic factors to Halma. The table below the chart details the CEO's single figure remuneration and actual variable pay outcomes over the same period.

Total Shareholder Return (five years)



	2010	**2011**	**2012**	**2013**	**2014**
CEO single figure remuneration (£000)	£1,349	£1,553	£1,805	£1,777	**£1,940**
Annual bonus outcome (% of maximum)	19%	100%	40%	48%	**37%**
PSP vesting outcome (% of maximum)	91%	96%	100%	100%	**98%**

Directors' Interests in Halma Shares

The interests of the Directors in office at 29 March 2014 and their families in the ordinary shares of the Company at the following dates were as follows:

	Shares 29 March 2014	Shares 30 March 2013
Paul Walker	**30,000**	–
Andrew Williams	**522,029**	501,501
Kevin Thompson	**357,711**	341,044
Stephen Pettit	**2,000**	2,000
Neil Quinn	**301,264**	271,736
Jane Aikman	**2,000**	2,000
Adam Meyers	**296,953**	267,313
Norman Blackwell	**2,000**	2,000
Steve Marshall	**2,000**	2,000
Daniela Barone Soares	**1,319**	736

The executive Directors have each met the guideline of holding Company shares to the value of at least one times salary. Paul Walker held no interests in the Company's shares upon his appointment. There are no other non-beneficial interests of Directors. There were no changes in Directors' interests from 29 March 2014 to 12 June 2014.

Details of Directors' interests in shares and options under Halma long-term incentives are set out in the sections below.

Directors' Interests in Halma Share Plans

Details of Directors' outstanding performance shares under the PSP free shares under the SIP and share options under the Share Option Scheme (SOS) are outlined in the tables below.

	Date of grant	As at 30 March 2013	Granted/ (vested) in the year	Five-day average share price on grant (p)	As at 29 March 2014
PSP					
Andrew Williams	6 Aug 10	200,215	(196,470)	281.08	**–**
	12 Aug 11	164,912		362.34	**164,912**
	8 Aug 12	141,658		403.70	**141,658**
	7 Aug 13		114,646	557.60	**114,646**
Kevin Thompson	6 Aug 10	124,126	(121,804)	281.08	**–**
	12 Aug 11	103,571		362.34	**103,571**
	8 Aug 12	98,066		403.70	**98,066**
	7 Aug 13		71,041	557.60	**71,041**
Neil Quinn	6 Aug 10	97,531	(95,707)	281.08	**–**
	12 Aug 11	80,810		362.34	**80,810**
	8 Aug 12	70,954		403.70	**70,954**
	7 Aug 13		57,054	557.60	**57,054**
Adam Meyers	6 Aug 10	110,005	(107,947)	281.08	**–**
	12 Aug 11	88,552		362.34	**88,552**
	8 Aug 12	82,408		403.70	**82,408**
	7 Aug 13		62,767	557.60	**62,767**

The performance conditions for PSP shares awarded in August 2010 and 2011 differ from those awarded in August 2012 and 2013. The performance conditions attached to the awards are outlined on pages 83 and 84.

As at year end, the vesting expectations for grants made in 2011 is 79%; for grants made 2012, 61%, and for grants made in 2013, 42%.

Annual Remuneration Report

	Date of grant	As at 30 March 2013	Granted/ (withdrawn) in the year	Share price on award (p)	As at 29 March 2014
SIP					
Andrew Williams	1 Oct 10	857		319.60	**857**
	1 Oct 11	921		315.60	**921**
	1 Oct 12	695		431.10	**695**
	1 Oct 13		528	567.50	**528**
Kevin Thompson	1 Oct 10	882		319.60	**882**
	1 Oct 11	949		315.60	**949**
	1 Oct 12	695		431.10	**695**
	1 Oct 13		528	567.50	**528**
Neil Quinn	1 Oct 10	882		319.60	**882**
	1 Oct 11	949		315.60	**949**
	1 Oct 12	695		431.10	**695**
	1 Oct 13		528	567.50	**528**

The SIP shares are held in an external trust and become the employee's absolutely after three years. There are tax benefits for retaining the shares in the trust for five years.

Details of Directors' outstanding share options as at 29 March 2014 are outlined in the table below.

	As at 30 March 2013	Lapsed in the year	Exercised in the year	As at 29 March 2014
SOS				
Andrew Williams	69,666	(30,299)	–	**39,367**
Kevin Thompson	104,000	(47,761)	–	**56,239**
Neil Quinn	96,970	(47,761)	–	**49,209**
Adam Meyers	107,462	(37,992)	–	**69,470**

There were no share option grants or exercises during the financial year. Adam Meyers has one exercisable option over 38,063 shares at a price of 145.67p; this option must be exercised, in whole or in part, before 24 June 2015.

The remaining share options have an exercise price of 142.25p and are subject to performance conditions which have not yet been met, but will be independently tested upon publication of the 2014 Annual Report and Accounts. These options lapse on 18 August 2014 if not exercised before then.

The Company's Register of Directors' Interests, which is open to inspection at the Registered Office, contains full details of Directors' shareholdings and share options. There have been no variations to the terms and conditions or performance criteria for share options during the financial year.

Directors' pensions

As noted below, the UK executive Directors are members of the appropriate section of the Halma Group Pension Plan ('Plan'). This section is a funded final salary occupational pension plan registered with HMRC, which provides a maximum pension of two-thirds of final pensionable salary after 25 or more years' service at normal pension age (60). Up to 5 April 2006, final pensionable salary was the greatest salary of the last three complete tax years immediately before retirement or leaving service. From 6 April 2011, final pensionable salary was capped at £139,185 and is increased annually thereafter by CPI (currently £153,684).

Bonuses and other fluctuating emoluments and benefits-in-kind are not pensionable nor subject to any pension supplement. The Plan also provides for life cover of three times salary, pensions in the event of early retirement through ill-health and dependants' pensions of one-half of the member's prospective pension.

Early retirement pensions, currently possible from age 55 with the consent of the Company and the trustees of the Plan, are subject to actuarial reduction. Pensions in payment increase by 3% per annum for service up to 5 April 1997, by price inflation (subject to a maximum of 5%) through to 31 March 2007 and 3% thereafter.

Whilst pension benefits are accruing, executive Directors receive pension supplements to compensate them for the fact that their pension accrual entitlement under the Halma Group Pension Plan defined benefit arrangements is limited by the pensionable salary cap introduced from 6 April 2006 or the Lifetime Allowance. The Company introduced a pensionable salary cap in order to address changes affecting the Plan made in the Pension Act 2006.

During the year, the Company announced the closure of the DB section to future accrual with effect from 1 December 2014. The Company obtains external advice regarding the changes to the Plan and executive pension arrangements and provides educational seminars on the impact of pension legislation changes (annual and lifetime allowances) on individuals. Otherwise, executive Directors are responsible for obtaining advice specific to their circumstances.

Prior to drawing his pension, to the extent that an executive's current salary exceeds the Plan salary cap, the Company compensates him at an annual rate of 26% of the excess. In April 2006, Kevin Thompson chose to cease future service accrual in the Plan in return for the pension supplement on his full salary. In April 2014, Andrew Williams chose to cease future service accrual in the Plan in return for the pension supplement on his full salary. This change is, broadly, cost neutral.

Neil Quinn has reached the Normal Retirement Date and is drawing his pension, therefore no future pension contribution or cash supplement is payable.

Two Directors accrued benefits under the Company's Defined Benefit pension plan during the year as follows.

Executive Director	Age at 29 March 2014	Years of pensionable service at 29 March 2014	Increase in accrued benefits £000	Increase in accrued benefits net of inflation £000	Accrued benefits at 29 March 2014 £000
Andrew Williams	46	20	5	3	**60**
Kevin Thompson	54	18	4	1	**112**

The accrued pension shown is that which would be paid annually on retirement at age 60 based on service to the end of the year.

Executive Director	Transfer value at 30 March 2013 £000	Transfer value at 29 March 2014 £000	Director contribution in the year £000	Transfer value increase/ (decrease) after deducting Director contribution £000
Andrew Williams	816	**864**	**17**	**31**
Kevin Thompson	2,156	**2,262**	**–**	**106**

The transfer values disclosed above do not represent a sum paid or payable to the individual Director. Instead they represent a potential liability of the pension plan. The transfer values are Gilt-related and depend upon the relative standings of the Gilt market at the respective valuation dates. The increase in transfer values in recent years is predominantly due to the significant reduction in the yields available on UK Gilts. Other factors that have increased the transfer values are the impact of any additional service, revaluation in line with inflation and any real salary increases as well as the anticipated ageing of the member. These values have been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11.

Adam Meyers is a member of the US 401k money purchase scheme. Company contributions paid in the year were $18,600 (£11,698) (2013: $12,500 (£7,911)).

Other Statutory Information

Activities
Halma plc is a holding company. A list of its principal subsidiary companies and their activities is set out on pages 154 to 157.

Ordinary dividends
The Directors recommend a final dividend of 6.82p per share and, if approved, this dividend will be paid on 20 August 2014 to ordinary shareholders on the register at the close of business on 18 July 2014. Together with the interim dividend of 4.35p per share already paid, this will make a total of 11.17p (2013: 10.43p) per share for the financial year.

Share capital and capital structure
Details of the share capital, together with details of the movements in the share capital during the year, are shown in note 22 to the accounts. The Company has one class of ordinary shares which carry no right to fixed income. Each share carries the right to one vote at general meetings of the Company.

There are no other classes of share capital. There are no specific restrictions on the size of a holding nor on the transfer of shares, with both governed by the general provisions of the Articles of Association and prevailing legislation. No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

Rights and obligations of ordinary shares
Holders of ordinary shares are entitled to attend and speak at general meetings of the Company and to appoint one or more proxies or, if the holder of shares is a corporation, one or more corporate representatives. On a show of hands, each holder of ordinary shares who (being an individual) is present in person or (being a corporation) is present by a duly appointed corporate representative, not being himself a member, shall have one vote, as shall proxies (unless they are appointed by more than one holder, in which case they may vote both for and against the resolution in accordance with the holders' instructions). On a poll every holder of ordinary shares present in person or by proxy shall have one vote for every share of which he is the holder. Electronic and paper proxy appointments and voting instructions must be received not later than 48 hours before the meeting. A holder of ordinary shares can lose the entitlement to vote at general meetings where that holder has been served with a disclosure notice and has failed to provide the Company with information concerning interests held in those shares. Except as set out above and as permitted under applicable statutes, there are no limitations on voting rights of holders of a given percentage, number of votes or deadlines for exercising voting rights.

Restrictions on transfer of shares
The Directors may refuse to register a transfer of a certificated share that is not fully paid, provided that the refusal does not prevent dealings in shares in the Company from taking place on an open and proper basis or where the Company has a lien over that share. The Directors may also refuse to register a transfer of a certificated share unless the instrument of transfer is: (i) lodged, duly stamped (if necessary), at the registered office of the Company or any other place as the Board may decide accompanied by the certificate for the share(s) to be transferred and/or such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer; (ii) in respect of only one class of shares; (iii) in favour of a person who is not a minor, infant, bankrupt or a person of unsound mind; or (iv) in favour of not more than four persons jointly.

Transfers of uncertificated shares must be carried out using CREST and the Directors can refuse to register a transfer of an uncertificated share in accordance with the regulations governing the operation of CREST.

There are no other restrictions on the transfer of ordinary shares in the Company except certain restrictions which may from time to time be imposed by laws and regulations (for example insider trading laws); or where a shareholder with at least a 0.25% interest in the Company's certificated shares has been served with a disclosure notice and has failed to provide the Company with information concerning interests in those shares. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

Treasury shares
Shares held in treasury do not have voting rights and are not eligible for dividends.

Employee share plans
Details of employee share plans are set out in note 23 to the accounts.

Appointment and replacement of directors
With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association, the UK Corporate Governance Code, the Companies Act and related legislation. Directors can be appointed by the Company by ordinary resolution at a general meeting or by the Board. If a Director is appointed by the Board, such Director will hold office until the next annual general meeting and shall then be eligible for re-election at that meeting. Therefore, with the exception of Norman Blackwell and Steve Marshall, in accordance with the UK Corporate Governance Code each of the Directors, being eligible, will offer themselves for re-election at this year's Annual General Meeting. The Company can remove a Director from office, including by passing a special resolution or by notice being given by all the other Directors. The Articles themselves may be amended by special resolution of the shareholders.

Power of Directors
The powers of Directors are described in the Matters Reserved for the Board, copies of which are available on request from the Company Secretary, and the Corporate Governance Report on pages 59 to 65.

Essential contracts and change of control
There are a number of agreements that take effect, alter or terminate upon a change of control of the Company, principally bank loan agreements and employee share plans.

The only significant agreement, in terms of its likely impact on the business of the Group as a whole, containing such provisions is that governing the £360m syndicated revolving credit facility which, if within 10 days of a change of control notice to the Loan agent, can result in 30 days' notice being given to the Company by any Lender, for all amounts outstanding to that Lender, to be immediately due and payable, at which time the commitment of that Lender will be cancelled. If all of the Lenders give this notice the whole facility would be cancelled.

The Group has contractual arrangements with a wide range of suppliers. The Group is not unduly dependent upon contractual arrangements with any particular customer. Whilst the loss or disruption to certain of these arrangements could temporarily affect the Group's business, none is considered to be essential.

The Company's share plans contain provisions as a result of which options and awards may vest and become exercisable on a change of control of the Company in accordance with the rules of the plans.

The Directors are not aware of any agreements between the Company and its directors or employees that provide for compensation for loss of office or employment that occurs because of a takeover bid.

Allotment authority

Under the Companies Act 2006 the Directors may only allot shares if authorised by shareholders to do so. At the Annual General Meeting an ordinary resolution will be proposed which, if passed, will authorise the Directors to allot and issue new shares up to an aggregate nominal value of £12,500,000 (up to 125,000,000 new ordinary shares of 10p each), being just less than one-third of the issued share capital of the Company (excluding treasury shares) as at 9 June 2014 (the latest practicable date prior to the publication of the Notice of Meeting).

In accordance with the Directors' stated intention to seek annual renewal, the authority will expire at the conclusion of the annual general meeting of the Company in 2015. Passing this resolution will give the Directors flexibility to act in the best interests of shareholders, when opportunities arise, by issuing new shares.

As at 9 June 2014 (the latest practicable date prior to the publication of the Notice of Meeting), the Company had 379,018,522 ordinary shares of 10p each in issue of which 1,278,148 were held as treasury shares, which is equal to approximately 0.3% of the issued share capital of the Company (excluding treasury shares) as at that date.

The Companies Act 2006 also requires that, if the Company issues new shares for cash or sells any treasury shares, it must first offer them to existing shareholders in proportion to their current holdings. At the Annual General Meeting a special resolution will be proposed which, if passed, will authorise the Directors to issue a limited number of shares for cash and/or sell treasury shares without offering them to shareholders first. The authority is for an aggregate nominal amount of up to 5% of the aggregate nominal value of the issued share capital of the Company as at 9 June 2014 (the latest practicable date prior to the publication of the Notice of Meeting). The resolution will also modify statutory pre-emption rights to deal with legal, regulatory or practical problems that may arise on a rights issue or other pre-emptive offer or issue. The authority will expire at the same time as the resolution conferring authority on the Directors to allot shares. The Directors consider this authority necessary in order to give them flexibility to deal with opportunities as they arise, subject to the restrictions contained in the resolution. There are no present plans to issue shares, except under share plans previously approved in general meeting.

Directors

The names of the Directors of the Company who served throughout the year, with brief biographies, are set out on pages 56 and 57.

Directors' indemnities

The Company has entered into deeds of indemnity with each of the current Directors, which remain in force at the date of this report. These are qualifying third-party indemnity provisions for the purposes of the Companies Act 2006.

Purchase of the Company's own shares

The Company was authorised at the 2013 annual general meeting to purchase up to 37,700,000 of its own 10p ordinary shares in the market. This authority expires at the end of the 2014 Annual General Meeting. In accordance with the Directors' stated intention to seek annual renewal, a special resolution will be proposed at the Annual General Meeting to renew this authority, until the end of next year's annual general meeting, in respect of up to 37,700,000 ordinary shares, which is approximately 10% of the Company's issued share capital (excluding treasury shares) as at 9 June 2014 (the latest practicable date prior to the publication of the Notice of Meeting). The Directors consider it desirable that the possibility of making such purchases, under appropriate circumstances, is available. Their present intention is that the shares purchased under the authority will be held in treasury for future cancellation, sale for cash or transfer for the purposes of, or pursuant to, an employee share plan, although in the light of circumstances at the time it may be decided to cancel them immediately on repurchase. The effect of any cancellation would be to reduce the number of shares in issue. For most purposes, while held in treasury, shares are treated as if they have been cancelled (for example, they carry no voting rights and do not rank for dividends).

Following approval of the Performance Share Plan (PSP) at the 2005 annual general meeting, the Directors made, and intend to continue to make, routine purchases of Halma shares in the market for holding in treasury until required for vesting under the PSP. In the year to 29 March 2014, 1,333,516 shares, with a nominal value of £133,351.60, which is 0.3% of the Company's issued share capital as at 9 June 2014 (the latest practicable date prior to the publication of the Notice of Meeting), were purchased in the market for treasury. Otherwise, the Directors have no present intention of using this authority. In reaching a decision to purchase shares, the Directors will take into account the Company's cash resources, capital requirements and the effect of any purchase on the Company's earnings per share. It is anticipated that renewal of the authority will be requested at subsequent annual general meetings.

As at 9 June 2014, which is the latest practicable date prior to the publication of the Notice of Meeting, options were outstanding to subscribe for a total number of 626,810 ordinary shares, or 0.2% of the Company's issued share capital. If the proposed authority were to be used in full and all of the repurchased shares were cancelled (but the Company's issued share capital otherwise remained unaltered), the total number of options to subscribe for ordinary shares at that date would represent approximately 0.2% of the Company's issued share capital (excluding treasury shares).

Other Statutory Information continued

Substantial shareholdings

On 9 June 2014, the Company had been notified, in accordance with chapter 5 of the Disclosure and Transparency Rules, of the following voting rights as a shareholder of the Company.

	29 March 2014		9 June 2014		
	No. of ordinary shares	Percentage of voting rights and issued share capital	No. of ordinary shares	Percentage of voting rights and issued share capital	Nature of holdings
Massachusetts Financial Services Company	18,904,896	5.00	37,841,275	10.20	Indirect
Sprucegrove Investment Management Ltd	18,776,510	4.97	18,776,510	4.97	Indirect
Schroder Investment Management	18,667,466	4.94	18,667,466	4.94	Indirect
Norges Bank	14,872,138	3.94	14,872,138	3.94	Direct
BlackRock Inc	14,646,007	3.88	14,646,007	3.88	Indirect
Mawer Investment Management	11,333,276	3.00	11,333,276	3.00	Direct
Capital Group	11,543,117	3.06	11,251,043	2.98	Indirect

Annual General Meeting

The Company's Annual General Meeting will be held on 24 July 2014. The Notice of Meeting, together with an explanation of the proposed resolutions, is enclosed with this Annual Report and Accounts and is also available on the Company's website at www.halma.com.

Special Business

The Board will propose three special resolutions under Special Business at the Annual General Meeting. One of these is to permit the Company to retain the ability to call general meetings (other than annual general meetings) at 14 days' notice rather than 21 days' notice, in accordance with the EU Shareholder Rights Directive implemented in August 2009.

Auditor

Each of the persons who is a Director at the date of approval of this Annual Report and Accounts confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's Auditor is unaware; and
- the Director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Deloitte LLP has expressed its willingness to continue in office as Auditor and a resolution to reappoint Deloitte LLP will be proposed at the forthcoming Annual General Meeting.

By order of the Board

Carol Chesney
Company Secretary
12 June 2014

Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have chosen to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, 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;
- the strategic 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; and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

By order of the Board

Andrew Williams
Chief Executive
12 June 2014

Kevin Thompson
Finance Director

Independent Auditor's Report to the Members of Halma plc

Opinion on financial statements of Halma plc

In our opinion:

– the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 29 March 2014 and of the Group's profit for the year then ended;
– the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
– the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
– the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The financial statements comprise the Group Consolidated Income Statement, the Group Consolidated Statement of Comprehensive Income, the Group Consolidated and Parent Company Balance Sheets, the Group Consolidated Cash Flow Statement, the Group Consolidated Statement of Changes in Equity, the Parent Company Reconciliation of Movements in Shareholders' Funds and the related notes 1 to 31 and C1 to C12. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Going concern

As required by the Listing Rules we have reviewed the Directors' statement contained within page 65 that the Group is a going concern. We confirm that:

– we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
– we have not identified any material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team:

Risk	How the scope of our audit responded to the risk
Valuation of goodwill and intangible assets There is a risk relating to the assumptions and assertions used by management to support their assessment of both the recoverable amount of goodwill and intangible assets. There are a number of key judgements in determining their recoverable amounts, including growth rates, discount rates applied and the forecast future trading performance.	We challenged the adequacy and reasonableness of assumptions used in management's impairment calculations and the appropriateness of judgements and forecasts used to conclude on asset impairment including a specific review and challenge of discount rates and growth rates, the appropriateness of the level of aggregation of individual cash generating units (CGUs) and the methodology applied. We benchmarked the discount rates with published rates for the external peer group and agreed the CGU groupings to information reviewed by management to make decisions about their business. We also challenged the forecast cash flows used in the model against historical performance and post period trading data. We recalculated management's sensitivity analysis and replaced key assumptions with alternative scenario values applying the highest discount rate applied by peer group companies, capping the short-term growth rates at long term rates and capping the growth assumed in the budgets at historical growth levels.Having audited the assumptions within management's annual impairment assessment, we checked the arithmetical accuracy of the impairment model. We also assessed whether the annual report disclosure included specific growth and discount rates for those deemed to be significant CGUs.
Acquisition accounting There is a risk that acquisitions are not accounted for correctly in line with IFRS 3 'Business combinations'. The risk relates to the assumptions and assertions used by management to forecast future trading performance to determine both the fair value of acquired assets and future contingent consideration payments. For this period there is a risk that the contingent consideration provisions are provided at the incorrect value, based on inaccurate forecasts. This would result in future cost variances on settlement being recorded in that period's Consolidated Income Statement.	For historical acquisitions we compared the forecast contingent consideration positions to post year end trading results, approved budgets and historical levels of settlement. We recalculated the release of £12m of the balance based on the latest management budgets and assessed whether management has disclosed adequately the release of the provision in the Consolidated Income Statement. We agreed the underlying data in the contingent consideration calculation to signed sale and purchase agreements and the trading performance to the audited entity trial balance for the current period. We assessed whether management's treatment of contingent consideration payment arrangements for former owners, as either additional purchase consideration or post-acquisition remuneration, is appropriate. We obtained calculations updating the fair value adjustments for material acquisitions in the prior period and confirmed that the period of asessement was correct as well as confirming that the adjustment was supported by actual trading data.

Risk	How the scope of our audit responded to the risk
Defined Benefit pension plan assumptions There is a risk relating to judgements made by management in valuing the Defined Benefit pension plans including the use of key model input assumptions such as the discount rate, mortality assumption and inflation level. There is also a risk in accounting for non-standard pension transactions that occur infrequently and are by their nature potentially complex.	We used our internal actuarial experts to assess the assumptions applied in determining the pension obligations, particularly given recent market volatility, and determined whether the key assumptions are reasonable. This included reviewing available yield curves and inflation data to recalculate a reasonable range for the key assumptions. We challenged management to understand the sensitivity of changes in assumptions and quantify a range of reasonable rates that could be used in their calculation. We discussed the output of sensitivity analysis with management and the third party actuarial advisers. We checked the arithmetical accuracy of the pension calculation model. Additionally we benchmarked key assumptions against other listed companies to check for any outliers in the data used. During the period a curtailment gain of £4.2m was recorded in respect to the closure of the UK Defined Benefit pension plans to future benefit accruals. We verified the amendments to the trust deed and confirmed that the trustees' deed of amendment letters were signed before the year end, confirming the obligation to close the plans to future benefit accruals. The Audit Committee's consideration of these risks is set out on pages 68 and 69. Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the Group to be £9.8m which is 7% of statutory pre-tax profit and 2% of net assets.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £196,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

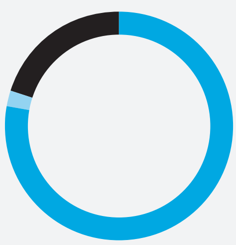
An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. Based on that assessment, we focused our Group audit scope primarily on the audit work at 43 locations covering 52 out of 81 trading entities in the Group. 46 of the 52 entities were subject to a full audit, whilst the remaining 6 were subject to specified audit procedures where the extent of our testing was based on our assessment of the risks of material misstatement and of the materiality of the Group's operations at those locations. These 52 entities represent principal business units and account for 80% of the Group's net assets, 74% of the Group's revenue and 73% of the Group's profit before tax. They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. Our audit work on the 52 entities was executed at levels of materiality applicable to each individual entity which were lower than Group materiality.

At the Parent entity level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.

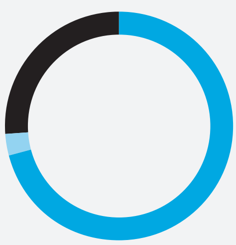
The Group audit team continued to follow a programme of planned visits that has been designed so that the Senior Statutory Auditor or a senior member of the Group audit team visits key locations where the Group audit scope is focused at least once every three years and any significant components at least once a year (defined as contributing greater than 10% of Group profit or revenue).

Net assets



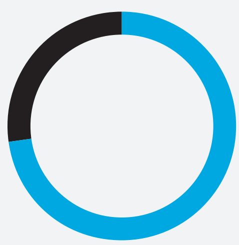
Full audit scope	78%
Specified audit procedures	2%
Head office review	20%

Revenue



Full audit scope	71%
Specified audit procedures	3%
Head office review	26%

Profit before tax



Full audit scope	73%
Specified audit procedures	0%
Head office review	27%

Independent Auditor's Report to the Members of Halma plc continued

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

– the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
– the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

– we have not received all the information and explanations we require for our audit; or
– adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
– the Parent Company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns. We have nothing to report arising from these matters.

Corporate Governance Statement

Under the Listing Rules we are also required to review the part of the Corporate Governance Statement relating to the Company's compliance with nine provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

Our duty to read other information in the Annual Report and Accounts

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report and Accounts is:

– materially inconsistent with the information in the audited financial statements; or
– apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
– otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the Annual Report and Accounts is fair, balanced and understandable and whether the Annual Report and Accounts appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

Respective responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team, strategically focused second partner reviews and independent partner reviews.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Alexander Butterworth ACA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Reading, UK
12 June 2014

Consolidated Income Statement

	Notes	52 weeks to 29 March 2014 Before adjustments** £000	Adjustments** (note 1) £000	Total £000	(Restated)* 52 weeks to 30 March 2013 Before adjustments** £000	Adjustments** (note 1) £000	Total £000
Continuing operations							
Revenue	1	**676,506**	**–**	**676,506**	619,210	–	619,210
Operating profit		**144,660**	**(1,089)**	**143,571**	133,774	(16,477)	117,297
Share of results of associates		**307**	**–**	**307**	(352)	–	(352)
(Loss)/ profit on disposal of operations	29	**–**	**(483)**	**(483)**	–	8,070	8,070
Finance income	4	**622**	**–**	**622**	195	–	195
Finance expense	5	**(5,340)**	**–**	**(5,340)**	(5,074)	–	(5,074)
Profit before taxation	6	**140,249**	**(1,572)**	**138,677**	128,543	(8,407)	120,136
Taxation	9	**(32,685)**	**335**	**(32,350)**	(31,162)	4,632	(26,530)
Profit for the year attributable to equity shareholders	1	**107,564**	**(1,237)**	**106,327**	97,381	(3,775)	93,606
Earnings per share	2						
From continuing operations							
Basic		**28.47p**		**28.14p**	25.79p		24.79p
Diluted				**28.13p**			24.76p
Dividends in respect of the year	10						
Paid and proposed (£000)				**42,198**			39,389
Paid and proposed per share				**11.17p**			10.43p

* Details of the restatement are disclosed in the Accounting Policies note on page 102.
** Adjustments include the amortisation of acquired intangible assets; acquisition items; the effects of closure to future benefit accrual of the defined benefit pension schemes net of associated costs; profit or loss on disposal of operations; and the associated taxation thereon.

Consolidated Statement of Comprehensive Income and Expenditure

	Notes	52 weeks to 29 March 2014 £000	(Restated)* 52 weeks to 30 March 2013 £000
Profit for the year		**106,327**	93,606
Items that will not be reclassified subsequently to the Income Statement:			
Actuarial gains/(losses) on defined benefit pension schemes	28	**2,060**	(19,852)
Tax relating to components of Other comprehensive income that will not be reclassified	9	**(1,570)**	4,292
Items that may be reclassified subsequently to the Income Statement:			
Effective portion of changes in fair value of cash flow hedges	26	**499**	(504)
Exchange (losses)/gains on translation of foreign operations and net investment hedge		**(31,379)**	16,534
Tax relating to components of Other comprehensive income that may be reclassified		**(129)**	130
Other comprehensive (expense)/income for the year		**(30,519)**	600
Total comprehensive income for the year attributable to equity shareholders		**75,808**	94,206

* Details of the restatement are disclosed in the Accounting Policies note on page 102.

The exchange loss of £31,379,000 (2013: gain of £16,534,000) comprises losses of £2,200,000 (2013: gains of £113,000) which relate to net investment hedges as described on page 106.

Consolidated Balance Sheet

	Notes	29 March 2014 £000	(Restated)* 30 March 2013 £000
Non-current assets			
Goodwill	11	**335,278**	351,785
Other intangible assets	12	**112,754**	134,457
Property, plant and equipment	13	**74,417**	76,725
Interests in associates	14	**5,088**	4,792
Deferred tax asset	21	**20,677**	28,749
		548,214	596,508
Current assets			
Inventories	15	**71,034**	69,713
Trade and other receivables	16	**135,177**	133,605
Tax receivable		**172**	69
Cash and bank balances		**34,531**	49,723
Derivative financial instruments	26	**496**	256
		241,410	253,366
Total assets		**789,624**	849,874
Current liabilities			
Trade and other payables	17	**88,291**	87,073
Borrowings	18	**4,136**	5,147
Provisions	19	**4,482**	16,276
Tax liabilities		**11,340**	11,331
Derivative financial instruments	26	**167**	796
		108,416	120,623
Net current assets		**132,994**	132,743
Non-current liabilities			
Borrowings	18	**104,891**	154,866
Retirement benefit obligations	28	**36,849**	47,172
Trade and other payables	20	**3,564**	2,993
Provisions	19	**6,777**	21,756
Deferred tax liabilities	21	**43,127**	49,197
		195,208	275,984
Total liabilities		**303,624**	396,607
Net assets		**486,000**	453,267
Equity			
Share capital	22	**37,902**	37,888
Share premium account		**22,778**	22,598
Treasury shares		**(7,054)**	(4,534)
Capital redemption reserve		**185**	185
Hedging and translation reserve		**14,363**	45,372
Other reserves		**(2,745)**	(1,484)
Retained earnings		**420,571**	353,242
Shareholders' funds		**486,000**	453,267

* The restatement includes contingent purchase consideration being reclassified from Trade and other payables to Provisions and the application of IAS 19 (revised) as disclosed in the Accounting Policies note on page 102.

The financial statements of Halma plc, company number 40932, were approved by the Board of Directors on 12 June 2014.

A J Williams
Director

K J Thompson
Director

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 30 March 2013	**37,888**	**22,598**	**(4,534)**	**185**	**45,372**	**(1,484)**	**353,242**	**453,267**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**106,327**	**106,327**
Other comprehensive income and expense:								
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**–**	**(31,379)**	**–**	**–**	**(31,379)**
Actuarial gains on defined benefit pension schemes	**–**	**–**	**–**	**–**	**–**	**–**	**2,060**	**2,060**
Effective portion of changes in fair value of cash flow hedges	**–**	**–**	**–**	**–**	**499**	**–**	**–**	**499**
Tax relating to components of other comprehensive income	**–**	**–**	**–**	**–**	**(129)**	**–**	**(1,570)**	**(1,699)**
Total other comprehensive income and expense	**–**	**–**	**–**	**–**	**(31,009)**	**–**	**490**	**(30,519)**
Share options exercised	**14**	**180**	**–**	**–**	**–**	**–**	**–**	**194**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**–**	**(40,485)**	**(40,485)**
Share-based payments	**–**	**–**	**–**	**–**	**–**	**(1,556)**	**–**	**(1,556)**
Deferred tax on share-based payment transactions	**–**	**–**	**–**	**–**	**–**	**295**	**–**	**295**
Excess tax deductions related to share-based payments on exercised options	**–**	**–**	**–**	**–**	**–**	**–**	**997**	**997**
Net movement in treasury shares	**–**	**–**	**(2,520)**	**–**	**–**	**–**	**–**	**(2,520)**
At 29 March 2014	**37,902**	**22,778**	**(7,054)**	**185**	**14,363**	**(2,745)**	**420,571**	**486,000**
At 31 March 2012	37,856	22,177	(4,569)	185	29,212	1,346	311,905	398,112
Profit for the year (restated)*	–	–	–	–	–	–	93,606	93,606
Other comprehensive income and expense:								
Exchange differences on translation of foreign operations	–	–	–	–	16,534	–	–	16,534
Actuarial losses on defined benefit pension schemes (restated)*	–	–	–	–	–	–	(19,852)	(19,852)
Effective portion of changes in fair value of cash flow hedges	–	–	–	–	(504)	–	–	(504)
Tax relating to components of other comprehensive income (restated)*	–	–	–	–	130	–	4,292	4,422
Total other comprehensive income and expense (restated)*	–	–	–	–	16,160	–	(15,560)	600
Share options exercised	32	421	–	–	–	–	–	453
Dividends paid	–	–	–	–	–	–	(37,765)	(37,765)
Share-based payments	–	–	–	–	–	(2,835)	–	(2,835)
Deferred tax on share-based payment transactions	–	–	–	–	–	5	–	5
Excess tax deductions related to share-based payments on exercised options	–	–	–	–	–	–	1,056	1,056
Net movement in treasury shares	–	–	35	–	–	–	–	35
At 30 March 2013	37,888	22,598	(4,534)	185	45,372	(1,484)	353,242	453,267

* Details of the restatement are disclosed in the Accounting Policies note on page 102

Consolidated Statement of Changes in Equity continued

Treasury shares are ordinary shares in Halma plc purchased by the Company and held to fulfil the Company's obligations under the performance share plan. At 29 March 2014 the number of treasury shares held was 1,278,148 (2013: 1,143,209) and their market value was £7,394,086 (2013: £5,921,823). The net increase in treasury shares of £2,520,000 (2013: reduction of £35,000) comprises the purchase of treasury shares of £7,515,000 (2013: £5,525,000) offset by the transfer to Other reserves of £4,995,000 (2013: £5,560,000).

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 credit of £123,000 (2013: charge of £247,000), all amounts at year end relate to translation movements.

The Capital redemption reserve was created on repurchase and cancellation of the Company's own shares. The Other reserves represent the provision for the value of the equity-settled share option plans and performance share plan.

Consolidated Cash Flow Statement

	Notes	52 weeks to 29 March 2014 £000	(Restated)* 52 weeks to 30 March 2013 £000
Net cash inflow from operating activities	25	**121,538**	108,244
Cash flows from investing activities			
Purchase of property, plant and equipment	13	**(15,838)**	(14,472)
Purchase of computer software	12	**(1,529)**	(1,044)
Purchase of other intangibles	12	**–**	(9)
Proceeds from sale of property, plant and equipment		**1,708**	917
Development costs capitalised	12	**(5,196)**	(5,443)
Interest received		**252**	195
Acquisition of businesses, net of cash acquired	24	**(16,685)**	(145,641)
Acquisition of investments in associates	14	**–**	(3,187)
Disposal of business, net of cash disposed	29	**1,917**	19,608
Net cash used in investing activities		**(35,371)**	(149,076)
Financing activities			
Dividends paid		**(40,485)**	(37,765)
Proceeds from issue of share capital		**194**	453
Purchase of treasury shares		**(7,515)**	(5,525)
Interest paid		**(2,716)**	(2,502)
Proceeds from borrowings	25	**7,498**	92,298
Repayment of borrowings	25	**(57,791)**	(2,942)
Net cash (used in)/from financing activities		**(100,815)**	44,017
(Decrease)/increase in cash and cash equivalents	25	**(14,648)**	3,185
Cash and cash equivalents brought forward		**49,723**	45,305
Exchange adjustments		**(1,949)**	1,233
Cash and cash equivalents carried forward		**33,126**	49,723

	2014 £000	(Restated)* 2013 £000
Reconciliation of net cash flow to movement in net debt		
(Decrease)/increase in cash and cash equivalents	**(14,648)**	3,185
Cash outflow/(inflow) from repayment/(drawdowns) of borrowings	**50,293**	(89,356)
Net debt acquired	**–**	(2,406)
Loan notes issued**	**(2,731)**	(2,515)
Loan notes repaid**	**2,515**	–
Exchange adjustments	**365**	(489)
	35,794	(91,581)
Net debt brought forward	**(110,290)**	(18,709)
Net debt carried forward	**(74,496)**	(110,290)

* Details of the restatement are disclosed in the Accounting Policies note on page 102.

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

Accounting Policies

Basis of accounting

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 are explained below and have been applied consistently throughout the years ended 29 March 2014 and 30 March 2013 other than those noted below.

The Group accounts have been prepared under the historical cost convention, except as described below under the heading 'Derivative financial instruments and hedge accounting'.

New Standards and Interpretations not yet applied

At the date of authorisation of these financial statements, the following Standards and Interpretations that are potentially relevant to the Group and which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

- IFRS 9 'Financial Instruments: Classification and measurement' – effective for accounting periods beginning on or after 1 January 2015.
- IFRS 10 'Consolidated Financial Statements'
- IFRS 10, IFRS 12 and IAS 27 (amended) 'Investment Entities'
- IFRS 11 'Joint Arrangements'
- IAS 12 (amended) 'Deferred Tax: Recovery of Underlying Assets'
- IAS 19 (amended) 'Defined Benefit Plans: Employee Contributions'
- IAS 27 (revised) 'Separate Financial Statements'
- IAS 28 (revised) 'Investments in Associates and Joint Ventures'
- IAS 32 (amended) 'Offsetting Financial Assets and Financial Liabilities'
- IAS 39 (amended) 'Novation of Derivatives and Continuation of Hedge Accounting'

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group, except for IFRS 9 'Financial Instruments', which will introduce a number of changes in the presentation of financial instruments.

New Standards and Interpretations applied for the first time

IAS 19 (as revised in June 2011) 'Employee Benefits' has been adopted by the Group in the current financial year. The interest cost and expected return on defined benefit pension scheme assets used in the previous version of IAS 19 are replaced with a 'net interest' amount, which is calculated by applying a discount rate to the net defined benefit liability or asset. Furthermore, IAS 19 (revised) also introduces more extensive disclosures in the presentation of the defined benefit cost, including the separate disclosure of the schemes' administrative expenses. To aid comparison, the Consolidated Financial Statements and affected notes for the 52 weeks to 30 March 2013 have been restated as if IAS 19 (revised) had always applied during that year.

The effect of adopting IAS 19 (revised) was a net reduction to profit after tax of £1,610,000 for the 52 weeks ended 30 March 2013 comprising:

a) an increase in administrative expenses of £1,070,000;
b) a decrease in the expected return on pension scheme assets of £1,048,000; and
c) a reduction in the tax charge of £508,000.

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

The effect on basic, adjusted basic and diluted earnings per share of the above changes was a reduction to all of 0.43p.

The effect on non-GAAP measures is detailed in note 3. There was no net effect on net cash flow from operations as a result of the change in accounting policy.

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

The following Standards with an effective date of 1 January 2013 have been adopted without any significant impact on the amounts reported in these financial statements:

- IFRS 1 (amended) 'Government Loans'
- IFRS 7 (amended) 'Disclosures – Offsetting Financial Assets and Financial Liabilities'
- IFRS 13 'Fair Value Measurement'
- IAS 12 (amended) 'Deferred Tax Recovery of Underlying Assets'

The following standard with an effective date of 1 January 2014 has been adopted early without any significant impact on the amounts reported in these financial statements:

- IAS 36 (amended) 'Recoverable Amount Disclosures for Non-financial Assets'

Going concern

The Directors have, at the time of approving the financial statements, a high level of confidence that despite the current economic uncertainty the Company has the necessary liquid resources to meet its liabilities as they fall due and will be able to sustain its business model, strategy and operations and remain solvent for the foreseeable future. Thus, the Directors continue to adopt the going concern basis in preparing these financial statements. Further detail is contained on page 65.

Key sources of estimation uncertainty and critical accounting judgments

The preparation of Group accounts in conformity with IFRS requires the Directors to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experiences and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The following four areas of key estimation uncertainty and critical accounting judgment have been identified as having significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next financial year:

Goodwill impairment

Determining whether goodwill is impaired requires an estimation of the value in use of cash generating units (CGUs) to which goodwill has been allocated. In turn, the value in use calculation involves an estimation of the present value of future cash flows of CGUs. The future cash flows are based on annual budgets, as approved by the Board, to which the management's expectation of market-share and long-term growth rates are applied. The present value is then calculated based on management's judgment of future discount rates. The Board reviews these key assumptions (market-share, long-term growth rates, and discount rates) and the sensitivity analysis around these assumptions. Further details are provided in note 11.

Intangible assets

IFRS 3 (revised) 'Business Combinations' requires that goodwill arising on the acquisition of subsidiaries is capitalised and included in intangible assets. IFRS 3 (revised) also requires the identification of other intangible assets at acquisition. The assumptions involved in valuing these intangible assets require the use of estimates and judgements which may differ from the actual outcome.

IAS 38 'Intangible Assets' requires that development costs, arising from the application of research findings or other technical knowledge to a plan or design of a new or substantially improved product, are capitalised, subject to certain criteria being met. Determining the technical feasibility and estimating the future cash flows generated by the products in development requires judgements which may differ from the actual outcome.

The estimates and judgements made in relation to both acquired intangibles and capitalised development costs, cover future growth rates, expected inflation rates and the discount rate used.

Contingent consideration

Determining the value of contingent consideration recognised as part of the acquisition of subsidiaries requires assumptions to determine the expected performance of the acquired business and the amount of contingent consideration that will therefore become payable. Initial estimates of expected performance are made by the Directors responsible for completing the acquisition and form a key component of the financial due diligence that takes place prior to completion. Subsequent measurement of contingent consideration is based on the Directors' appraisal of the acquired business' performance in the post-acquisition period with any required adjustments to the amount payable recognised in the Consolidated Income Statement as required under IFRS 3. Further details are provided in note 24.

Defined benefit pension scheme liabilities

Determining the value of the future defined benefit obligation requires judgment in respect of the assumptions used to calculate present values. These include future mortality, discount rate, inflation and salary increases. Management makes these judgments in consultation with an independent actuary. Details of the judgments made in calculating these transactions are disclosed in note 28.

Basis of consolidation

The Group accounts include the accounts of Halma plc and all of its subsidiary companies made up to 29 March 2014, adjusted to eliminate intra-Group transactions, balances, income and expenses. The results of subsidiary companies acquired or discontinued are included from the month of their acquisition or to the month of their discontinuation.

Accounting Policies continued

Business combinations and goodwill

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred. Any contingent consideration payable may be accounted for as either:

a) Consideration transferred, which is recognised at fair value at the acquisition date. If the contingent purchase consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent purchase consideration are recognised in the Consolidated Income Statement; or
b) Remuneration, which is expensed in the Income Statement over the associated period of service. An indicator of such treatment includes when payments to employees of the acquired company are contingent on a post-acquisition event, but may be automatically forfeited on termination of employment.

For acquisitions between 4 April 2004 (the date from which the financial statements were reported under IFRS) and 2 April 2010, goodwill represents the difference between the cost of the acquisition, including acquisition costs and the fair value of the net identifiable assets acquired. Goodwill is not amortised, but is tested annually for impairment.

Goodwill is recognised as an intangible asset in the Consolidated Balance Sheet. Goodwill therefore includes non-identified intangible assets including business processes, buyer-specific synergies, know-how and workforce-related industry-specific knowledge and technical skills. Negative goodwill arising on acquisitions would be recognised directly in the Consolidated Income Statement. On closure or disposal of an acquired business, goodwill would be taken into account in determining the profit or loss on closure or disposal.

As permitted by IFRS 1, the Group elected not to apply IFRS 3 'Business Combinations' to acquisitions prior to 4 April 2004 in its consolidated accounts. As a result, the net book value of goodwill recognised as an intangible asset under UK GAAP at 3 April 2004 was brought forward unadjusted as the cost of goodwill recognised under IFRS at 4 April 2004 subject to impairment testing on that date; and goodwill that was written off to reserves prior to 28 March 1998 under UK GAAP will not be taken into account in determining the profit or loss on disposal or closure of previously acquired businesses from 4 April 2004 onwards.

Investments in associates

An associate is an entity over which the Group is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee. Significant influence is the power to participate in the financial and operating policy decisions of the investee but without control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Investments in associates are carried in the Consolidated Balance Sheet at cost as adjusted by post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the fair values of the identifiable net assets of the associate at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any deficiency of the cost of acquisition below the Group's share of the fair values of the identifiable net assets of the associate at the date of acquisition (i.e. discount on acquisition) is credited in profit or loss in the year of acquisition.

Where a Group company transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate. Losses may provide evidence of an impairment of the asset transferred in which case appropriate provision is made for impairment.

Other intangible assets

(a) Product development costs

Research expenditure is written off in the financial year in which it is incurred.

Development expenditure is written off in the financial year in which it is incurred, unless it relates to the development of a new or substantially improved product, is incurred after the technical feasibility and economic viability of the product has been proven and the decision to complete the development has been taken, and can be measured reliably. Such expenditure is capitalised as an intangible asset in the Consolidated Balance Sheet at cost and is amortised through the Consolidated Income Statement on a straight-line basis over its estimated economic life of three years.

(b) Acquired intangible assets
An intangible resource acquired with a subsidiary undertaking is recognised as an intangible asset if it is separable from the acquired business or arises from contractual or legal rights, is expected to generate future economic benefits and its fair value can be measured reliably. Acquired intangible assets, comprising trademarks and customer relationships, are amortised through the Consolidated Income Statement on a straight-line basis over their estimated economic lives of between three and ten years.

(c) Computer software
Computer software that is not integral to an item of property, plant or equipment is recognised separately as an intangible asset, and is amortised through the Consolidated Income Statement on a straight-line basis over its estimated economic life of between three and five years.

(d) Other intangibles
Other intangibles are amortised through the Consolidated Income Statement on a straight-line basis over their estimated economic lives of between three and five years.

Impairment of non-current assets
All non-current assets are tested for impairment whenever events or circumstances indicate that their carrying value may be impaired. Additionally, goodwill and capitalised development expenditure relating to a product that is not yet in full production are subject to an annual impairment test.

An impairment loss is recognised in the Consolidated Income Statement to the extent that an asset's carrying value exceeds its recoverable amount, which represents the higher of the asset's net realisable value and its value in use. An asset's value in use represents the present value of the future cash flows expected to be derived from the asset or from the cash generating unit to which it relates. The present value is calculated using a discount rate that reflects the current market assessment of the time value of money and the risks specific to the asset concerned.

Impairment losses recognised in previous periods for an asset other than goodwill are reversed if there has been a change in the estimates used to determine the asset's recoverable amount, but only to the extent that the carrying amount of the asset does not exceed its carrying amount had no impairment loss been recognised in previous periods. Impairment losses in respect of goodwill are not reversed.

Segmental reporting
An operating segment is a distinguishable component of the Group that is engaged in business activities from which it may earn revenues and incur expenses, and whose operating results are reviewed regularly by the Chief Operating Decision Maker (the Chief Executive Officer) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Reportable segments are operating segments that either meet the thresholds and conditions set out in IFRS 8 or are considered by the Board to be appropriately designated as reportable segments. Segment result represents operating profits and includes an allocation of Head Office expenses. Segment result excludes tax and financing items. Segment assets comprise goodwill, other intangible assets, property, plant and equipment (excluding land and buildings), inventories, trade and other receivables. Segment liabilities comprise trade and other payables, provisions and other payables. Unallocated items represent land and buildings, corporate and deferred taxation balances, defined benefit scheme liabilities, contingent purchase consideration, all components of net cash/borrowings and derivative financial instruments.

Foreign currencies
The Group presents its accounts in Sterling. Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates prevailing at that date. Any gain or loss arising from subsequent exchange rate movements is included as an exchange gain or loss in the Consolidated Income Statement.

Net assets of overseas subsidiary companies are expressed in Sterling at the rates of exchange ruling at the end of the financial year, and trading results and cash flows at the average rates of exchange for the financial year. Goodwill arising on the acquisition of a foreign business is treated as an asset of the foreign entity and is translated at the rate of exchange ruling at the end of the financial year. Exchange gains or losses arising on these translations are taken to the Hedging and translation reserve within Shareholders' funds.

In the event that an overseas subsidiary is disposed of or closed, the profit or loss on disposal or closure will be determined after taking into account the cumulative translation difference held within the Hedging and translation reserve attributable to that subsidiary. As permitted by IFRS 1, the Group has elected to deem the Hedging and translation to be £nil at 4 April 2004. Accordingly, the profit or loss on disposal or closure of foreign subsidiaries will not include any currency translation differences which arose before 4 April 2004.

Derivative financial instruments and hedge accounting
The Group enters into derivative financial instruments to manage its exposure to foreign exchange rate risk using forward exchange contracts. Further details of derivative financial instruments are disclosed in note 26.

Derivative financial instruments are classified as fair value through profit and loss (held for trading) unless they are in a designated hedge relationship.

Accounting Policies continued

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in the Consolidated Income Statement, unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the Consolidated Income Statement depends on the nature of the hedge relationship. The Group designates certain derivatives as hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investments in foreign operations.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Cash flow hedge accounting

The Group designates certain hedging instruments as cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument has been or is expected to be highly effective in offsetting changes in fair values or cash flows of the hedged item.

Note 26 sets out details of the fair values of the derivative instruments used for hedging purposes and the movements in the hedging reserve in equity.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in Other comprehensive income. The gain or loss relating to the ineffective portion as a result of being over hedged is recognised immediately in the Consolidated Income Statement.

Amounts previously recognised in Other comprehensive income and accumulated in equity are reclassified to the Consolidated Income Statement in the periods when the hedged item is recognised in the Consolidated Income Statement. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. Any gain or loss recognised in Other comprehensive income at that time is accumulated in equity and is recognised, when the forecast transaction is ultimately recognised, in the Consolidated Income Statement. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in the Consolidated Income Statement.

Net investment hedge accounting

The Group uses foreign currency denominated borrowings as a hedge against the translation exposure on the Group's net investment in overseas companies. Where the hedge is fully effective at hedging the variability in the net assets of such companies caused by changes in exchange rates, the changes in value of the borrowings are recognised in the Statement of Comprehensive Income and accumulated in the Hedging and translation reserve. The ineffective part of any change in value caused by changes in exchange rates is recognised in the Consolidated Income Statement.

Revenue

Revenue represents sales, less returns, by subsidiary companies to external customers excluding value added tax and other sales related taxes. Transactions are recorded as revenue when the delivery of products or performance of services takes place in accordance with the contracted terms of sale.

Revenue on long-term contracts is recognised while the contracts are in progress. Revenue is recognised proportionally to the stage of completion of the contract, based on the fair value of goods and services provided to date, taking into account the sign-off of milestone delivery by customers. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Property, plant and equipment

Property, plant and equipment is stated at historical cost less provisions for impairment and depreciation which, with the exception of freehold land which is not depreciated, is provided on a straight-line basis over each asset's estimated economic life. The principal annual rates used for this purpose are:

Freehold property	2%
Leasehold properties:	
Long leases (more than 50 years unexpired)	2%
Short leases (less than 50 years unexpired)	Period of lease
Plant, equipment and vehicles	8% to 33.3%

Leases
Leases that confer rights and obligations similar to those that attach to owned assets are classified as finance leases, of which the Group has none. All other leases are classified as operating leases.

Operating lease rentals, and any incentives receivable, are charged to the Consolidated Income Statement on a straight-line basis over the lease term.

Pensions
The Group makes contributions to various pension schemes, covering the majority of its employees.

For defined benefit schemes, the asset or liability recorded in the balance sheet is the difference between the fair value of the scheme's assets and the present value of the defined obligation at that date. The defined benefit obligation is calculated separately for each scheme on an annual basis by independent actuaries using the projected unit credit method.

Actuarial gains and losses are recognised in full in the period in which they occur, and are taken to Other comprehensive income.

Current and past service costs, along with the impact of any settlements or curtailments, are charged to the Consolidated Income Statement. Interest on pension plans' liabilities are recognised within finance expense and the expected return on the schemes' assets are recognised within finance income in the Consolidated Income Statement.

Contributions to defined contribution schemes are charged to the Consolidated Income Statement when they fall due.

Employee share schemes
Share-based incentives are provided to employees under the Group's share incentive plan, the share option plans and the performance share plan.

(a) Share incentive plan
Awards of shares under the share incentive plan are made to qualifying employees depending on salary and service criteria. The shares awarded under this plan are purchased in the market by the plan's trustees at the time of the award, and are then held in trust for a minimum of three years. The costs of this plan are recognised in the Consolidated Income Statement over the three-year vesting periods of the awards.

(b) Share option plans
All grants of options under the 1999 company share option plan are equity settled, and so, as permitted by IFRS 1, the provisions of IFRS 2 'Share-Based Payment' have been applied only to options awarded on or after 7 November 2002 which had not vested at 3 April 2005.

The fair value of awards under this plan has been measured at the date of grant using the Black-Scholes model and will not be subsequently remeasured. The fair value is charged to the Consolidated Income Statement on a straight-line basis over the expected vesting period, based on the Group's estimate of shares that will ultimately vest and adjusted for the effect of non-market-based vesting conditions. The corresponding credit is to Shareholders' funds.

No further awards will be made under the share option plan.

(c) Performance share plan
On 3 August 2005 the share option plan was replaced by the performance share plan.

Awards under this plan are partly equity-settled and partly cash-settled, and are subject to both market-based and non-market-based vesting criteria.

The fair value of the equity-settled portion at the date of grant is established by using an appropriate simulation method to reflect the likelihood of market-based performance conditions being met. The fair value is charged to the Consolidated Income Statement on a straight-line basis over the vesting period, with appropriate adjustments being made during this period to reflect expected and actual forfeitures arising from the non-market-based performance conditions only. The corresponding credit is to Shareholders' funds.

For the cash-settled portion, a liability equal to the portion of the services received is recognised at the current fair value determined at each balance sheet date.

Inventories
Inventories and work in progress are included at the lower of cost and net realisable value. Cost is calculated either on a 'first in, first out' or an average cost basis and includes direct materials and the appropriate proportion of production and other overheads considered by the Directors to be attributable to bringing the inventories to their location and condition at the year end. Net realisable value represents the estimated selling price less all estimated costs to complete and costs to be incurred in marketing, selling and distribution.

Deferred government grant income
Government grant income that is linked to capital expenditure is deferred to the Consolidated Balance Sheet and credited to the Consolidated Income Statement over the life of the related asset. In addition, the Group claims research and development expenditure credits arising on qualifying expenditure in its UK-based subsidiaries and shows these 'above the line' in Operating profit. Where the credits arise on expenditure that is capitalised as part of Internally generated capitalised development costs, the income is deferred to the Consolidated Balance Sheet and credited to the Consolidated Income Statement over the life of the related asset in line with the policy stated above.

Accounting Policies continued

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of the cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Operating profit

Operating profit is stated after charging restructuring costs but before the share of results of associates, profit or loss on disposal of operations, finance income and finance costs.

Taxation

Taxation comprises current and deferred tax. Tax is recognised in the Consolidated Income Statement except to the extent that it relates to items recognised directly in Shareholders' funds, in which case it too is recognised in Shareholders' funds. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or subsequently enacted at the balance sheet date, along with any adjustment to tax payable in respect of previous years. Taxable profit differs from net profit as reported in the Consolidated Income Statement because it excludes items that are never taxable or deductible.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes and is accounted for using the balance sheet liability method, apart from the following differences which are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and differences relating to investments in subsidiaries to the extent they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amounts of assets and liabilities, using tax rates and laws, which are expected to apply in the year when the liability is settled or the asset is realised. Deferred tax assets are only recognised to the extent that recovery is probable.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, deposits with an initial maturity of less than three months, and bank overdrafts that are repayable on demand.

Dividends

Dividends payable to the Company's shareholders are recognised as a liability in the period in which the distribution is approved by the Company's shareholders.

Notes to the Accounts

1 Segmental analysis

Sector analysis

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

Segment revenue and results

	Revenue (all continuing operations)	
	52 weeks to 29 March 2014 £000	52 weeks to 30 March 2013 £000
Process Safety	**126,704**	125,656
Infrastructure Safety	**220,254**	205,315
Medical	**163,181**	136,054
Environmental & Analysis	**166,547**	152,448
Inter-segmental sales	**(180)**	(263)
Revenue for the year	**676,506**	619,210

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

	Profit (all continuing operations)	
	52 weeks to 29 March 2014 £000	(Restated)* 52 weeks to 30 March 2013 £000
Segment profit before allocation of adjustments**		
Process Safety	**34,878**	32,310
Infrastructure Safety	**44,445**	41,523
Medical	**41,826**	35,934
Environmental & Analysis	**31,740**	30,385
	152,889	140,152
Segment profit after allocation of adjustments**		
Process Safety	**34,125**	39,848
Infrastructure Safety	**45,010**	41,469
Medical	**41,554**	24,146
Environmental & Analysis	**27,574**	26,282
Segment profit	**148,263**	131,745
Central administration costs excluding the effects of closure to future benefit accrual of the defined benefit pension scheme net of associated costs***	**(7,922)**	(6,730)
Effects of closure to future benefit accrual of the defined benefit pension scheme net of associated costs***	**3,054**	–
Net finance expense	**(4,718)**	(4,879)
Group profit before taxation	**138,677**	120,136
Taxation	**(32,350)**	(26,530)
Profit for the year	**106,327**	93,606

* Details of the restatement are disclosed in the Accounting Policies note on page 102.
** Adjustments include the amortisation of acquired intangible assets; acquisition items; the effects of closure to future benefit accrual of the defined benefit pension schemes net of associated costs; and profit or loss on disposal of operations.
*** The defined benefit scheme referred to here is the Halma Group Pension Plan only, which is not practical to allocate by Sector (see adjustments table on page 110 for more details).

1 Segmental analysis continued

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 movement on contingent consideration (collectively 'acquisition items'), are recognised in the Consolidated Income Statement. Segment profit, before these acquisition items and the other adjustments, 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.

These adjustments are analysed as follows:

2014

		Acquisition items					
	Amortisation of acquired intangibles £000	**Transaction costs £000**	**Adjustments to contingent consideration £000**	**Total amortisation charge and acquisition items £000**	**Disposal of operations (note 29) £000**	**Effects of closure to future benefit accrual of defined benefit pension schemes* (note 28) £000**	**Total £000**
Process Safety	**(598)**	**–**	**(17)**	**(615)**	**(138)**	**–**	**(753)**
Infrastructure Safety	**(144)**	**(140)**	**–**	**(284)**	**(45)**	**894**	**565**
Medical	**(12,530)**	**102**	**12,456**	**28**	**(300)**	**–**	**(272)**
Environmental & Analysis	**(4,243)**	**(53)**	**130**	**(4,166)**	**–**	**–**	**(4,166)**
Total Segment	**(17,515)**	**(91)**	**12,569**	**(5,037)**	**(483)**	**894**	**(4,626)**
Central administration costs	**–**	**–**	**–**	**–**	**–**	**3,054**	**3,054**
Total Group	**(17,515)**	**(91)**	**12,569**	**(5,037)**	**(483)**	**3,948**	**(1,572)**

* The effects of closure to future benefit accrual of defined benefit pension schemes, which were gains of £894,000 and £3,054,000, arose on the closure of the Apollo Pension and Life Assurance Plan and Halma Group Pension Plan respectively. It is not practical to apportion the latter gain by Segment.

The transaction costs arose mainly on the acquisition (see note 24) of ASL Holdings Limited and Talentum Developments Limited, which were acquired on 14 March 2013 and 11 April 2013 respectively. The credit in the Medical Segment related mainly to the release of accrued fees arising on the MicroSurgical Technology, Inc. ('MST') acquisition in the prior year. The £12,456,000 credit to contingent consideration related mainly to a revision in the estimate of the MST payable from US$25,0000,000 to US$6,504,000.

2013

		Acquisition items					
	Amortisation of acquired intangibles £000	Transaction costs £000	Adjustments to contingent consideration £000	Total amortisation charge and acquisition items £000	Disposal of continuing operations £000	Effects of closure to future benefit accrual of defined benefit pension schemes (note 28) £000	Total £000
Process Safety	(602)	–	(16)	(618)	8,156	–	7,538
Infrastructure Safety	–	(54)	–	(54)	–	–	(54)
Medical	(9,947)	(2,272)	517	(11,702)	(86)	–	(11,788)
Environmental & Analysis	(3,686)	(417)	–	(4,103)	–	–	(4,103)
Total Segment	(14,235)	(2,743)	501	(16,477)	8,070	–	(8,407)
Central administration costs	–	–	–	–	–	–	–
Total Group	(14,235)	(2,743)	501	(16,477)	8,070	–	(8,407)

Segment assets and liabilities

Before goodwill, interests in associates and acquired intangible assets are allocated to specific segment assets/liabilities	Assets 2014 £000	Assets 2013 £000	Liabilities 2014 £000	Liabilities 2013 £000
Process Safety	**50,518**	47,960	**18,463**	17,451
Infrastructure Safety	**88,688**	86,401	**28,896**	28,933
Medical	**54,428**	55,473	**18,457**	18,452
Environmental & Analysis	**68,866**	67,066	**26,413**	24,003
Total segment assets/liabilities excluding goodwill, interests in associates and acquired intangible assets	**262,500**	256,900	**92,229**	88,839
Goodwill	**335,278**	351,785	**–**	–
Interests in associates	**5,088**	4,792	**–**	–
Acquired intangible assets	**96,955**	119,951	**–**	–
Total segment assets/liabilities including goodwill, interests in associates and acquired intangible assets	**699,821**	733,428	**92,229**	88,839

After goodwill, interests in associates and acquired intangible assets are allocated to specific segment assets/liabilities	Assets 2014 £000	Assets 2013 £000	Liabilities 2014 £000	Liabilities 2013 £000
Process Safety	**68,428**	67,978	**18,463**	17,451
Infrastructure Safety	**170,540**	168,064	**28,896**	28,933
Medical	**275,109**	301,256	**18,457**	18,452
Environmental & Analysis	**185,744**	196,130	**26,413**	24,003
Total segment assets/liabilities including goodwill and acquired intangible assets	**699,821**	733,428	**92,229**	88,839
Cash and bank balances/borrowings	**34,531**	49,723	**109,027**	160,013
Derivative financial instruments	**496**	256	**167**	796
Other unallocated assets/liabilities	**54,776**	66,467	**102,201**	146,959
Total Group	**789,624**	849,874	**303,624**	396,607

Segment assets and liabilities, excluding the allocation of goodwill, interests in associates and acquired intangible assets, have been disclosed separately above as this is the measure reported to the Chief Executive Officer for the purpose of monitoring segment performance and allocating resources between segments. Other unallocated assets include land and buildings and tax assets, and unallocated liabilities include contingent purchase consideration, retirement benefit provisions and tax liabilities.

Other segment information

	Additions to non-current assets 2014 £000	Additions to non-current assets 2013 £000	Depreciation and amortisation 2014 £000	Depreciation and amortisation 2013 £000
Process Safety	**4,403**	3,692	**3,872**	3,942
Infrastructure Safety	**10,311**	7,701	**6,458**	5,697
Medical	**4,575**	122,431	**15,742**	12,727
Environmental & Analysis	**6,209**	40,908	**9,733**	8,885
Total segment additions/depreciation and amortisation	**25,498**	174,732	**35,805**	31,251
Unallocated	**354**	294	**505**	648
Total Group	**25,852**	175,026	**36,310**	31,899

Non-current asset additions comprise acquired and purchased goodwill, intangible assets and property, plant and equipment.

There were no impairment losses incurred during the year (2013: £nil).

1 Segmental analysis continued

Geographical information

The Group's revenue from external customers (by location of customer) and its non-current assets by geographical location are detailed below:

	Revenue by destination		Non-current assets	
	2014 £000	2013 £000	**2014 £000**	2013 £000
United States of America	**214,493**	194,990	**63,996**	68,765
Mainland Europe	**163,707**	151,631	**28,134**	28,115
United Kingdom	**127,877**	115,575	**429,923**	466,006
Asia Pacific	**111,572**	100,532	**5,429**	4,803
Africa, Near and Middle East	**33,037**	31,380	**–**	–
Other countries	**25,820**	25,102	**55**	70
	676,506	619,210	**527,537**	567,759

Non-current assets comprise goodwill, other intangible assets, investments in associates and property, plant and equipment.

Information about major customers

The Group had no revenue from a single customer, which accounts for more than 2% of the Group's revenue.

2 Earnings per ordinary share

Basic earnings per ordinary share are calculated using the weighted average of 377,805,248 shares in issue during the year (net of shares purchased by the Company and held as treasury shares) (2013: 377,597,126). Diluted earnings per ordinary share are calculated using the weighted average of 378,035,662 shares (2013: 378,009,506), which includes dilutive potential ordinary shares of 230,414 (2013: 412,380). Dilutive potential ordinary shares are calculated from those exercisable share options where the exercise price is less than the average price of the Company's ordinary shares during the year.

Adjusted earnings are calculated as earnings from continuing operations excluding the amortisation of acquired intangible assets; acquisition items; the effects of closure to future benefit accrual of the defined benefit pension schemes net of associated costs; profit or loss on disposal of operations; and associated tax thereon. 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	
	2014 £000	(Restated)* 2013 £000	**2014 pence**	(Restated)* 2013 £000
Earnings from continuing operations	**106,327**	93,606	**28.14**	24.79
Cessation of DB pension accrual	**(3,040)**	–	**(0.80)**	–
Amortisation of acquired intangible assets (after tax)	**11,820**	9,978	**3.14**	2.64
Acquisition transaction costs (after tax)	**91**	2,252	**0.02**	0.60
Adjustments to contingent consideration (after tax)	**(8,104)**	(385)	**(2.15)**	(0.10)
Loss/(profit) on disposal of operations (after tax)	**470**	(8,070)	**0.12**	(2.14)
Adjusted earnings	**107,564**	97,381	**28.47**	25.79

* The effect on the prior year of the adoption of IAS 19 (revised) on earnings and adjusted earnings per ordinary share was a reduction to both of 0.43p. See the Accounting Policies note on page 102 for further details.

3 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, Organic growth, Adjusted operating profit and Adjusted operating cash flow.

Return on Capital Employed

	2014 £000	(Restated)* 2013 £000
Operating profit before adjustments, but after share of results of associates**	**144,967**	133,422
Computer software costs within intangible assets	**2,810**	2,383
Capitalised development costs within intangible assets	**12,981**	11,977
Other intangibles within intangible assets	**8**	146
Property, plant and equipment	**74,417**	76,725
Inventories	**71,034**	69,713
Trade and other receivables	**135,177**	133,605
Trade and other payables	**(88,291)**	(87,073)
Current provisions	**(4,482)**	(16,276)
Net tax liabilities	**(11,168)**	(11,262)
Non-current trade and other payables	**(3,564)**	(2,993)
Non-current provisions	**(6,777)**	(21,756)
Add back contingent purchase consideration	**7,562**	33,512
Capital employed	**189,707**	188,701
Return on Capital Employed (ROCE)	**76.4%**	70.7%

* The effect on the prior year of the adoption of IAS 19 (revised) on the Return on Capital Employed (ROCE) measure was a reduction in ROCE of 0.6%. This change arose due to the reduction in operating profit. See the Accounting Policies note on page 102 for further details.

Return on Total Invested Capital

	2014 £000	(Restated)* 2013 £000
Post-tax profit before adjustments**	**107,564**	97,381
Total shareholders' funds	**486,000**	453,267
Add back retirement benefit obligations	**36,849**	47,172
Less associated deferred tax assets	**(7,372)**	(10,851)
Cumulative amortisation of acquired intangibles	**61,324**	46,150
Historical adjustments to goodwill***	**89,549**	89,549
Total invested capital	**666,350**	625,287
Return on Total Invested Capital (ROTIC)	**16.1%**	15.6%

* The effect on the prior year of the adoption of IAS 19 (revised) on the Return on Total Invested Capital (ROTIC) measure was a reduction in ROTIC of 0.2% due to a reduction in post-tax profit. See the Accounting Policies note on page 102 for further details.

** Adjustments include the amortisation of acquired intangible assets; acquisition items; the effects of closure to future benefit accrual of the defined benefit pension schemes net of associated costs; and profit or loss on disposal of operations.

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

3 Non-GAAP measures continued

Organic growth

Organic growth measures the change in revenue and profit from continuing Group operations. The effect of acquisitions and disposals made during the prior financial year, and acquisitions made in the current financial year has been equalised by adjusting the current year results for pro-rated contributions based on their revenues and profits before taxation at the dates of acquisition and disposal. The results of disposals made in the prior financial year have been removed from the prior year reported revenue and profit before taxation. Organic growth has been calculated as follows:

	Revenue			Profit** before taxation		
	2014 £000	2013 £000	% growth	**2014 £000**	(Restated)* 2013 £000	% growth
Continuing operations	**676,506**	619,210		**140,249**	128,543	
Acquired and disposed revenue/profit	**(26,413)**	(5,088)		**(5,379)**	(915)	
	650,093	614,122	5.9%	**134,870**	127,628	5.7%

* Details of the restatement are disclosed in the Accounting Policies note on page 102.
** Profit before adjustments, which include the amortisation of acquired intangible assets; acquisition items; the effects of the closure to future benefit accrual of the defined benefit pension schemes net of associated costs; and profit or loss on disposal of operations.

Adjusted operating profit

	2014 £000	(Restated)* 2013 £000
Operating profit	**143,571**	117,297
Add back:		
Acquisition items	**(12,478)**	2,242
Effects of closure to future benefit accrual of defined benefit pension schemes	**(3,948)**	–
Amortisation of acquired intangible assets	**17,515**	14,235
Adjusted operating profit	**144,660**	133,774

Adjusted operating cash flow

	2014 £000	(Restated)* 2013 £000
Net cash from operating activities (note 25)	**121,538**	108,244
Add back:		
Taxes paid	**28,351**	25,452
Proceeds from sale of property, plant and equipment	**1,708**	917
Less:		
Purchase of property, plant and equipment	**(15,838)**	(14,472)
Purchase of computer software and other intangibles	**(1,529)**	(1,053)
Development costs capitalised	**(5,196)**	(5,443)
Adjusted operating cash flow	**129,034**	113,645
Cash conversion % (adjusted operating cash flow/adjusted operating profit)	**89%**	85%

* Details of the restatement are disclosed in the Accounting Policies note on page 102.

The effect on the prior year of the adoption of IAS 19 (revised) was an increase of 1% in the cash conversion percentage.

4 Finance income

	2014 £000	(Restated)* 2013 £000
Interest receivable	**252**	195
Fair value movement on derivative financial instruments	**370**	–
	622	195

5 Finance expense

	2014 £000	(Restated)* 2013 £000
Interest payable on bank loans and overdrafts	**2,691**	2,366
Amortisation of finance costs	**599**	634
Net interest charge on pension scheme liabilities	**1,875**	1,518
Other interest payable	**25**	90
	5,190	4,608
Fair value movement on derivative financial instruments	**–**	384
Unwinding of discount on provisions	**150**	82
	5,340	5,074

6 Profit before taxation

Profit before taxation comprises:

	2014 £000	(Restated)* 2013 £000
Revenue	**676,506**	619,210
Direct materials/direct labour	**(240,584)**	(223,050)
Production overhead	**(81,403)**	(74,654)
Selling costs	**(87,385)**	(77,348)
Distribution costs	**(15,448)**	(13,690)
Administrative expenses	**(108,115)**	(113,171)
Operating profit	**143,571**	117,297
Share of results of associates	**307**	(352)
(Loss)/profit on disposal of operations	**(483)**	8,070
Net finance expense	**(4,718)**	(4,879)
Profit before taxation	**138,677**	120,136

* Details of the restatement are disclosed in the Accounting Policies note on page 102.

Included within administrative expenses are the amortisation of acquired intangible assets, the effects of the closure to future benefit accrual of defined benefit pension schemes and acquisition items.

Notes to the Accounts continued

6 Profit before taxation continued

		2014 £000	2013 £000
Profit before taxation is stated after charging/(crediting):			
Depreciation		**13,625**	12,684
Amortisation		**22,685**	19,215
Research and development*		**26,929**	25,633
Foreign exchange loss/(gain)		**1,385**	(901)
Loss/(profit) on disposal of operations		**483**	(8,070)
Profit on sale of property, plant and equipment and computer software		**(26)**	(163)
Cost of inventories recognised as an expense		**326,917**	284,269
Staff costs (note 7)		**180,905**	164,862
Auditor's remuneration	Audit services to the Company	**159**	142
	Audit of the Company's subsidiaries	**600**	598
	Total audit fees	**759**	740
	Interim agreed upon procedures	**20**	20
	Tax compliance services	**1**	27
	Tax advisory services	**11**	225
	Other services	**18**	21
	Total non-audit fees	**50**	293
	Audit of Group pension plan	**15**	14
	Total fees	**824**	1,047
Operating lease rents:	Property	**8,027**	7,679
	Other	**942**	915

* A further £5,196,000 (2013: £5,443,000) of development costs has been capitalised in the year. See note 12.

7 Employee information

The average number of persons employed by the Group (including Directors) by entity location was:

	2014 Number	2013 Number
United States of America	**1,538**	1,439
Mainland Europe	**794**	792
United Kingdom	**1,723**	1,751
Asia Pacific	**936**	727
Other countries	**8**	7
	4,999	4,716

The average number of persons employed by the Group (including Directors) by employee location* was:

	2014 Number
United States of America	**1,512**
Mainland Europe	**782**
United Kingdom	**1,660**
Asia Pacific	**994**
Other countries	**51**
	4,999

* The Group started to collect more detailed employee information in the current year. Prior year comparatives for average numbers of employee by location are unavailable.

Group employee costs comprise:

	2014 £000	2013 £000
Wages and salaries	**148,286**	136,120
Social security costs	**21,428**	19,510
Pension costs (note 28)	**6,695**	5,590
Share-based payment charge (note 23)	**4,496**	3,642
	180,905	164,862

8 Directors' remuneration

The remuneration of the Directors is set out on pages 81 to 89 within the Remuneration Report described as being audited and forms part of these financial statements.

Directors' remuneration comprises:

	2014 £000	2013 £000
Wages, salaries and fees	**2,671**	2,686
Pension costs	**56**	47
Share-based payment charge	**1,227**	989
	3,954	3,722

9 Taxation

As stated in the Accounting Policies, the prior year's results have been restated following the adoption of IAS19 (revised) from 31 March 2013. Consequently, the deferred tax charge in the Consolidated Income Statement and the tax credit recognised directly in the Consolidated Statement of Comprehensive Income have both been reduced by £508,000.

	2014 £000	(Restated)* 2013 £000
Current tax		
UK corporation tax at 23% (2013: 24%)	**9,465**	8,081
Overseas taxation	**20,872**	19,046
Adjustments in respect of prior years	**(492)**	(178)
Total current tax charge	**29,845**	26,949
Deferred tax		
Origination and reversal of timing differences	**2,626**	(548)
Adjustments in respect of prior years	**(121)**	129
Total deferred tax charge/(credit)	**2,505**	(419)
Total tax charge recognised in the Consolidated Income Statement	**32,350**	26,530
Reconciliation of the effective tax rate:		
Profit before tax	**138,677**	120,136
Tax at the UK corporation tax rate of 23% (2013: 24%)	**31,896**	28,833
Overseas tax rate differences	**5,665**	5,413
Permanent differences	**(4,598)**	(7,667)
Adjustments in respect of prior years	**(613)**	(49)
	32,350	26,530
Effective tax rate after adjustments**	**23.3%**	22.1%

	2014 £000	2013 £000
Profit before tax and adjustments**	**140,249**	128,543
Total tax charge on profit before adjustments**	**32,685**	31,162
Effective tax rate	**23.3%**	24.2%

* Details of the restatement are disclosed in the Accounting Policies note on page 102.

** Adjustments include the amortisation of acquired intangible assets; acquisition items; the effects of the closure to future benefit accrual of the defined benefit pension schemes net of associated costs; and profit or loss on disposal of operations.

In addition to the amount charged to the Consolidated Income Statement, the following amounts relating to tax have been recognised directly in the Consolidated Statement of Comprehensive Income and Expenditure:

	2014 £000	(Restated)* 2013 £000
Deferred tax (note 21)		
Retirement benefit obligations	**1,570**	(4,292)
Short-term timing differences	**129**	(130)
	1,699	(4,422)

* Details of the restatement are disclosed in the Accounting Policies note on page 102.

In addition to the amounts charged to the Consolidated Income Statement and the Consolidated Statement of Comprehensive Income and Expenditure, the following amounts relating to tax have been recognised directly in equity:

	2014 £000	2013 £000
Current tax		
Excess tax deductions related to share-based payments on exercised options	**997**	1,056
Deferred tax (note 21)		
Change in estimated excess tax deductions related to share-based payments	**295**	5
	1,292	1,061

10 Dividends

	Per ordinary share			
	2014 pence	2013 pence	**2014 £000**	2013 £000
Amounts recognised as distributions to shareholders in the year				
Final dividend for the year to 30 March 2013 (31 March 2012)	**6.37**	5.95	**24,049**	22,425
Interim dividend for the year to 29 March 2014 (30 March 2013)	**4.35**	4.06	**16,436**	15,340
	10.72	10.01	**40,485**	37,765
Dividends declared in respect of the year				
Interim dividend for the year to 29 March 2014 (30 March 2013)	**4.35**	4.06	**16,436**	15,340
Proposed final dividend for the year to 29 March 2014 (30 March 2013)	**6.82**	6.37	**25,762**	24,049
	11.17	10.43	**42,198**	39,389

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 24 July 2014 and has not been included as a liability in these financial statements.

11 Goodwill

	2014 £000	2013 £000
Cost		
At beginning of year	**351,785**	267,471
Additions (note 24)	**1,649**	82,159
Disposals (note 29)	**–**	(8,009)
Exchange adjustments	**(18,156)**	10,164
At end of year	**335,278**	351,785
Provision for impairment		
At beginning and end of year	**–**	–
Carrying amounts	**335,278**	351,785

The Group identifies cash generating units (CGUs) at the operating company level as this represents the lowest level at which cash flows are largely independent of other cash flows. Goodwill acquired in a business combination is allocated, at acquisition, to the groups of CGUs that are expected to benefit from that business combination.

Before recognition of any impairment losses, the carrying amount of goodwill has been allocated as follows:

	2014 £000	2013 £000
Process Safety		
Gas Detection	**–**	–
Bursting Discs	**6,977**	7,620
Safety Interlocks	**7,357**	7,609
	14,334	15,229
Infrastructure Safety		
Fire	**12,172**	11,675
Doors, Security & Elevators	**68,465**	69,988
	80,637	81,663
Medical		
Health Optics	**117,571**	123,123
Fluid Technology	**31,095**	33,749
	148,666	156,872
Environmental & Analysis		
Water	**27,252**	27,929
Photonics	**53,184**	57,855
Environmental Monitoring	**11,205**	12,237
	91,641	98,021
Total Group	**335,278**	351,785

Goodwill values have been tested for impairment by comparing them against the value in use in perpetuity of the relevant CGUs. The value in use calculations were based on projected cash flows, derived from the latest budget approved by the Board, discounted at CGU specific, risk adjusted, discount rates to calculate their net present value.

Key assumptions used in 'value in use' calculations

The calculation of 'value in use' is most sensitive to the following assumptions:

- CGU specific operating assumptions that are reflected in the budget period for the financial year to March 2015;
- Discount rates;
- Growth rates used to extrapolate risk adjusted cash flows beyond the budget period.

CGU specific operating assumptions are applicable to the budgeted cash flows for the year to March 2015 and relate to revenue forecasts, expected project outcomes and forecast operating margins in each of the operating companies. The relative value ascribed to each assumption will vary between CGUs as the budgets are built up from the underlying operating companies within each CGU. A short-term growth rate is applied to the March 2015 budget to derive the cash flows arising in the year to March 2016 and a long-term rate is applied to these values for the year to March 2017 and onwards, as described below.

Discount rates are based on estimations of the assumptions that market participants operating in similar sectors to Halma would make, using the Group's economic profile as a starting point and adjusting appropriately. The Directors do not currently expect any significant change in the present base discount rate of 10.65% (2013: 10.51%). The base discount rate, which is pre-tax and is based on short-term variables, may differ from the Weighted Average Cost of Capital (WACC) used in long-term return measures such as ROTIC. Discount rates are adjusted for economic risks that are not already captured in the specific operating assumptions for each CGU. This results in the impairment testing using discount rates ranging from 10.52% to 13.70% (2013: 9.36% to 14.59%) across all CGUs.

CGUs to which 10% or more of the total goodwill balance is allocated are deemed to be significant. The assumptions used to determine value in use for these CGUs are:

	Risk adjusted discount rate		Short-term growth rates		Long-term growth rates	
Significant CGU	**2014**	2013	**2014**	2013	**2014**	2013
Doors, Security & Elevators	**13.70%**	14.05%	**5.09%**	3.25%	**2.14%**	2.50%
Health Optics	**12.88%**	14.59%	**1.49%**	3.25%	**2.35%**	2.50%
Photonics	**11.61%**	9.52%	**2.07%**	3.25%	**2.16%**	2.50%

Short-term growth rates are based on sectoral organic growth rates achieved in the current year, but are capped at the Group's overall current year organic growth rate to ensure that future uncertainties are adequately reflected. Long-term growth rates are capped at the weighted average GDP growth rates of the markets that the Group sells into.

Sensitivity to changes in assumptions

Management believes that no reasonable potential change in any of the above key assumptions would cause the carrying value of any unit to exceed its recoverable amount.

Notes to the Accounts continued

12 Other intangible assets

	Acquired intangibles							
	Customer and supplier relationships[1]	Technical know-how[2]	Trademarks, brands and patents[3]	Total	Internally generated capitalised development costs[4]	Computer software	Other intangibles[5]	Total
Cost								
At 31 March 2012	68,659	–	28,729	97,388	28,586	9,906	418	136,298
Transfer between category	313	7,429	(7,742)	–	–	–	–	–
Assets of businesses acquired	48,392	6,790	13,888	69,070	–	50	–	69,120
Assets of businesses sold	(3,632)	(1,793)	–	(5,425)	(680)	(368)	–	(6,473)
Additions at cost	–	–	–	–	5,443	1,044	9	6,496
Disposals and retirements	–	–	–	–	(977)	(427)	–	(1,404)
Exchange adjustments	3,557	489	1,022	5,068	444	243	21	5,776
At 30 March 2013	**117,289**	**12,915**	**35,897**	**166,101**	**32,816**	**10,448**	**448**	**209,813**
Transfer between category[6]	**–**	**–**	**–**	**–**	**–**	**586**	**(51)**	**535**
Assets of businesses acquired (note 24)	**806**	**404**	**234**	**1,444**	**–**	**–**	**–**	**1,444**
Additions at cost	**–**	**–**	**–**	**–**	**5,196**	**1,529**	**–**	**6,725**
Disposals and retirements	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Exchange adjustments	**(6,436)**	**(963)**	**(1,867)**	**(9,266)**	**(784)**	**(441)**	**(34)**	**(10,525)**
At 29 March 2014	**111,659**	**12,356**	**34,264**	**158,279**	**37,228**	**12,122**	**363**	**207,992**
Accumulated amortisation								
At 31 March 2012	23,102	–	13,204	36,306	18,078	7,228	203	61,815
Transfer between category[6]	250	5,377	(5,627)	–	–	–	–	–
Charge for the year	9,705	1,233	3,297	14,235	3,493	1,402	85	19,215
Assets of businesses sold	(3,632)	(1,793)	–	(5,425)	(337)	(328)	–	(6,090)
Disposals and retirements	–	–	–	–	(713)	(409)	–	(1,122)
Exchange adjustments	657	160	217	1,034	318	172	14	1,538
At 30 March 2013	**30,082**	**4,977**	**11,091**	**46,150**	**20,839**	**8,065**	**302**	**75,356**
Transfer between category	**–**	**–**	**–**	**–**	**–**	**428**	**–**	**428**
Charge for the year	**12,009**	**1,455**	**4,051**	**17,515**	**3,922**	**1,168**	**80**	**22,685**
Disposals and retirements	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Exchange adjustments	**(1,503)**	**(373)**	**(465)**	**(2,341)**	**(514)**	**(349)**	**(27)**	**(3,231)**
At 29 March 2014	**40,588**	**6,059**	**14,677**	**61,324**	**24,247**	**9,312**	**355**	**95,238**
Carrying amounts								
At 29 March 2014	**71,071**	**6,297**	**19,587**	**96,955**	**12,981**	**2,810**	**8**	**112,754**
At 30 March 2013	87,207	7,938	24,806	119,951	11,977	2,383	146	134,457

1 Customer and supplier relationship assets are amortised over their useful economic lives estimated to be between three and ten years. There are no individually material items within this balance, which comprises customer relationship assets arising from acquisitions over the last ten years.
2 Technical know-how assets are amortised over their useful economic lives estimated to be between three and ten years.
3 Trademarks, brands and patents (which include protected intellectual property) are amortised over their useful economic lives estimated to be between eight and ten years.
4 Internally generated capitalised development costs are amortised over their useful economic lives estimated to be three years. There are no individually material items within this balance, which comprises capitalised costs arising from the development phase of the R&D projects undertaken by the Group.
5 Other intangibles comprise licence and product registration costs amortised over their useful economic lives estimated to be between three and five years.
6 The net transfer from property, plant and equipment to computer software relates to identifiable software assets.

13 Property, plant and equipment

	Land and buildings			Plant, equipment and vehicles	Total
	Freehold £000	Long leases £000	Short leases £000	£000	£000
Cost					
At 31 March 2012	35,310	2,440	6,263	114,188	158,201
Transfer between category	–	–	477	(477)	–
Assets of businesses acquired	–	111	19	2,649	2,779
Assets of business sold	–	–	–	(3,276)	(3,276)
Additions at cost	239	415	666	13,152	14,472
Disposals and retirements	(43)	(127)	(261)	(6,784)	(7,215)
Exchange adjustments	531	55	167	2,734	3,487
At 30 March 2013	**36,037**	**2,894**	**7,331**	**122,186**	**168,448**
Transfer between category	**(11)**	**8**	**105**	**(637)**	**(535)**
Assets of businesses acquired (note 24)	**–**	**–**	**–**	**196**	**196**
Additions at cost	**73**	**615**	**536**	**14,614**	**15,838**
Disposals and retirements	**(856)**	**(46)**	**(383)**	**(5,880)**	**(7,165)**
Exchange adjustments	**(869)**	**(151)**	**(281)**	**(5,140)**	**(6,441)**
At 29 March 2014	**34,374**	**3,320**	**7,308**	**125,339**	**170,341**
Accumulated depreciation					
At 31 March 2012	8,652	1,147	4,138	72,146	86,083
Transfer between category	–	–	346	(346)	–
Assets of business sold	–	–	–	(2,481)	(2,481)
Charge for the year	763	200	637	11,084	12,684
Disposals and retirements	(31)	(125)	(255)	(6,073)	(6,484)
Exchange adjustments	200	28	116	1,577	1,921
At 30 March 2013	**9,584**	**1,250**	**4,982**	**75,907**	**91,723**
Transfer between category	**(8)**	**–**	**81**	**(501)**	**(428)**
Charge for the year	**690**	**318**	**657**	**11,960**	**13,625**
Disposals and retirements	**(432)**	**(46)**	**(383)**	**(4,611)**	**(5,472)**
Exchange adjustments	**(329)**	**(71)**	**(209)**	**(2,915)**	**(3,524)**
At 29 March 2014	**9,505**	**1,451**	**5,128**	**79,840**	**95,924**
Carrying amounts					
At 29 March 2014	**24,869**	**1,869**	**2,180**	**45,499**	**74,417**
At 30 March 2013	26,453	1,644	2,349	46,279	76,725

14 Associates

	2014 £000	2013 £000
Interests in associates		
At beginning of the year	**4,792**	1,968
Acquisition cost of investments	**–**	3,187
Exchange adjustments	**(11)**	(11)
Group's share of profit/(loss) of associates	**307**	(352)
At end of year	**5,088**	4,792

On 25 April 2012, the Group increased its investment in Optomed Oy (Optomed) from 15% to 40% for a cash consideration of Euro 3,894,000 (£3,187,000).

	2014 £000	2013 £000
Aggregated amounts relating to associates		
Total assets	**5,021**	4,695
Total liabilities	**(4,802)**	(5,105)
Net assets/(liabilities)	**219**	(410)
Group's share of net assets/(liabilities) of associates	**103**	(128)
Total revenue	**2,399**	1,427
Profit/(loss)	**591**	(1,106)
Group's share of profit/(loss) of associates	**307**	(352)

In addition to the 40% holding in Optomed, the Group also held 50% of the equity of PSRM Immobilien AG (PSRM), which it acquired as part of the Medicel AG business acquisition. The Group disposed of its interest in PSRM post year end as part of the transaction in which the Group acquired Plasticspritzerei AG (see note 30 Events after the balance sheet date for more details). Until its disposal, PSRM was treated as an associate, and not a subsidiary, because the party holding the remaining 50% was considered to exert more control.

Both associates have a 31 December year end, although results coterminous with the Group's year end have been consolidated according to the Group's share of ownership of each associate.

Details of the Group's associates held at 29 March 2014 are as follows:

Name of associate	Country of incorporation	Proportion of ownership interest	Principal activity
Optomed Oy	Finland	40%	Design, manufacture and selling
PSRM Immobilien AG	Switzerland	50%	Property management

The Group owns 116,727 Class A shares in Optomed out of a total of 285,540 shares in issue (Class A and B shares). Each A and B share entitles the holder to one vote.

The Group owns 50 shares in PSRM out of a total of 100 shares in issue. PSRM has only one class of shares, each of which entitles the holder to one vote.

15 Inventories

	2014 £000	2013 £000
Raw materials and consumables	**40,248**	39,349
Work in progress	**7,161**	7,119
Finished goods and goods for resale	**23,625**	23,245
	71,034	69,713

The above is stated net of provision for slow-moving and obsolete stock, movements of which are shown below:

	2014 £000	2013 £000
At beginning of the year	**10,631**	8,323
Amounts reversed against inventories previously impaired	**(606)**	(917)
Write downs of inventories recognised as an expense and utilisation	**548**	2,143
Recognition of provisions for businesses acquired	**116**	1,171
De-recognition of provisions for businesses disposed	**–**	(419)
Exchange adjustments	**(469)**	330
At end of the year	**10,220**	10,631

There is no material difference between the balance sheet value of inventories and their cost of replacement. None of the inventory has been pledged as security.

16 Trade and other receivables

	2014 £000	2013 £000
Trade receivables	**123,295**	118,168
Allowance for doubtful debts	**(2,353)**	(2,445)
	120,942	115,723
Other receivables	**4,099**	7,681
Prepayments and accrued income	**10,136**	10,201
	135,177	133,605

The movement in the allowance for doubtful debts in respect of trade receivables during the year was as follows:

	2014 £000	2013 £000
At beginning of the year	**2,445**	2,163
Net impairment loss recognised	**355**	846
Amounts recovered against trade receivables previously written down	**(465)**	(935)
Recognition of provisions for businesses acquired	**85**	359
De-recognition of provisions for businesses disposed	**–**	(22)
Exchange adjustments	**(67)**	34
At end of the year	**2,353**	2,445

Impairment charges are recorded against the trade receivables which the Group believes may not be recoverable. In the case of trade receivables that are past due, management makes an assessment of the risk of non-collection, taking into account factors such as previous default experience, any disputes or other factors delaying payment and the risk of bankruptcy or other failure of the customer to meet their obligations. For trade receivables that are not past due, taking into account good historical collection experience, management records an impairment charge only where there is a specific risk of non-collection.

The fair value of trade and other receivables approximates to book value due to the short-term maturities associated with these items. There is no impairment risk identified with regards to prepayments and accrued income or other receivables where no amounts are past due.

16 Trade and other receivables continued

The ageing of trade receivables was as follows:

	Gross trade receivables		Trade receivables net of doubtful debts	
	2014 £000	2013 £000	**2014 £000**	2013 £000
Not yet due	**95,920**	91,382	**95,834**	91,114
Up to one month overdue	**18,621**	17,415	**18,509**	17,289
Up to two months overdue	**2,776**	3,406	**2,690**	3,308
Up to three months overdue	**1,441**	1,891	**1,361**	1,746
Over three months overdue	**4,537**	4,074	**2,548**	2,266
	123,295	118,168	**120,942**	115,723

17 Trade and other payables: falling due within one year

	2014 £000	(Restated)* 2013 £000
Trade payables	**50,270**	50,285
Other taxation and social security	**4,398**	6,189
Other payables	**3,342**	3,929
Accruals and deferred income	**30,022**	26,652
Deferred government grant income	**259**	18
	88,291	87,073

* The prior year comparative has been restated to separate out deferred government grant income from general deferred income and to reclassify contingent purchase consideration to Provisions as part of the Group's continuous appraisal of its financial reporting.

18 Borrowings

	2014 £000	2013 £000
Loan note falling due within one year	**2,731**	2,515
Overdrafts	**1,405**	–
Unsecured bank loans falling due within one year	**–**	2,632
Total borrowings falling due within one year	**4,136**	5,147
Unsecured bank loans falling due after more than one year	**104,891**	154,866
	109,027	160,013

Information concerning the security, currency, interest rates and maturity of the Group's borrowings is given in note 26.

19 Provisions

Provisions are presented as:

	2014 £000	(Restated)* 2013 £000
Current	**4,482**	16,276
Non-current	**6,777**	21,756
	11,259	38,032

* The prior year has been restated following the reclassification of contingent purchase consideration.

	Contingent purchase consideration £000	Dilapidations and empty property £000	Product warranty £000	Legal, contractual and other £000	(Restated)* Total £000
At beginning of the year	**33,512**	**1,746**	**2,543**	**231**	**38,032**
Unwinding of discount	**150**	**–**	**–**	**–**	**150**
Additional provision in the year	**–**	**175**	**1,588**	**94**	**1,857**
Arising on acquisition**	**250**	**30**	**32**	**672**	**984**
Utilised during the year	**(12,879)**	**(106)**	**(1,977)**	**(693)**	**(15,655)**
Released during the year	**(12,394)**	**(54)**	**(283)**	**(173)**	**(12,904)**
Exchange adjustments	**(1,077)**	**(50)**	**(76)**	**(2)**	**(1,205)**
At end of the year	**7,562**	**1,741**	**1,827**	**129**	**11,259**

* The prior year has been restated following the reclassification of contingent purchase consideration.
** Comprises £734,000 current provisions acquired and £250,000 deferred purchase consideration arising on the acquisition of Talentum Developments Limited. See note 24.

Contingent purchase consideration

The provision at the beginning of the year comprised £13,856,000 falling due within one year and £19,656,000 falling due after one year. In the current financial year payments of £10,248,000 and £2,658,000 were made in respect of the Medicel AG and Accutome, Inc. acquisitions completed in the prior year. These payments represent substantially all of the current year utilisation of £12,879,000. The £12,394,000 release related mainly to a revision to the estimate of the MicroSurgical Technology, Inc. (MST) payable from US$25,000,000 to US$6,504,000. The revised estimate of US$6,504,000 is all payable in more than one year's time.

Of the closing total provision of £7,562,000, £1,389,000 is due within one year and the balance of £6,173,000 is due after one year. Amounts due in less than one year relate mainly to ASL Holdings Limited (ASL), a prior year acquisition, for which £1,216,000 is provided. Amounts due in more than one year relate mainly to MST and ASL, for which £3,874,000 and £2,284,000 is respectively provided.

Dilapidations and empty property provisions

Dilapidations and empty property provisions exist where the Group has lease contracts under which the unavoidable costs of meeting its obligations under the contracts exceed the economic benefits expected to be received under them. The provisions comprise the Directors' best estimates of future payments:

a) to restore the fabric of buildings to their original condition where it is a condition of the leases prior to return of the properties; and
b) on vacant properties, the rental costs of which are not expected to be recoverable from subleasing the properties.

These commitments cover the period from 2014 to 2028, though they predominantly fall due within five years.

Product warranty

Product warranty provisions reflect commitments made to customers on the sale of goods in the ordinary course of business and included within the Group companies' standard terms and conditions. Warranty commitments cover a period of between one and five years and typically apply for a 12-month period. The provision represents the Directors' best estimate of the Group's liability based on past experience.

19 Provisions continued

Legal, contractual and other

Legal, contractual and other comprise mainly amounts reserved against open legal and contractual disputes. The Company has on occasion been required to take legal or other actions to defend itself against proceedings brought by other parties. Provisions are made for the expected costs associated with such matters, based on past experience of similar items and other known factors, taking into account professional advice received, and represent Directors' best estimate of the likely outcome. The timing of utilisation of these provisions is frequently uncertain reflecting the complexity of issues and the outcome of various court proceedings and negotiations. Contractual and other provisions represent the Directors' best estimate of the cost of settling future obligations. Unless specific evidence exists to the contrary, these reserves are shown as current.

However, no provision is made for proceedings which have been or might be brought by other parties against Group companies unless the Directors, taking into account professional advice received, assess that it is more likely than not that such proceedings may be successful.

20 Trade and other payables: falling due after one year

	2014 £000	(Restated)* 2013 £000
Other payables	**2,879**	2,305
Deferred government grant income	**685**	688
	3,564	2,993

* The prior year comparative has been restated to separate out deferred government grant income from general deferred income and to reclassify contingent purchase consideration to Provisions as part of the Group's continuous appraisal of its financial reporting

21 Deferred tax

	Retirement benefit obligations £000	**Acquired intangible assets £000**	**Accelerated tax depreciation £000**	**Short–term timing differences £000**	**Share–based payment £000**	**Goodwill timing differences £000**	**Total £000**
At 30 March 2013	**10,851**	**(36,207)**	**(6,475)**	**678**	**1,547**	**9,158**	**(20,448)**
(Charge)/credit to Consolidated Income Statement	**(1,909)**	**5,669**	**753**	**(1,040)**	**224**	**(6,202)**	**(2,505)**
Charge to Consolidated Statement of Comprehensive Income	**(1,570)**	**–**	**–**	**(129)**	**–**	**–**	**(1,699)**
Credit to equity	**–**	**–**	**–**	**–**	**295**	**–**	**295**
Acquired (note 24)	**–**	**(318)**	**(16)**	**337**	**–**	**(67)**	**(64)**
Business sold	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Exchange adjustments	**–**	**2,363**	**402**	**(221)**	**–**	**(573)**	**1,971**
At 29 March 2014	**7,372**	**(28,493)**	**(5,336)**	**(375)**	**2,066**	**2,316**	**(22,450)**

	(Restated) Retirement benefit obligations £000	Acquired intangible assets £000	Accelerated tax depreciation £000	Short–term timing differences £000	Share–based payment £000	Goodwill timing differences £000	(Restated)* Total £000
At 31 March 2012	7,920	(15,622)	(7,385)	1,476	1,536	(3,144)	(15,219)
(Charge)/credit to Consolidated Income Statement	(1,361)	4,267	1,395	(2,611)	6	(1,277)	419
Charge to Consolidated Statement of Comprehensive Income	4,292	–	–	130	–	–	4,422
Charge to equity	–	–	–	–	5	–	5
Acquired	–	(23,377)	(242)	1,431	–	12,980	(9,208)
Business sold	–	–	17	77	–	–	94
Exchange adjustments	–	(1,475)	(260)	175	–	599	(961)
At 30 March 2013	10,851	(36,207)	(6,475)	678	1,547	9,158	(20,448)

* Details of the restatement are disclosed in the Accounting Policies note on page 102.

Certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2014 £000	2013 £000
Deferred tax liability	**(43,127)**	(49,197)
Deferred tax asset	**20,677**	28,749
Net deferred tax liability	**(22,450)**	(20,448)

Movement in net deferred tax liability:

	2014 £000	(Restated)* 2013 £000
At beginning of year	**(20,448)**	(15,219)
(Charge)/credit to Consolidated Income Statement:		
UK	**(2,085)**	(1,753)
Overseas	**(420)**	2,172
(Charge)/credit to Consolidated Statement of Comprehensive Income	**(1,699)**	4,422
Credit to equity	**295**	5
Acquired (note 24)	**(64)**	(9,208)
Business sold	**–**	94
Exchange adjustments	**1,971**	(961)
At end of year	**(22,450)**	(20,448)

* Details of the restatement are disclosed in the Accounting Policies note on page 102.

The UK corporation tax rate was reduced to 23% from 24% with effect from 1 April 2013. Further phased reductions in the UK tax rate to 20% effective from 1 April 2015 (21% from April 2014) were substantively enacted in the Finance Act 2013. These rate reductions have been reflected in the calculation of deferred tax at the balance sheet date.

It is likely that the unremitted earnings of overseas subsidiaries would qualify for the UK dividend exemption such that no UK tax would be due upon remitting those earnings to the UK. However, £21,532,000 (2013: £22,739,000) of those earnings may still result in a tax liability, principally as a result of the dividend withholding taxes levied by the overseas jurisdictions in which those subsidiaries operate. These tax liabilities are not expected to exceed £3,143,000 (2013: £3,025,000) of which only £671,000 has been provided as the Group is able to control the timing of the dividends. It is not expected that further amounts will crystallise in the foreseeable future. Temporary timing differences in connection with interests in associates are insignificant.

At 29 March 2014 the Group had unused capital tax losses of £479,000 (2013: £550,000) for which no deferred tax asset has been recognised.

22 Share capital

	Issued and fully paid	
	2014 £000	2013 £000
Ordinary shares of 10p each	**37,902**	37,888

The number of ordinary shares in issue at 29 March 2014 was 379,018,522 (2013: 378,880,622), including treasury shares of 1,278,148 (2013: 1,143,209).

Changes during the year in the issued ordinary share capital were as follows:

	Issued and fully paid £000
At 30 March 2013	37,888
Share options exercised	14
At 29 March 2014	**37,902**

The total consideration received in cash in respect of share options exercised amounted to £194,000 (2013: £453,000).

At 29 March 2014 options in respect of 626,810 (2013: 1,261,444) ordinary shares remained outstanding. Further details of these are given in note 23 to the accounts.

At the date of these accounts, the number of ordinary shares in issue was 379,018,522 including treasury shares of 1,278,148.

Notes to the Accounts continued

23 Share-based payments

The total cost recognised in the Consolidated Income Statement in respect of share-based payment schemes (the 'employee share plans') was as follows:

	2014 Equity-settled £000	2014 Cash-settled £000	2014 Total £000	2013 Equity-settled £000	2013 Cash-settled £000	2013 Total £000
Share incentive plan	**641**	**–**	**641**	490	–	490
Share option plan	**–**	**–**	**–**	–	–	–
Performance share plan	**3,444**	**411**	**3,855**	2,723	429	3,152
	4,085	**411**	**4,496**	3,213	429	3,642

The Group has recorded liabilities of £432,000 (2013: £386,000) in respect of the cash-settled portion of the awards granted under the performance share plan.

Share incentive plan

Shares awarded under this Plan are purchased in the market by the Plan's trustees at the time of the award and are held in trust until their transfer to qualifying employees, which is conditional upon completion of three years' service. The costs of providing this Plan are recognised in the Consolidated Income Statement over the three-year vesting period.

Share option plans

The Group has outstanding issued options to acquire ordinary shares in the Company under a share option plan, approved by shareholders in 1999. This share option plan provided for the grant of two categories of option, both of which are subject to performance criteria. No further awards have been made under the Company share option plan since 3 August 2005. All options lapse if not exercised within ten years from the date of grant. Options in respect of 626,810 ordinary shares remained outstanding at 29 March 2014. Options over 137,900 ordinary shares were exercised in the year and options over a further 496,734 ordinary shares lapsed in the year.

The weighted average option price of the 132,241 (2013: 332,711) exercisable options at the end of the year was 143.40p (2013:140.60p); the remaining 494,569 (2013: 928,733) options, which are not yet exercisable and will, otherwise, lapse on 17 August 2014, have a weighted average option price of 142.25p (2013: 138.80p).

Performance share plan

The performance share plan was approved by shareholders on 3 August 2005 and replaced the previous share option plans from which no further grants can be made.

Awards made under this Plan vest after three years on a sliding scale subject to the Group's relative Total Shareholder Return against the FTSE 250 excluding financial companies, combined with an absolute Return on Total Invested Capital measure. Awards which do not vest on the third anniversary of their award will lapse.

A summary of the movements in share awards granted under the performance share plan is as follows:

	2014 Number of shares awarded	2013 Number of shares awarded
Outstanding at beginning of year	**3,802,315**	4,133,342
Granted during the year	**1,068,785**	1,341,209
Vested during the year (pro-rated for 'good leavers')	**(1,198,568)**	(1,558,091)
Lapsed during the year	**(85,040)**	(114,145)
Outstanding at end of year	**3,587,492**	3,802,315
Exercisable at end of year	**–**	–

The weighted average share price at the date of awards vesting during the year was 557.7p (2013: 407.1p).

The performance shares outstanding at 29 March 2014 had a weighted average remaining contractual life of 1.4 years (2013: 1.4 years).

The fair value of these awards was calculated using an appropriate simulation method to reflect the likelihood of the market-based performance conditions, which attach to half of the award, being met, using the following assumptions:

	2014	2013	2012
Expected volatility (%)	**24%**	26%	27%
Expected life (years)	**3**	3	3
Share price on date of grant (p)	**568.5**	399.9	362.3
Option price (p)	**Nil**	Nil	Nil
Fair value per option (%)	**63.2%**	55.3%	68.6%
Fair value per option (p)	**359.3**	223.25	248.57

The expected volatility was determined by calculating the historical volatility of the Group's share price over the previous three years.

24 Acquisitions

The Group made one acquisition during the year, Talentum Developments Limited (Talentum). Below are summaries of the assets and liabilities acquired and the purchase consideration of:

a) the total of Talentum and adjustments to prior year acquisitions; and
b) Talentum, on a stand-alone basis.

(A) Total of Talentum and adjustments to prior year acquisitions

	Book value £000	**Fair value adjustments £000**	**Total £000**
Non-current assets			
Intangible assets	**–**	**1,444**	**1,444**
Property, plant and equipment	**196**	**–**	**196**
Current assets			
Inventories	**308**	**(432)**	**(124)**
Trade and other receivables	**649**	**(25)**	**624**
Cash and cash equivalents	**754**	**–**	**754**
Deferred tax	**–**	**291**	**291**
Total assets	**1,907**	**1,278**	**3,185**
Current liabilities			
Trade and other payables	**(180)**	**(125)**	**(305)**
Provisions	**–**	**(734)**	**(734)**
Corporation tax	**(143)**	**(69)**	**(212)**
Non-current liabilities			
Deferred tax	**(16)**	**(339)**	**(355)**
Total liabilities	**(339)**	**(1,267)**	**(1,606)**
Net assets of businesses acquired	**1,568**	**11**	**1,579**
Initial cash consideration paid (Talentum)			**3,315**
Initial cash consideration adjustment (prior year acquisition)			**(337)**
Deferred purchase consideration to be paid (Talentum)			**250**
Total consideration			**3,228**
Goodwill arising on current year acquisition			**1,032**
Goodwill arising on prior year acquisitions			**617**
			1,649

24 Acquisitions continued

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

During the financial year ended 29 March 2014 adjustments were made to the fair values of acquired assets and liabilities included in the provisional accounting for the following prior year acquisitions:

a) MicroSurgical Technology, Inc.;
b) Thinketron Precision Equipment Company Limited (and its main trading subsidiary, Baoding Longer Precision Pump Co., Ltd); and
c) ASL Holdings Limited.

The provisional accounting was updated for non-material changes to certain provisions, inventory valuations and deferred tax balances. The combined adjustments made for each acquisition resulted in a net adjustment to goodwill of £617,000. All adjustments to the provisional accounting were made within the goodwill measurement period, relevant to each acquisition, as defined by IFRS 3 (revised) 'Business Combinations'.

As at the date of approval of these financial statements, the accounting for all current and prior year acquisitions is completed.

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).

None of the goodwill arising on acquisitions in the year is expected to be deductible for tax purposes.

Talentum, the one acquisition in the year, contributed £2,132,000 of revenue and £576,000 of profit after tax for the year ended 29 March 2014. If this acquisition 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 £52,000 and £13,000 higher respectively.

Analysis of cash outflow in the Consolidated Cash Flow Statement:

	2014 £000	2013 £000
Initial cash consideration paid	**3,315**	133,060
Initial cash consideration adjustment (prior year acquisition)	**(337)**	–
Cash acquired on acquisitions	**(754)**	(7,869)
Overdrafts acquired on acquisitions	**–**	869
Contingent consideration paid in relation to current year acquisitions	**–**	3,810
Contingent consideration paid in relation to prior year acquisitions*	**14,461**	15,771
Net cash outflow relating to acquisitions (per Consolidated Cash Flow Statement)	**16,685**	145,641
Bank loans acquired	**–**	2,406
Net movement in cash and debt, including bank loans acquired	**16,685**	148,047

* Of the £14,461,000 (2013: £15,771,000) contingent purchase consideration payment £14,461,000 (2013: £15,771,000) had been provided in the prior year's financial statements.

(B) Talentum Developments Limited

	Book value £000	Fair value adjustments £000	Total £000
Non-current assets			
Intangible assets	–	1,444	1,444
Property, plant and equipment	196	–	196
Current assets			
Inventories	308	(101)	207
Trade and other receivables	649	–	649
Cash and cash equivalents	754	–	754
Total assets	1,907	1,343	3,250
Current liabilities			
Trade and other payables	(180)	–	(180)
Provisions	–	(60)	(60)
Corporation tax	(143)	–	(143)
Non-current liabilities			
Deferred tax	(16)	(318)	(334)
Total liabilities	(339)	(378)	(717)
Net assets of businesses acquired	1,568	965	2,533
Cash consideration			3,315
Contingent purchase consideration			250
Total consideration			3,565
Goodwill arising on acquisition			1,032

The Group made one acquisition during the year. The entire share capital of Talentum Developments Limited (Talentum) was acquired on 11 April 2013 for an initial cash consideration of £2,590,000. This was subsequently adjusted by an additional £725,000 which was paid in June 2013 based on the final level of agreed working capital at the acquisition date. Deferred consideration of £250,000 was paid in April 2014 after the seller provided certain pre-agreed technical information and know-how to the Group.

Talentum forms part of the Infrastructure Safety sector and specialises in the design and manufacture of flame detector products for a range of industries, which protect property from the risk of fire. The excess of the fair value of the consideration paid over the fair value of the assets acquired is represented by customer-related intangibles of £806,000; marketing and technology-related intangibles of £638,000; with residual goodwill arising of £1,032,000. The goodwill represents:

a) the technical expertise of the acquired workforce;
b) the opportunity to leverage this expertise across some of Halma's businesses; and
c) the ability to exploit the Group's existing customer base.

25 Notes to the Consolidated Cash Flow Statement

	2014 £000	(Restated)* 2013 £000
Reconciliation of profit from operations to net cash inflow from operating activities:		
Profit on continuing operations before finance income and expense, share of results of associates and loss/(profit) on disposal of operations	**143,571**	117,297
Depreciation of property, plant and equipment	**13,625**	12,684
Amortisation of computer software	**1,168**	1,402
Amortisation of capitalised development costs and other intangibles	**4,002**	3,578
Disposals/retirements of capitalised development costs	**–**	264
Amortisation of acquired intangible assets	**17,515**	14,235
Share-based payment expense in excess of amounts paid	**3,470**	2,482
Additional payments to pension schemes	**(5,892)**	(7,195)
Profit on sale of property, plant and equipment and computer software	**(26)**	(163)
Effects of closure to future benefit accruals on defined benefit pension schemes	**(4,246)**	–
Operating cash flows before movement in working capital	**173,187**	144,584
Increase in inventories	**(5,127)**	(2,693)
Increase in receivables	**(9,111)**	(9,210)
Increase in payables and provisions	**3,334**	1,015
Revision to estimate of contingent consideration payable	**(12,394)**	–
Cash generated from operations	**149,889**	133,696
Taxation paid	**(28,351)**	(25,452)
Net cash inflow from operating activities	**121,538**	108,244

	2014 £000	2013 £000
Analysis of cash and cash equivalents		
Cash and bank balances	**34,531**	49,723
Overdrafts (included in current borrowings)	**(1,405)**	–
Cash and cash equivalents	**33,126**	49,723

	At 30 March 2013 £000	Cash flow £000	Net cash acquired £000	Loan notes issued £000	Loan notes repaid £000	Exchange adjustments £000	At 29 March 2014 £000
Analysis of net debt							
Cash and bank balances	49,723	**(13,997)**	**754**	**–**	**–**	**(1,949)**	**34,531**
Overdrafts	–	**(1,405)**	**–**	**–**	**–**	**–**	**(1,405)**
Cash and cash equivalents	49,723	**(15,402)**	**754**	**–**	**–**	**(1,949)**	**33,126**
Loan notes falling due within one year	(2,515)	**–**	**–**	**(2,731)**	**2,515**	**–**	**(2,731)**
Bank loans falling due within one year	(2,632)	**2,516**	**–**	**–**	**–**	**116**	**–**
Bank loans falling due after more than one year	(154,866)	**47,777**	**–**	**–**	**–**	**2,198**	**(104,891)**
Total net debt	(110,290)	**34,891**	**754**	**(2,731)**	**2,515**	**365**	**(74,496)**

* Details of the restatement are disclosed in the Accounting Policies note on page 102.

The net cash outflow from bank loans in 2014 comprised repayments of £57,791,000 offset by drawdowns of £7,498,000 (2013: net cash inflow comprising drawdowns of £92,298,000 offset by repayments of £2,942,000). The £754,000 cash and cash equivalents acquired comprised cash only.

The net of the above £15,402,000 cash outflow and £754,000 net cash acquired is equal to the decrease in cash and cash equivalents (£14,648,000) in the Consolidated Cash Flow Statement.

26 Financial instruments

Policy

The Group's treasury policies seek to minimise financial risks and to ensure sufficient liquidity for the Group's operations and strategic plans. No complex derivative financial instruments are used, and no trading or speculative transactions in financial instruments are undertaken. Where the Group does use financial instruments these are mainly to manage the currency risks arising from normal operations and its financing. Operations are financed mainly through retained profits and, in certain geographical locations, bank borrowings. Foreign currency risk is the most significant aspect for the Group in the area of financial instruments. It is exposed to a lesser extent to other risks such as interest rate risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and these policies are summarised below. The Group's policies have remained unchanged since the beginning of the financial year.

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the bases of recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in the Accounting Policies note.

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 18 to the Accounts, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the Consolidated Statement of Changes in Equity.

The Group is not subject to externally imposed capital requirements.

Foreign currency risk

The Group is exposed to foreign currency risk as a consequence of both trading with foreign companies and owning subsidiaries located in foreign countries.

The Group earns a significant proportion of its profit in currencies other than Sterling. This gives rise to translational currency risk, where the Sterling value of profits earned by the Group's foreign subsidiaries fluctuates with the strength of Sterling relative to their operating (or 'functional') currencies. The Group does not hedge this risk, so its reported profit is sensitive to the strength of Sterling, particularly against the US Dollar and Euro. The Group also has transactional currency exposures. These arise on sales or purchases by operating companies in currencies other than the companies' operating (or 'functional') currency. Significant sales and purchases are matched where possible and a proportion of the net exposure is hedged by means of forward foreign currency contracts.

The Group has a significant investment in overseas operations in the USA and EU, with further investments in Australia, New Zealand, Singapore, Switzerland, China and India. As a result, the Group's balance sheet can be affected by movements in these countries' exchange rates. Where significant and appropriate, currency denominated net assets are hedged by currency borrowings. These currency exposures are reviewed regularly.

Interest rate risk

The Group is exposed to interest rate fluctuations on its borrowings and cash deposits. Where bank borrowings are used to finance operations they tend to be short term with floating interest rates. Borrowings used to provide longer-term funding are drawn on the Group's loan facilities and have fixed interest rates with maturities of not more than one year.

Surplus funds are placed on short-term fixed rate deposit or in floating rate deposit accounts.

Credit risk

Credit risk is defined as the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties, as a means of mitigating the risk of financial loss from defaults. Credit ratings are supplied by independent agencies where available, and if not available, the Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed regularly.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee insurance cover is purchased.

The carrying amount of trade, tax and other receivables, derivative financial instruments and cash of £170,376,000 (2013: £183,653,000) represents the Group's maximum exposure to credit risk as no collateral or other credit enhancements are held.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Liquidity risk

On 28 November 2013, the Group increased and extended its syndicated revolving credit facility with its existing core group of five banks and with its terms mainly unchanged. The facility was increased to £360m (from £260m) and the term extended to November 2018 (from October 2016). This facility is the main source of long-term funding for the Group.

26 Financial instruments continued

The Group has a strong cash flow and the funds generated by operating companies are managed regionally based on geographic location.

Funds are placed on deposit with secure, highly-rated banks. For short-term working capital purposes, most operating companies utilise local bank overdrafts. These practices allow a balance to be maintained between continuity of funding, security and flexibility. Because of the nature of their use, the facilities are typically 'on demand' and as such uncommitted. Overdraft facilities are typically renewed annually.

Currency exposures

Translational exposures

It is estimated, by reference to the Group's US Dollar and Euro denominated profits, that a one per cent change in the value of the US Dollar relative to Sterling would have had a £505,000 (2013: £464,000) impact on the Group's reported profit before tax; and a one per cent change in the value of the Euro relative to Sterling would have had a £207,000 (2013: £186,000) impact on the Group's profit before tax for the year ended 29 March 2014.

Transactional exposures

The Group has net foreign currency monetary assets and liabilities that are assets and liabilities not denominated in the functional currency of the underlying company. These comprise cash and overdrafts as well as certain trade receivable and payable balances. These foreign currency monetary assets and liabilities give rise to the net currency gains and losses recognised in the Consolidated Income Statement as a result of movement in exchange rates. The exposures are predominantly Euro and US Dollar. Group policy is for a significant portion of foreign currency exposures, including sales and purchases, to be hedged by forward foreign exchange contracts in the company in which the transaction is recorded.

Interest rate risk profile

The Group's financial assets which are subject to interest rate fluctuations comprise interest bearing cash equivalents which totalled £1,742,000 at 29 March 2014 (2013: £1,703,000). These comprised Sterling denominated deposits of £92,000 (2013: £2,000), and Euro, US Dollar and Renminbi deposits of £1,650,000 (2013: £1,701,000) which are placed on local money markets and earn interest at market rates. Cash balances of £32,789,000 (2013: £48,020,000) earn interest at local market rates.

The financial liabilities which are subject to interest rate fluctuations comprise bank loans, bank overdrafts, a loan note and certain unsecured loans, which totalled £109,027,000 at 29 March 2014 (2013: £160,013,000). All bank loans and the loan note bear interest at floating rates or fixed rates where the fixed period is typically no more than three months. Interest rates are based on the LIBOR of the currency in which the liabilities arise plus a small margin. Bank overdrafts bear interest at local base rates.

	2014 £000	2013 £000
Analysis of interest bearing financial liabilities		
Sterling denominated bank loans	**97,000**	109,000
US Dollar denominated bank loans	**–**	34,540
Swiss Franc denominated bank loans	**7,891**	13,958
Total bank loans	**104,891**	157,498
Overdrafts (principally Sterling and US Dollar denominated)	**1,405**	–
Sterling denominated loan note	**2,731**	2,515
Total interest bearing financial liabilities	**109,027**	160,013

For the year ended 29 March 2014 it is estimated that a general increase of one percentage point in interest rates would reduce the Group's profit before tax by £1,520,000 (2013: £1,281,000).

Maturity of financial liabilities

With the exception of the contingent purchase consideration, other payables, provisions and borrowings due after one year, all of the Group's financial liabilities mature in one year or less or on demand. The total of the contractual contingent purchase consideration due after one year is £6,173,000 (2013: £7,030,000) and is due between one and two years. No amounts are payable after more than two years (2013: £12,626,000). Other creditors due after more than one year include £1,569,000 (2013: £1,216,000) due between one and two years, £1,308,000 (2013: £1,079,000) due between two and five years, with the balance of £2,000 (2013: £10,000) due after more than five years. Deferred government grant income due after more than one year includes £28,000 (2013: £16,000) due between one and two years, £47,000 (2013: £47,000) due between two and five years, with the balance of £610,000 (2013: £625,000) due after more than five years.

The Group's bank loans are revolving credit facilities and the amount and timing of future payments and drawdowns is unknown. It is therefore not possible to calculate the interest arising on these loans and we have therefore not disclosed the maturity of the gross cash flows (including interest) in relation to these liabilities.

Borrowing facilities

The Group's principal source of long-term funding is its unsecured five-year £360m revolving credit facility, which expires in November 2018. The Group has an additional short-term unsecured and committed US bank facility of £15,060,000, which matures in March 2015. This facility was undrawn at 29 March 2014.

Other short-term operational funding is provided by cash generated from operations and by local bank overdrafts. These overdraft facilities are uncommitted and are generally renewed on an annual or ongoing basis and hence the facilities expire within one year or less.

The Group's undrawn committed facilities available at 29 March 2014 were £270,169,000 (2013: £112,371,000) of which £15,060,000 (2013: £7,237,000) matures within one year and £255,109,000 (2013: £105,134,000) between two and five years.

UK companies have cross-guaranteed £22,122,000 (2013: £17,025,000) of overdraft facilities of which £1,100,000 (2013: £nil) was drawn.

Fair values of financial assets and financial liabilities

As at 29 March 2014 and 30 March 2013 there were no significant differences between the book value and fair value (as determined by market value) of the Group's financial assets and liabilities.

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

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

Hedging

As explained previously, the Group's policy is to hedge significant sales and purchases denominated in foreign currency using forward currency contracts. These instruments are initially recognised at fair value, which is typically £nil, and subsequent changes in fair value are taken to the Consolidated Income Statement, unless hedge accounted.

The following table details the forward foreign currency contracts outstanding as at the year end, which mostly mature within one year and therefore the cash flows and resulting effect on profit and loss are expected to occur within the next 12 months:

	Average exchange rate/£		Foreign currency		Contract value		Fair value	
	2014	2013	**2014 000**	2013 000	**2014 £000**	2013 £000	**2014 £000**	2013 £000
Forward contracts not in a designated cash flow hedge								
US Dollars	**1.65**	1.56	**5,186**	3,841	**3,139**	2,237	**15**	(53)
Euros	**1.21**	1.16	**1,951**	783	**1,613**	673	**–**	15
Other currencies	**–**	–	**–**	–	**515**	486	**(25)**	(2)
					5,267	3,396	**(10)**	(40)
Forward contracts in a designated cash flow hedge								
US Dollars	**1.60**	1.59	**7,993**	8,051	**4,982**	5,069	**173**	(243)
Euros	**1.18**	1.22	**10,334**	9,651	**8,724**	7,878	**174**	(294)
Czech Koruna	**32.82**	30.15	**(109,844)**	(93,595)	**(3,347)**	(3,105)	**(27)**	67
Other currencies	**–**	–	**–**	–	**1,028**	(155)	**19**	(30)
					11,387	9,687	**339**	(500)
Total forward contracts								
US Dollars	**1.62**	1.58	**13,179**	11,532	**8,121**	7,306	**187**	(296)
Euros	**1.19**	1.22	**12,285**	10,434	**10,337**	8,551	**174**	(279)
Czech Koruna	**32.82**	30.15	**(109,844)**	(93,595)	**(3,347)**	(3,105)	**(27)**	67
Other currencies	**–**	–	**–**	–	**1,543**	331	**(5)**	(32)
					16,654	13,083	**329**	(540)
Amounts recognised in the Consolidated Income Statement							**147**	(223)
Amounts recognised in the Consolidated Statement of Comprehensive Income and Expenditure							**182**	(317)
							329	(540)

26 Financial instruments continued

The fair values of the forward contracts are disclosed as a £496,000 (2013: £256,000) asset and £167,000 (2013: £796,000) liability in the Consolidated Balance Sheet.

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

	2014 £000	2013 £000
Analysis of movement in hedging reserves		
Amounts removed from Consolidated Statement of Changes in Equity and included in Consolidated Income Statement during the year	**317**	(187)
Amounts recognised in the Consolidated Statement of Comprehensive Income and Expenditure	**182**	(317)
Net movement in hedging reserves in the year in relation to the effective portion of changes in fair value of cash flow hedges	**499**	(504)
At beginning of year	**(317)**	187
At end of year	**182**	(317)

There was no ineffectiveness arising with regards to forward contracts in a designated cash flow hedge.

With the exception of currency exposures, the disclosures in this note exclude short-term receivables and payables.

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The Group enters into derivative financial instruments to manage its exposure to foreign currency risk, including:

- forward foreign exchange contracts to hedge the exchange rate risk arising on the export of goods to and from the USA, Mainland Europe and the UK; and
- foreign exchange loans to hedge the exchange rate risk arising on translation of the Group's investment in foreign operations which have the Euro and Swiss Franc as their functional currencies.

Market risk exposures are measured using sensitivity analysis as described below.

There has been no change to the Group's exposure to market risks or in the manner in which these risks are managed and measured.

Foreign currency sensitivity analysis

The Group is mainly exposed to the currency of the USA (US Dollar currency) and the currency of Mainland Europe (Euro currency).

The carrying amount of the Group's US Dollar and Euro denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets		Liabilities	
	2014 £000	2013 £000	**2014 £000**	2013 £000
US Dollar	**142,678**	151,290	**32,433**	49,130
Euro	**64,525**	66,232	**14,818**	14,731

If Sterling increased by 10% against the US Dollar and the Euro, profits before taxation and other equity would decrease as follows:

	US Dollar		Euro	
	2014 £000	2013 £000	**2014 £000**	2013 £000
Profit	**4,633**	4,263	**1,899**	1,708
Other equity	**10,022**	8,595	**4,519**	4,720

The profit sensitivity arises mainly from the translation of overseas profits earned during the year. 10% is the sensitivity rate which management assesses to be a reasonably possible change in foreign exchange rates. The Group's profit sensitivity has increased against the US Dollar and Euro because more of the Group's profits are earned in these currencies.

27 Commitments

Capital commitments

Capital expenditure authorised and contracted at 29 March 2014 but not recognised in these accounts amounts to £746,000 (2013: £1,117,000).

Commitments under operating leases

The Group has entered into commercial leases on properties and other equipment. The former expire between April 2014 and November 2028 and the latter between April 2014 and March 2019. Only certain property agreements contain an option for renewal at rental prices based on market prices at the time of exercise.

Total payments under non-cancellable operating leases will be made as follows:

	Land and buildings		Other	
	2014 £000	2013 £000	**2014 £000**	2013 £000
Within one year	**6,566**	7,410	**453**	693
Within two to five years	**13,989**	17,424	**856**	602
After five years	**2,257**	3,374	**–**	–
	22,812	28,208	**1,309**	1,295

28 Retirement benefits

Group companies operate both defined benefit and defined contribution pension schemes. The Halma Group Pension Plan and the Apollo Pension and Life Assurance Plan (both UK) have defined benefit sections with assets held in separate trustee administered funds. Both of these sections had already closed to new entrants in 2002/03. During the year, following consultation with members, it was decided that future benefit accruals for existing members of these sections would cease from 1 December 2014. The members would then join the existing defined contribution section, which was established within the Halma Group Pension Plan. This closure to future benefit accruals resulted in a curtailment gain of £4,246,000 (before closure costs of £298,000), which has been included in the Adjustments column in the Consolidated Income Statement.

Overseas subsidiaries have adopted mainly defined contribution schemes, with the exception of two small defined benefit schemes in the Swiss entities of Medicel AG and Robutec GmbH.

Defined contribution schemes

The amount charged to the Consolidated Income Statement in respect of defined contribution schemes was £4,042,000 (2013: £3,658,000) and represents contributions payable to these schemes by the Group at rates specified in the rules of the plans. The assets of the schemes are held separately from those of the Group in funds under the control of trustees. Where there are employees who leave the schemes prior to vesting fully in the contributions, the ancillary contributions payable by the Group are reduced by the amount of forfeited contributions.

Defined benefit schemes

The Group's significant defined benefit schemes are for qualifying employees of its UK subsidiaries. Under the schemes, the employees are entitled to retirement benefits of up to two-thirds of final pensionable salary on attainment of a retirement age of 60, for members of the Executive Board, and 65, for all other qualifying employees. No other post-retirement benefits are provided. The schemes are funded schemes.

The most recent actuarial valuation of the Halma Group Pension Plan assets and the present value of the defined benefit obligation was carried out at 1 December 2011 by Mr Adrian Gibbons, Fellow of the Institute and Faculty of Actuaries. The present value of the defined benefit obligation, the related current service cost and the past service cost were measured using the projected unit credit method. The projected unit credit method is an accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. Mr Gibbons also carried out the 1 April 2012 actuarial valuation of the Apollo Pension and Life Assurance Plan on the same basis.

28 Retirement benefits continued

An alternative to the projected unit credit method is a valuation on a solvency basis, often estimated using the cost of buying out benefits at the balance sheet date with a suitable insurance company. This amount represents the amount that would be required to settle the scheme liabilities at the balance sheet date rather than the Group continuing to fund the ongoing liabilities of the scheme. The Group estimates that this would amount to £390m (2013: £370m).

	2014	2013	2012
Key assumptions used (UK schemes):			
Discount rate	**4.40%**	4.40%	5.00%
Expected return on scheme assets	**4.40%**	5.33%	5.68%
Expected rate of salary increases	**3.20%**	3.30%	3.20%
Pension increases LPI 2.5%	**2.20%**	2.20%	2.25%
Pension increases LPI 3.0%	**2.50%**	2.50%	2.75%
Inflation – RPI	**3.20%**	3.30%	3.20%
Inflation – CPI	**2.20%**	2.30%	2.45%

Mortality assumptions:

Investigations have been carried out within the past three years into the mortality experience of the Group's UK defined benefit schemes. These investigations concluded that the current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

	2014 Years	2013 Years	2012 Years
Retiring today:			
Males	**23.4**	23.3	22.1
Females	**25.9**	25.8	24.9
Retiring in 20 years:			
Males	**25.2**	25.1	24.0
Females	**27.9**	27.8	26.8

Both the Halma Group Pension Plan and the Apollo Pension and Life Assurance Plan have a baseline mortality assumption for 2014, 2013 and 2012 derived from the SN03 tables. To reflect population characteristics a one year age deduction has been adopted for Halma but no adjustment was made for Apollo. From 2013, a long-term improvement rate of 1.25% per annum was incorporated.

The sensitivities regarding the principal assumptions used to measure the UK scheme liabilities are set out below:

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	Increase/decrease by 0.5%	Decrease/increase by 10.7%
Rate of inflation	Increase/decrease by 0.5%	Increase/decrease by 6.9%
Rate of salary growth	Increase/decrease by 0.5%	Increase/decrease by 2.1%
Rate of mortality	Increase by one year	Increase by 2.4%

IAS 19 (revised) was applied from 31 March 2013, which affected the accounting for the defined benefit pension schemes. In order to aid comparison, the results for the 52 weeks to 30 March 2013 have been restated as if IAS 19 (revised) had always applied during that year. The effect of adopting IAS 19 (revised) was a net reduction to profit after tax of £1,610,000 for the year comprising:

a) an increase in administrative expenses of £1,070,000;
b) a decrease in the expected return on pension scheme assets of £1,048,000; and
c) a reduction in the tax charge of £508,000.

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

Amounts recognised in the Consolidated Income Statement in respect of the UK and Swiss defined benefit schemes are as follows:

	2014 £000	(Restated) 2013 £000
Current service cost	**2,653**	1,932
Administration expenses	**638**	1,070
Curtailment gain	**(4,246)**	–
Net interest charge on pension scheme liabilities	**1,875**	1,518
	920	4,520

Actuarial gains and losses have been reported in the Consolidated Statement of Comprehensive Income and Expenditure.

The actual return on scheme assets was £7.8m (2013: £18.5m).

The cumulative amount of actuarial losses recognised in the Consolidated Statement of Comprehensive Income and Expenditure since the date of transition to IFRSs is £43m (2013: £45m (restated)).

The amount included in the balance sheet arising from the Group's obligations in respect of its UK and Swiss defined benefit retirement benefit schemes is as follows:

	2014* £000	2013 £000	2012 £000
Present value of defined benefit obligations	**(227,358)**	(223,447)	(185,956)
Fair value of scheme assets	**190,509**	176,275	152,959
Liability recognised in the balance sheet	**(36,849)**	(47,172)	(32,997)

* At 29 March 2014, the fair value of the obligations and assets of the UK schemes were £223,996,000 and £187,511,000 respectively and of the Swiss schemes were £3,362,000 and £2,998,000 respectively.

Cash contributions in the region of £7m per year are expected to be made for the immediate future with the objective of eliminating the pension deficit over the next five years.

Movements in the present value of the UK and Swiss defined benefit obligations were as follows:

	2014 £000	2013 £000
At beginning of year	**(223,447)**	(185,956)
Service cost	**(2,653)**	(1,932)
Curtailment gain	**4,246**	–
Interest cost	**(9,707)**	(9,239)
Actuarial losses	**(791)**	(30,608)
Contributions from scheme members	**(1,085)**	(903)
Benefits paid	**5,982**	5,084
Premiums paid	**97**	107
At end of year	**(227,358)**	(223,447)

28 Retirement benefits continued

Movements in the fair value of the UK and Swiss scheme assets were as follows:

	2014 £000	2013 £000
At beginning of year	**176,275**	152,959
Expected return on scheme assets	**7,832**	7,721
Administrative expenses	**(638)**	(1,070)
Actuarial gains	**2,851**	10,756
Contributions from the sponsoring companies	**9,183**	10,197
Contributions from scheme members	**1,085**	903
Benefits paid	**(5,982)**	(5,084)
Premiums paid	**(97)**	(107)
At end of year	**190,509**	176,275

The net movement on actuarial gains and losses of the UK and Swiss schemes was as follows:

	2014 £000	(Restated) 2013 £000
Defined benefit obligations	**(791)**	(30,608)
Fair value of scheme assets	**2,851**	10,756
Net actuarial gains/(losses)	**2,060**	(19,852)

The analysis of the UK scheme assets and the expected rate of return at the balance sheet date were as follows:

	Expected return				Fair value of assets		
	2014 %	(Restated) 2013 %	2013 %	2012 %	2014 £000	2013 £000	2012 £000
Equity instruments	**4.40**	4.40	6.43	6.50	**101,155**	101,355	90,460
Debt instruments	**4.40**	4.40	4.70	4.20	**71,451**	61,727	50,320
Property	**4.40**	4.40	3.65	5.00	**14,905**	13,193	12,179
	4.40	4.40	5.33	5.68	**187,511**	176,275	152,959

The overall expected rate of return is a weighted average.

In conjunction with the trustees, the Group conducts asset-liability reviews for its defined benefit pension scheme. The results of these reviews are used to assist the trustees and the Group to determine the optimal long-term asset allocation with regard to the structure of the liabilities of the scheme. They are also used to assist the trustees in managing the volatility in the underlying investment performance and risk of a significant increase in the defined benefit deficit by providing information used to determine the scheme's investment strategy.

As a consequence, the Group is progressively giving more emphasis to a closer return matching of scheme assets and liabilities, both to ensure the long-term security of our defined benefit commitment and to reduce earnings and balance sheet volatility.

The five-year history of experience adjustments was as follows:

	2014 £000	2013 £000	2012 £000	2011 £000	2010 £000
Present value of defined benefit obligations	**(227,358)**	(223,447)	(185,956)	(177,055)	(170,901)
Fair value of scheme assets	**190,509**	176,275	152,959	140,818	127,830
Deficit in the scheme	**(36,849)**	(47,172)	(32,997)	(36,237)	(43,071)
Experience adjustments on scheme liabilities					
Amount	**–**	246	(224)	157	(136)
Percentage of scheme liabilities	**–**	–	–	–	–
Experience adjustments on scheme assets		(Restated)			
Amount	**(30)**	(10,756)	(1,804)	(944)	27,648
Percentage of scheme assets	**0%**	(5)%	(1)%	(1)%	22%

The estimated amount of contributions expected to be paid to the UK and Swiss schemes during the year ending 28 March 2015 is £8.1m.

The levels of contributions are based on the current service cost and the expected future cash flows of the defined benefit scheme. The Group estimates the scheme liabilities on average to fall due over 20 and 27 years, respectively, for the Halma and Apollo plans.

29 Disposal of business

On 22 August 2012, the Group disposed of its Asset Monitoring businesses, comprising Tritech Holdings Limited and its subsidiary Tritech International Limited (together known as Tritech). Tritech was sold for an initial cash consideration of £18,900,000. A further £839,000 was received in October 2012 in respect of cash and working capital held in the business at the time of sale. In addition £2,100,000 was retained in escrow and was released to Halma in August 2013. Net assets disposed of as part of the transaction included goodwill of £8,009,000.

The £1,917,000 cash inflow from disposal of businesses shown in the Consolidated Cash Flow Statement represents the £2,100,000 released from escrow less disposal transaction costs of £183,000. The loss on disposal of £483,000 comprises £183,000 costs and a £300,000 loss on the 2012 disposal of Volumatic Limited, following a revision to the remaining contingent consideration receivable from £300,000 to £nil. No further consideration is due to the Group in relation to either the Tritech or Volumatic Limited disposals.

The profit on disposal of £8,070,000, and cash inflow of £19,608,000, for the 52 weeks to 30 March 2013 related almost entirely to the disposal of Tritech.

30 Events after the balance sheet date

On 2 May 2014 the Group acquired Plasticspritzerei AG (Plasticspritzerei), located in Wolfhalden, Switzerland at the same facility as another Group company, Medicel AG (Medicel). An initial cash consideration of CHF 8,000,000 was paid to acquire the trade and assets of the business. The Group then immediately sold the industrial segment of the business to a third party, resulting in a net cash cost to the Group of CHF 4,800,000 (£3,200,000). These transactions have resulted in the Group owning only those assets which support Medicel's business. Plasticspritzerei will be operated by Medicel's management within Halma's Medical sector, further expanding the Group's manufacturing excellence in ophthalmic diagnostic and surgical instrumentation. Due to the proximity of the acquisition date to the date of approval of the Annual Report, it is impracticable to provide further information.

As part of the transaction in which the Group acquired Plasticspritzerei AG, the Group disposed of its 50% ownership interest in its associate, PSRM Immobilien AG (PSRM), for cash consideration of CHF 500,000. Due to the proximity of the transaction date to the date of approval of the Annual Report, it is impracticable to provide further information.

On 14 May 2014 the Group acquired the entire share capital of Advanced Electronics Limited (Advanced) for an initial cash consideration of £14,100,000. A further £1,369,000 was paid to acquire the net cash in the business at the completion date. The initial cash consideration is adjustable based on the final level of agreed working capital and cash at closing. Contingent consideration of up to £10,100,000 is payable in two tranches on or around July 2014 and July 2015 respectively, subject to the company achieving certain profit targets.

30 Events after the balance sheet date continued

Advanced will operate as a stand-alone business within Halma's Infrastructure Safety sector and specialises in the manufacture of networked fire detection and control systems. Advanced's controllers can be integrated into system solutions using field devices and products from a broad spectrum of suppliers, meeting the increasing diversity of regulatory requirements across the world. Its main manufacturing facility is located near Newcastle in the UK with a dedicated electronics and software development facility in Barnsley. It has additional commercial offices in the UK, USA and Dubai. Advanced will add complementary products that will help capture the international growth opportunity in the increasingly regulated Fire market. Due to the proximity of the acquisition date to the date of approval of the Annual Report, it is impracticable to provide further information.

On 30 May 2014 the Group acquired Rohrback Cosasco Systems Inc. (RCS) and associated companies, headquartered in California, USA. RCS also operates in Canada, UK, UAE, Singapore, China, Australia and Texas, USA. An initial cash consideration of US$108,000,000 (£64,700,000) was paid for the entire share capital of RCS and its associate companies. A further US$8,000,000 (£4,800,000) was paid to acquire the net cash in the business at the completion date. The initial cash consideration is adjustable based on the final level of agreed working capital and cash at closing. RCS is a world leader in the design, manufacture and sale of pipeline corrosion monitoring products and systems into diverse industries including oil, gas, petrochemical, pharmaceutical and utilities. The acquisition of RCS expands Halma's portfolio of critical safety products which are sold into the Energy and Utility markets to protect life and operational assets. The existing RCS management team will remain in place and will continue to operate the business which already operates in the same industries with similar long-term market growth drivers, including increasing safety requirements. Due to the proximity of the acquisition date to the date of the approval of the Annual Report, it is impracticable to provide further information.

On 30 May 2014, the Group disposed of Monitor Elevator Products, Inc. (Monitor) from its Infrastructure Safety sector. The total consideration was US$6,000,000 (£3,600,000), of which US$5,100,000 was received in cash at completion and US$900,000 was retained in escrow to be released to Halma on the second anniversary of the transaction subject to any valid warranty/indemnity claims being made by the purchaser. Consideration is adjustable by the amount that closing net assets are calculated to be more or less than US$2,500,000 at the time of completion. An additional US$400,000 was received in cash at closing representing the initial estimate of the excess closing net asset value. The Directors estimate that the entire US$900,000 held in escrow will be received.

The profit on disposal is estimated to be approximately £1m being the total equivalent Sterling consideration stated above less £2.5m of net assets disposed and transaction costs. No goodwill was disposed of or impaired as a result of this transaction. Monitor has not been separately disclosed as a discontinued operation as defined by IFRS 5 due to its nature and size.

31 Related party transactions

Trading transactions

	2014 £000	2013 £000
Associated companies		
Purchases from associated companies	**524**	519
Amounts due to associated companies	**56**	3
Amounts due from associated companies	**128**	200
Other related parties		
Rent charged by other related parties	**115**	360
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 an arm's length basis and on standard business terms.

Remuneration of key management personnel

The remuneration of the Directors and Executive Board members, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 'Related Party Disclosures'. Further information about the remuneration of individual Directors is provided in the audited part of the Directors' Remuneration Report on pages 81 to 89.

	2014 £000	2013 £000
Wages and salaries	**4,353**	4,185
Pension costs	**130**	165
Share-based payment charge	**1,908**	1,643
	6,391	5,993

Company Balance Sheet

	Notes	29 March 2014 £000	30 March 2013 £000
Fixed assets			
Tangible assets	C3	**3,310**	3,516
Investments	C4	**142,005**	136,832
		145,315	140,348
Current assets			
Debtors (amounts falling due within one year)	C5	**43,740**	23,748
Debtors (amounts falling due after more than one year)	C5	**344,307**	339,122
Short-term deposits		**92**	2
Cash at bank and in hand		**2,417**	821
		390,556	363,693
Creditors: amounts falling due within one year			
Borrowings	C6	**10,998**	2,252
Creditors	C7	**43,639**	22,876
Current tax payable		**3,375**	3,303
		58,012	28,431
Net current assets		**332,544**	335,262
Total assets less current liabilities		**477,859**	475,610
Creditors: amounts falling due after more than one year			
Borrowings	C6	**104,891**	154,866
Creditors	C8	**12,940**	15,107
Net assets		**360,028**	305,637
Capital and reserves			
Share capital	C10	**37,902**	37,888
Share premium account	C11	**22,778**	22,598
Treasury shares	C11	**(7,054)**	(4,534)
Capital redemption reserve	C11	**185**	185
Other reserves	C11	**(7,647)**	(5,503)
Profit and loss account	C11	**313,864**	255,003
Shareholders' funds	C12	**360,028**	305,637

The financial statements of Halma plc, company number 40932, were approved by the Board of Directors on 12 June 2014.

A J Williams
Director

K J Thompson
Director

Notes to the Company Accounts

C1 Accounting policies

Basis of preparation

The separate Company financial statements are presented as required by the Companies Act 2006 and have been prepared on the historical cost basis and comply with applicable United Kingdom Accounting Standards and law. The principal Company accounting policies have been applied consistently throughout the current and preceding years and are described below.

Related parties

The Company is exempt under the terms of FRS 8 'Related Party Disclosures' from disclosing transactions with other members of the Halma Group.

Foreign currencies

Transactions in foreign currency are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates prevailing at that date. Any gain or loss arising from subsequent exchange rate movements is included as an exchange gain or loss in the profit and loss account.

Share-based payments

The Company has adopted FRS 20 and the accounting policies followed are in all material respects the same as the Group's policy under IFRS 2. This policy is shown on page 107.

Investments

Investments are stated at cost less provision for impairment.

Fixed assets and depreciation

Fixed assets are stated at cost less provisions for impairment and depreciation which, with the exception of freehold land which is not depreciated, is provided on all fixed assets on the straight-line method, each item being written off over its estimated life. The principal annual rates used for this purpose are:

Freehold property	2%
Plant, equipment and vehicles	8% to 33.3%

Leases

The costs of operating leases of property and other assets are charged on a straight-line basis over the life of the lease.

Pensions

The Company makes contributions to defined contribution pension plans, which are charged against profits when they become payable. The Company also participates in a Group-wide defined benefit pension plan. This plan is operated on a basis that does not enable individual companies to identify their share of the underlying assets and liabilities, and in accordance with FRS 17 the Company accounts for its contributions to the plan as if it was a defined contribution plan.

Taxation

Taxation comprises current and deferred tax.

Current tax is the expected tax payable, on the taxable income for the year, using tax rates enacted, or substantially enacted, at the balance sheet date, and any adjustments to tax payable in respect of previous years.

The Company provides for deferred tax because of timing differences between profits as computed for taxation purposes and profits as stated in the accounts, on an undiscounted basis. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are only recognised if recovery is considered more likely than not on the basis of all available evidence.

Bank borrowings

Interest bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including direct issue costs, are accounted for on an accruals basis in profit or loss and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

C2 Result for the year

As permitted by Section 408(3) of the Companies Act 2006, the Profit and loss account of Halma plc is not presented as part of these accounts. The Company has reported a profit after taxation of £99,346,000 (2013: £90,955,000).

Auditor's remuneration for audit services to the Company was £159,000 (2013: £142,000).

Total employee costs (including Directors) were:

	2014 £000	2013 £000
Wages and salaries	**5,329**	5,398
Social security costs	**535**	490
Pension costs	**499**	417
	6,363	6,305

	2014 Number	2013 Number
Number of employees (all in the UK)	**43**	45

Details of Directors' remuneration are set out on pages 81 to 89 within the Remuneration Report and form part of these financial statements.

C3 Fixed assets – tangible assets

	Freehold properties £000	Plant equipment and vehicles £000	Total £000
Cost			
At 30 March 2013	3,043	2,273	5,316
Additions at cost	**–**	**152**	**152**
Disposals	**–**	**(46)**	**(46)**
At 29 March 2014	**3,043**	**2,379**	**5,422**
Accumulated depreciation			
At 30 March 2013	386	1,414	1,800
Charge for the year	**47**	**307**	**354**
Disposals	**–**	**(42)**	**(42)**
At 29 March 2014	**433**	**1,679**	**2,112**
Carrying amounts			
At 29 March 2014	**2,610**	**700**	**3,310**
At 30 March 2013	2,657	859	3,516

Notes to the Company Accounts continued

C4 Investments

Shares in Group companies

	2014 £000	2013 £000
At cost less amounts written off at beginning of year	**136,832**	135,971
Increase in investments	**5,173**	18,402
Disposal of investments	**–**	(17,541)
At cost less amounts written off at end of year	**142,005**	136,832

The increase of £5,173,000 comprises:

a) £1,946,000 increase in investment in a subsidiary;
b) £3,564,000 investment in a newly acquired 100% owned subsidiary, Talentum Developments Limited (Talentum); and
c) £337,000 reduction in investment following the finalisation of the acquisition accounting for ASL Holdings Limited (ASL).

The increase of £18,402,000 in the prior year related to the acquisition of ASL (£9,865,000) and an increase in investment in an existing subsidiary (£8,537,000).

The reduction of £17,541,000 in the prior year related to the Company's disposal of Tritech (£13,823,000) and the reduction in investment in various dormant companies (£3,718,000).

Details of principal subsidiary companies are set out below. Halma plc owns 100% of the ordinary share capital of all its subsidiaries (directly, or indirectly through its intermediate holding companies).

The Company has taken advantage of the exemption under Section 410(2) of the Companies Act 2006 by providing information only in relation to subsidiary undertakings the results or financial position of which, in the opinion of the Directors, principally affected the financial statements.

A complete list of subsidiary and associated undertakings will be attached to the next annual return to be filed at Companies House following the approval of these accounts.

Supplementary information relating to Halma's operations is provided on pages 154 to 157.

Name of company	Country of incorporation
Bureau D'Electronique Appliquee S.A. (BEA)	Belgium
Rudolf Riester GmbH	Germany
Medicel AG	Switzerland
Apollo Fire Detectors Limited	UK
Avire Limited	UK
Crowcon Detection Instruments Limited	UK
Elfab Limited	UK
Fire Fighting Enterprises Limited	UK
Fortress Interlocks Limited	UK
HWM-Water Limited	UK
Keeler Limited	UK
Palintest Limited	UK
Smith Flow Control Limited	UK
Texecom Limited	UK
Accutome, Inc.	USA
Diba Industries, Inc.	USA
Labsphere, Inc.	USA
MicroSurgical Technology, Inc.	USA
Ocean Optics, Inc.	USA
Oseco Inc.	USA
Perma Pure LLC	USA
SunTech Medical Inc.	USA
Volk Optical Inc.	USA

C5 Debtors

	2014 £000	2013 £000
Amounts falling due within one year:		
Amounts due from Group companies	**36,792**	15,933
Other debtors	**2**	2,604
Prepayments and accrued income	**6,261**	4,943
Deferred tax asset (note C9)	**685**	268
	43,740	23,748
Amounts falling due after more than one year:		
Amounts due from Group companies	**344,307**	339,122

C6 Borrowings

	2014 £000	2013 £000
Falling due within one year:		
Overdrafts	**10,998**	2,252
Falling due after more than one year:		
Unsecured bank loans	**104,891**	154,866
Total borrowings	**115,889**	157,118

On 28 November 2013, the Company increased and extended its syndicated revolving credit facility with its existing core group of five banks. The facility was increased to £360,000,000 (2013: £260,000,000) and the term extended to November 2018 (2013: October 2016).

Therefore, the facility under which the bank loans are drawn expires within four to five years (2013: within two to five years) and at 29 March 2014 £255,109,000 (2013: £105,134,000) remained committed and undrawn.

The bank overdrafts, which are unsecured, at 29 March 2014 and 30 March 2013 were drawn on uncommitted facilities which all expire within one year, and were held pursuant to a Group pooling arrangement which offsets them against credit balances in subsidiary undertakings.

The Company is part of an arrangement between UK subsidiaries whereby overdraft facilities of £22,122,000 (2013: £17,025,000) are cross-guaranteed. Of these facilities £nil (2013: £404,000) was drawn.

C7 Creditors: amounts falling due within one year

	2014 £000	2013 £000
Trade creditors	**1,379**	1,646
Amounts owing to Group companies	**37,011**	16,724
Other taxation and social security	**1,145**	1,212
Other creditors	**1,422**	872
Accruals and deferred income	**1,216**	2,422
Provision for contingent and deferred consideration	**1,466**	–
	43,639	22,876

The £1,466,000 contingent consideration payable comprises £250,000 and £1,216,000 in respect of the Talentum and ASL acquisitions respectively. The latter amount has been reclassified from payables due in more than one year and represents the first of two tranches of contingent consideration payable totaling £3,500,000. The estimated value of each payment represents the Directors' best estimate and is dependent on the growth in sales of the acquired business up to March 2014 and March 2015. Amounts are payable in two tranches on or around May 2014 and May 2015.

Notes to the Company Accounts continued

C8 Creditors: amounts falling due after more than one year

	2014 £000	2013 £000
Amounts owing to Group companies	**10,303**	11,197
Provision for contingent consideration	**2,284**	3,500
Other creditors	**353**	410
	12,940	15,107
These liabilities fall due as follows:		
Within one to two years	**2,637**	2,410
Within two to five years	**–**	1,500
After more than five years	**10,303**	11,197

The £2,284,000 Provision for contingent consideration represents the Directors' best estimate of the second tranche of payments in respect of the ASL acquisition. In the prior year the payment was estimated at £1,500,000 and was shown as payable within two to five years.

C9 Deferred tax

	2014 £000	2013 £000
Movement in deferred tax asset:		
At beginning of year	**268**	175
Credit to profit and loss account	**417**	93
At end of year (note C5)	**685**	268

Deferred tax comprises short-term timing differences.

C10 Share capital

	Issued and fully paid	
	2014 £000	2013 £000
Ordinary shares of 10p each	**37,902**	37,888

The number of Ordinary shares in issue at 29 March 2014 was 379,018,522 (2013: 378,880,622), including Treasury shares of 1,278,148 (2013: 1,143,209). Changes during the year in the issued ordinary share capital were as follows:

	Issued and fully paid 2013 £000
At 30 March 2013	37,888
Share options exercised	14
At 29 March 2014	**37,902**

The total consideration received in cash in respect of Share options exercised amounted to £194,000 (2013: £453,000). At the date of these accounts, the number of Ordinary shares in issue was 379,018,522 (2013: 378,880,622), including Treasury shares of 1,278,148 (2013: 1,303,209). Details of share options in issue on the Company's share capital and share-based payments are included in note 23 to the Group accounts.

C11 Reserves

	Non-distributable				Distributable
	Share premium account £000	Treasury shares £000	Capital redemption reserve £000	Other reserves £000	Total profit and loss account £000
At 30 March 2013	22,598	(4,534)	185	(5,503)	255,003
Profit transferred to reserves	**–**	**–**	**–**	**–**	**99,346**
Dividends paid	**–**	**–**	**–**	**–**	**(40,485)**
Issue of shares	**180**	**–**	**–**	**–**	**–**
Movement in other reserves	**–**	**–**	**–**	**(2,144)**	**–**
Net movement in treasury shares	**–**	**(2,520)**	**–**	**–**	**–**
At 29 March 2014	**22,778**	**(7,054)**	**185**	**(7,647)**	**313,864**

The Capital redemption reserve was created on the repurchase and cancellation of the Company's own shares. The Other reserves represent the provision being established in respect of the value of equity-settled share option plans and performance share plan awards made by the Company. Treasury shares are the Company's own shares purchased and are held to fulfil its obligations under the performance share plan.

C12 Reconciliation of movement in shareholders' funds

	2014 £000	2013 £000
At beginning of year	**305,637**	255,260
Profit after taxation	**99,346**	90,955
Dividends paid	**(40,485)**	(37,765)
Issue of shares	**194**	453
Net movement in Treasury shares	**(2,520)**	35
Movement in Other reserves	**(2,144)**	(3,301)
At end of year	**360,028**	305,637

Summary 2005 to 2014

	UK GAAP 2004/05 £000	IFRS 2004/05 £000
Revenue (note 1)	299,119	299,119
Overseas sales (note 1)	218,745	218,745
Profit before taxation, and adjustments (note 2)	50,389	49,912
Net tangible assets/capital employed	80,750	104,417
Borrowings (excluding overdrafts)	33,344	33,344
Cash and cash equivalents (net of overdrafts)	45,348	45,348
Employees (note 1)	3,002	3,002
Earnings per ordinary share (note 1)	7.97p	9.38p
Adjusted earnings per ordinary share (note 2)	9.42p	9.45p
Year on year increase/(decrease) in adjusted earnings per ordinary share	(0.2%)	N/A
Return on Sales (notes 1 and 3)	16.8%	16.7%
Return on Capital Employed (note 4)	52.1%	48.8%
Year on year increase in dividends per ordinary share (paid and proposed)	5%	5%
Ordinary share price at financial year end	161p	161p
Market capitalisation at financial year end	£593.8m	£593.8m

Notes:
1. Continuing and discontinued operations.
2. Adjusted to remove amortisation of acquired intangible assets and, from 2010/11, acquisition transaction costs and movement on contingent consideration (collectively 'acquisition items') IFRS figures include results of discontinued operations up to the date of their sales or closure but exclude material discontinued and continuing profits on sales or closures of operations. In 2013/14 only, the effects of closure to future benefit accrual of the defined benefit pension schemes have also been removed.
3. Return on Sales is defined as profit before taxation, the amortisation of acquired intangible assets; acquisition items (from 2010/11); the effects of closure to future benefit accrual of the defined benefit pension schemes net of associated costs; profit or loss on disposal of operations; and other exceptional items expressed as a percentage of revenue.
4. Return on Capital Employed is defined in note 3 to the accounts.
5 IAS 19 (as revised in June 2011) 'Employee Benefits' has been adopted by the Group in the current financial year. To aid comparison, and as required by IAS 19 (revised), the Consolidated Financial Statements and affected notes for the 52 weeks to 30 March 2013 have been restated as if IAS 19 (revised) had always applied during that year. Results prior to 2012/13 have not been restated. See the Accounting Policies note for further details.

IFRS 2005/06 £000	IFRS 2006/07 £000	IFRS 2007/08 £000	IFRS 2008/09 £000	IFRS 2009/10 £000	IFRS 2010/11 £000	IFRS 2011/12 £000	IFRS 2012/13 £000	IFRS (Restated) (note 5) 2012/13 £000	IFRS 2013/14 £000
337,348	354,606	397,955	455,928	459,118	518,428	579,883	619,210	619,210	676,506
249,055	258,050	288,701	351,522	360,779	412,297	454,270	503,635	503,635	548,629
59,641	66,091	73,215	79,087	86,214	104,551	120,465	130,661	128,543	140,249
105,396	113,048	134,320	173,128	145,519	146,964	163,283	188,701	188,701	189,707
32,308	29,762	72,393	86,173	21,924	79,688	64,014	160,013	160,013	107,622
35,826	22,051	28,118	34,987	31,006	42,610	45,305	49,723	49,723	33,126
3,187	3,326	3,683	4,018	3,689	3,875	4,347	4,716	4,716	4,999
11.08p	11.86p	13.49p	14.07p	16.10p	19.23p	23.01p	25.22p	24.79p	28.14p
11.27p	12.42p	13.86p	15.30p	16.89p	20.49p	24.46p	26.22p	25.79p	28.47p
19.3%	10.9%	11.5%	10.4%	10.4%	21.3%	19.4%	7.2%	5.4%	10.4%
17.7%	18.6%	18.4%	17.3%	18.8%	20.2%	20.8%	21.1%	20.8%	20.7%
56.9%	60.1%	55.8%	47.7%	61.3%	71.9%	74.7%	71.3%	70.7%	76.4%
5%	5%	5%	5%	7%	7%	7%	7%	7%	7%
188p	220p	192p	156p	259p	355p	381p	518p	518p	579p
£693.4m	£821.8m	£717.7m	£583.7m	£978.1m	£1,342.7m	£1,440.8m	£1,962.6m	£1,962.6m	£2,192.6m

Halma Directory

Principal operating companies by sector	Main products
Process Safety	
Castell Safety International Limited	Safety systems for controlling hazardous industrial processes
Crowcon Detection Instruments Limited	Gas detection instruments for personnel and plant safety
Elfab Limited	Pressure sensitive relief devices to protect process plant
Fortress Interlocks Limited	Safety systems for controlling access to dangerous machines
Kirk Key Interlock Company, LLC.	Key interlocks and interlocking systems for the protection of personnel and equipment
Netherlocks Safety Systems B.V.	Process safety systems for petrochemical and industrial applications
Oseco Inc.	Pressure sensitive relief devices to protect process plant
Rohrback Cosasco Systems Inc.	Design, manufacture and sale of pipeline corrosion monitoring products and systems into diverse industries including oil, gas, petrochemical, pharmaceutical, chemical and utilities
SERV Trayvou Interverrouillage S.A.S.	Safety systems for controlling access to dangerous machines
Smith Flow Control Limited	Process safety systems for petrochemical and industrial applications
Infrastructure Safety	
Advanced Electronics Limited	Networked fire detectors and control systems
Apollo Fire Detectors Limited	Smoke and heat detectors, sounders, beacons and interfaces
Avire Limited	Infrared safety systems for elevator doors and elevator emergency communications
Bureau D'Electronique Appliquée S.A. (BEA)	Sensors for automatic doors
Fire Fighting Enterprises Limited	Flame detectors, beam smoke detectors and specialist fire extinguishing systems
Janus Elevator Products Inc.	Elevator safety components including displays, door systems and emergency communications
Texecom Limited	Security sensors and signalling products
Medical	
Accudynamics, LLC.	Mechanical and fluidic components primarily used in medical, life science and scientific instruments
Accutome, Inc.	Ophthalmic diagnostic and surgical equipment, as well as a broad line of pharmaceutical products
Baoding Longer Precision Pump Co., Ltd.	Peristaltic, syringe, piston and gear pumps for use in laboratory, industrial and medical applications for both end-user and OEM customers
Bio-Chem Fluidics Inc.	Miniature valves, micro pumps and fluid components for medical, life science and scientific instruments
Diba Industries, Inc.	Specialised components and complete fluid transfer subassemblies for medical, life science and scientific instruments
Keeler Limited	Ophthalmic instruments for diagnostic assessment of eye conditions
Medicel AG	Instruments for ophthalmic surgery
MicroSurgical Technology, Inc.	Ophthalmic surgical products, focusing on single-use devices used in cataract surgery
Rudolf Riester GmbH	Diagnostic medical devices for ophthalmology, blood pressure measurement and ear, nose and throat diagnostics
SunTech Medical, Inc.	Clinical grade non-invasive blood pressure monitoring products and technologies
Volk Optical, Inc.	Ophthalmic equipment and lenses as aids to diagnosis and surgery

Principal locations	Telephone	E-mail	Website
Kingsbury, London (Head Office) Shanghai, China	+44 (0)20 8200 1200	uksales@castell.com	www.castell.com
Abingdon, Oxfordshire (Head Office) Beijing, China Erlanger, Kentucky	+44 (0)1235 557700	sales@crowcon.com	www.crowcon.com
North Shields, Tyne & Wear	+44 (0)191 293 1234	sales@elfab.com	www.elfab.com
Wolverhampton, West Midlands (Head Office) Melbourne, Australia	+44 (0)1902 349000	sales@fortressinterlocks.com	www.fortressinterlocks.com
Massillon, Ohio	+1 (1)800 438 2442	sales@kirkkey.com	www.kirkkey.com
Alphen aan den Rijn, The Netherlands	+31 (0)172 471 839	sales@netherlocks.com	www.netherlocks.com
Broken Arrow, Oklahoma	+1 (1)918 258 5626	info@oseco.com	www.oseco.com
Santa Fe, California Houston, Texas Aberdeen, Scotland Sharjah, UAE Singapore	+1 (1)562 949 0123	sales@cosasco.com	www.cosasco.com
Paris, France (Head Office) Tunisia	+33 (0)1 48 18 15 15	sales@servtrayvou.com	www.servtrayvou.com
Witham, Essex	+44 (0)1376 517901	sales@smithflowcontrol.com	www.smithflowcontrol.com
Cramlington, Northumberland	+44 (0)1670 7071111	sales@advancedco.com	www.advancedco.com
Havant, Hampshire (Head Office) Auburn Hills, Michigan Beijing, China	+44 (0)2392 492412	enquiries@apollo-fire.com	www.apollo-fire.co.uk
Maidenhead, Berkshire (Head Office) České Budějovice, Czech Republic Shanghai, China Singapore	+44 (0)1628 540100	sales.uk@avire-global.com	www.avire-global.com
Liège, Belgium (Head Office) Pittsburgh, Pennsylvania Beijing, China	+32 (0)4 361 65 65	info@bea.be	www.bea.be
Hitchin, Hertfordshire	+44 (0)1462 444740	sales@ffeuk.com	www.ffeuk.com
Hauppauge, New York	+1 (1)631 864 3699	sales@januselevator.com	www.januselevator.com
Haslingden, Lancashire	+44 (0)1706 220460	sales@texe.com	www.texe.com
Lakeville, Massachusetts	+1 (1)508 946 4545	info@accudynamics.com	www.accudynamics.com
Malvern, Pennsylvania (Head Office) Cuijk, The Netherlands	+1 (1)610 889 0200	info@accutome.com	www.accutome.com
Baoding, Hebei, China	+86 312 3110087	longer@longerpump.com	www.longerpump.com
Boonton, New Jersey	+1 (1)973 263 3001	sales.us@biochemfluidics.com	www.biochemfluidics.com
Danbury, Connecticut (Head Office) Cambridge, UK	+1 (1)203 744 0773	salesdept@dibaind.com	www.dibaind.com
Windsor, Berkshire (Head Office) Broomall, Philadelphia	+44 (0)1753 857177	info@keeler.co.uk	www.keeler.co.uk
Wolfhalden, Switzerland	+41 71 727 1050	info@medicel.com	www.medicel.com
Redmond, Washington	+1 (1)425 556 0544	Info@microsurgical.com	www.microsurgical.com
Jungingen, Germany	+49 (0)74 77 92 700	info@riester.de	www.riester.de
Morrisville, North Carolina (Head Office) Shenzhen, China	+1 (1)919 654 2300	sales@suntechmed.com	www.suntechmed.com
Mentor, Ohio	+1 (1)440 942 6161	volk@volk.com	www.volk.com

Halma Directory continued

Principal operating companies by sector	Main products
Environmental & Analysis	
Alicat Scientific, Inc.	Mass flow meters, mass flow controllers and pressure controllers for high-precision fluid flow measurement
Aquionics Inc.	Ultraviolet (UV) equipment for treatment of water in municipal, industrial and aquatics markets, as well as UV-C LED products for disinfection and water analysis
Avo Photonics, Inc.	Opto-electronic solutions and product design, development and manufacturing of exclusive, confidential, private label applications
Berson Milieutechniek B.V.	Ultraviolet (UV) disinfection systems for municipal drinking water and wastewater treatment plants
Fiberguide Industries, Inc.	Large core specialty optical fibre, high temperature metalised fibres for optical power delivery and optical sensing applications
Hanovia Limited	Ultraviolet (UV) light water treatment equipment used in the manufacture of food, beverages and pharmaceuticals, as well as products for aquaculture, pool and leisure and for marine ballast water treatment
HWM-Water Limited	Multi-utility M2M solutions provider, including data recording and management for water networks, electricity, solar PV and energy conservation
Hydreka S.A.S.	Equipment and software to monitor and analyse the entire clean and dirty water cycle and for leak detection
Labsphere, Inc.	Precision radiometric and photometric systems and software for light testing, calibration and measurement
Ocean Optics, Inc.	Miniature fibre optic spectrometers for chemical analysis, process control, environmental monitoring, life sciences and medical diagnostics
Palintest Limited	Water and environmental analysis equipment to test drinking water, wastewater and process water, water in pools and spas, as well as farming and irrigation applications
Perma Pure LLC	High precision moisture management products including dryers, humidifiers, and complete sample conditioning systems for emissions monitoring, process analysis, and medical applications
Pixelteq, Inc.	Multispectral sensing and imaging solutions for aerospace, biomedical, semiconductor, industrial and scientific applications
Sensorex Corporation	Electrochemical sensors for water analysis applications in the process industry and laboratory markets
Weihai Guangxue Yiqi (Shanghai), Ltd.	Miniature fibre optic spectrometers for chemical analysis, process control, environmental monitoring, life sciences and medical diagnostics

Group	
Halma Holdings Inc.	Halma North American Head Office
Halma International Limited Representative Offices	Halma China hubs in Shanghai, Beijing, Chengdu, Guangzhou and Shenyang
Halma India Pvt Ltd	Halma India hub

Principal locations	Telephone	E-mail	Website
Tucson, Arizona Shanghai, China Mumbai, India	+1 (1)520 290 6060	info@alicat.com	www.alicat.com
Erlanger, Kentucky	+1 (1)859 341 0710	sales@aquionics.com	www.aquionics.com
Horsham, Pennsylvania	+1 (1)215 441 0107	sales@avophotonics.com	www.avophotonics.com
Nuenen, The Netherlands	+31 (0)40 290 7777	info@bersonuv.com	www.bersonuv.com
Stirling, New Jersey Caldwell, Idaho Shanghai, China	+1 (1) 908 647 6601	info@fiberguide.com	www.fiberguide.com
Slough, Berkshire Shanghai, China Beijing, China	+44 (0)1753 515300	sales@hanovia.com	www.hanovia.com
Cwmbran, South Wales (Head Office) Cincinnati, Ohio Pitsford, Northampton	+44 (0)1633 489 479	sales@hwm-water.com	www.hwm-water.com
Lyon, France	+33 (0)4 72 53 11 53	hydreka@hydreka.fr	www.hydreka.com
North Sutton, New Hampshire (Head Office) Shanghai, China	+1 (1)603 927 4266	labsphere@labsphere.com	www.labsphere.com
Dunedin, Florida (Head Office) Winter Park, Florida Ostfildern, Germany Duiven, The Netherlands Oxford, UK	+1 (1)727 733 2447	info@oceanoptics.com	www.oceanoptics.com
Gateshead, Tyne & Wear Beijing, China Sydney, Australia	+44 (0)191 491 0808	sales@palintest.com	www.palintest.com
Toms River, New Jersey Mumbai, India	+1 (1)732 244 0010	info@permapure.com	www.permapure.com
Largo, Florida (Head Office) Beijing, China	+1 (1)727 545 0741	info@pixelteq.com	www.pixelteq.com
Garden Grove, California	+1 (1)714 895 4344	email@sensorex.com	www.sensorex.com
Shanghai, China Beijing, China	+86 21 6295 6600	asiasales@oceanoptics.com	www.oceanoptics.cn
Cincinnati, Ohio	+1 (1)513 772 5501	halmaholdings@halmaholdings.com	www.halma.com
China	+86 21 6016 7666	halmachina@halma.com	www.halma.cn
Mumbai, India	+91 (22)6708 0400	halmaindia@halma.com	www.halma.com

Shareholder Information and Advisers

Financial calendar	
2013/14 Half year results	19 November 2013
2013/14 Interim dividend paid	5 February 2014
Interim management statement	11 February 2014
2013/14 Year end	29 March 2014
2013/14 Final results	12 June 2014
2013/14 Report and Accounts issued	24 June 2014
Annual General Meeting and interim management statement	24 July 2014
2013/14 Final dividend payable	20 August 2014
2014/15 Half year end	27 September 2014
2014/15 Half year results	18 November 2014
2014/15 Interim dividend payable	February 2015
Interim management statement	February 2015
2014/15 Year end	28 March 2015
2014/15 Final results	June 2015

Analysis of shareholders at 15 May 2014	Shareholders (number)	%	Shares (number)	%
Number of shares held				
1 – 5,000	4,920	78.1	6,986,062	1.9
5,001 – 25,000	847	13.4	8,871,218	2.3
25,001 – 100,000	257	4.1	12,532,643	3.3
100,001 – 750,000	187	3.0	55,267,109	14.6
750,001 and over	87	1.4	295,361,490	77.9
	6,298	100.0	379,018,522	100.0

Share price London Stock Exchange, pence per 10p share	2014	2013	2012	2011	2010
Highest	**623**	531	430	367	264
Lowest	**471**	373	306	240	156

Dividends Pence per 10p share	2014	2013	2012	2011	2010
Interim	**4.35**	4.06	3.79	3.54	3.31
Final	**6.82***	6.37	5.95	5.56	5.19
Total	**11.17**	10.43	9.74	9.10	8.50

* Proposed.

Registered office

Misbourne Court
Rectory Way
Amersham
Bucks HP7 0DE

Tel: +44 (0)1494 721111
halma@halma.com
Website: www.halma.com

Registered in England and Wales, No 40932

Registrars

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ

Tel: +44 (0)870 707 1046
Fax: +44 (0)870 703 6101
Website: www.investorcentre.co.uk

Investor information
Visit our website, www.halma.com, for investor information and Company news. In addition to accessing financial data, you can view and download Annual and Half Year Reports, analyst presentations, find contact details for Halma senior executives and subsidiary companies and access links to Halma subsidiary websites. You can also download our iPad app or subscribe to an e-mail news alert service to automatically receive an e-mail when significant announcements are made.

Shareholding information
Please contact our registrars, Computershare, directly for all enquiries about your shareholding. Visit their Investor Centre website www.investorcentre.co.uk for online information about your shareholding (you will need your shareholder reference number which can be found on your share certificate or dividend tax voucher), or telephone the registrars direct using the dedicated telephone number for Halma shareholders: +44 (0) 870 707 1046.

Dividend mandate
Shareholders can arrange to have their dividends paid directly into their bank or building society account by completing a bank mandate form. The advantages to using this service are: the payment is more secure than sending a cheque through the post; it avoids the inconvenience of paying in a cheque and there is no risk of lost, stolen or out-of-date cheques. A mandate form can be obtained from Computershare or you will find one on the reverse of the tax voucher of your last dividend payment.

Dividend reinvestment plan
The Company operates a dividend reinvestment plan ('DRIP') which offers shareholders the option to elect to have their cash dividends reinvested in Halma ordinary shares purchased in the market. You can register for the DRIP online by visiting Computershare's Investor Centre website (as above) or by requesting an application form direct from Computershare. Shareholders who wish to elect for the DRIP for the forthcoming final dividend, but have not already done so, should return a DRIP application form to Computershare no later than 30 July 2014.

American Depositary Receipts
The Halma plc American Depositary Receipts (ADRs) are traded on the Over The Counter market (OTC) under the symbol HLMLY. One ADR represents three Halma plc ordinary shares. JPMorgan Chase Bank, N.A. is the depositary. If you should have any queries, please contact:

JPMorgan Chase Bank N.A., PO Box 64504, St Paul, MN 55164-0854, USA. E-mail: jpmorgan.adr@wellsfargo.com. Telephone number for general queries: (800) 990 1135. Telephone number from outside the USA: +1 651 453 2128.

Electronic communications
All shareholder communications, including the Company's Annual Report and Accounts, are made available to shareholders on the Halma website and you may opt to receive e-mail notification that documents and information are available to view and download rather than to receive paper copies through the post. Using electronic communications helps us to limit the amount of paper we use and assists us in reducing our costs. If you would like to sign up for this service, visit Computershare's Investor Centre website. You may change the way you receive communications at any time by contacting Computershare.

Share dealing facilities
A low cost telephone dealing service has been arranged with Stocktrade which provides a simple way for buying or selling Halma shares. Basic commission is 0.5% up to £10,000, reducing to 0.2% thereafter (subject to a minimum commission of £17.50). For further information please call 0845 601 0995 and quote reference Low Co0198.

Annual General Meeting
The 120th Annual General Meeting of Halma plc will be held in the Ballroom at The Berkeley Hotel, Wilton Place, London SW1X 7RL on Thursday 24 July 2014 at 11.00 am.

Investor relations contacts
Rachel Hirst/Andrew Jaques
MHP Communications
60 Great Portland Street
London W1W 7RT

Tel: +44 (0)20 3128 8100
Fax: +44 (0)20 3128 8171
halma@mhpc.com

Andrew Williams
Halma plc
Misbourne Court
Rectory Way
Amersham
Bucks HP7 0DE

Tel: +44 (0)1494 721111
Fax: +44 (0)1494 728032
investor.relations@halma.com

Auditors
Deloitte LLP
Abbots House
Abbey Street
Reading RG1 3BD

Bankers
The Royal Bank of Scotland plc
280 Bishopsgate
London EC2M 4RB

Financial advisers
Lazard & Co., Limited
50 Stratton Street
London W1J 8LL

Brokers
Credit Suisse Securities
(Europe) Limited
One Cabot Square
London E14 4QJ

Investec Investment Banking
2 Gresham Street
London EC2V 7QP

Solicitors
CMS Cameron McKenna LLP
Mitre House
160 Aldersgate Street
London EC1A 4DD

FSC www.fsc.org
MIX
Paper from responsible sources
FSC® C016278

Designed and produced by Luminous
www.luminous.co.uk
Printed by Halstan.co.uk

Halma plc
Misbourne Court
Rectory Way
Amersham
Bucks HP7 0DE

Tel +44(0)1494 721111
Fax +44(0)1494 728032
Web www.halma.com

HALMA