Halma p.l.c.
Annual Report and Accounts 2011

Delivering quality and growth

HALMA

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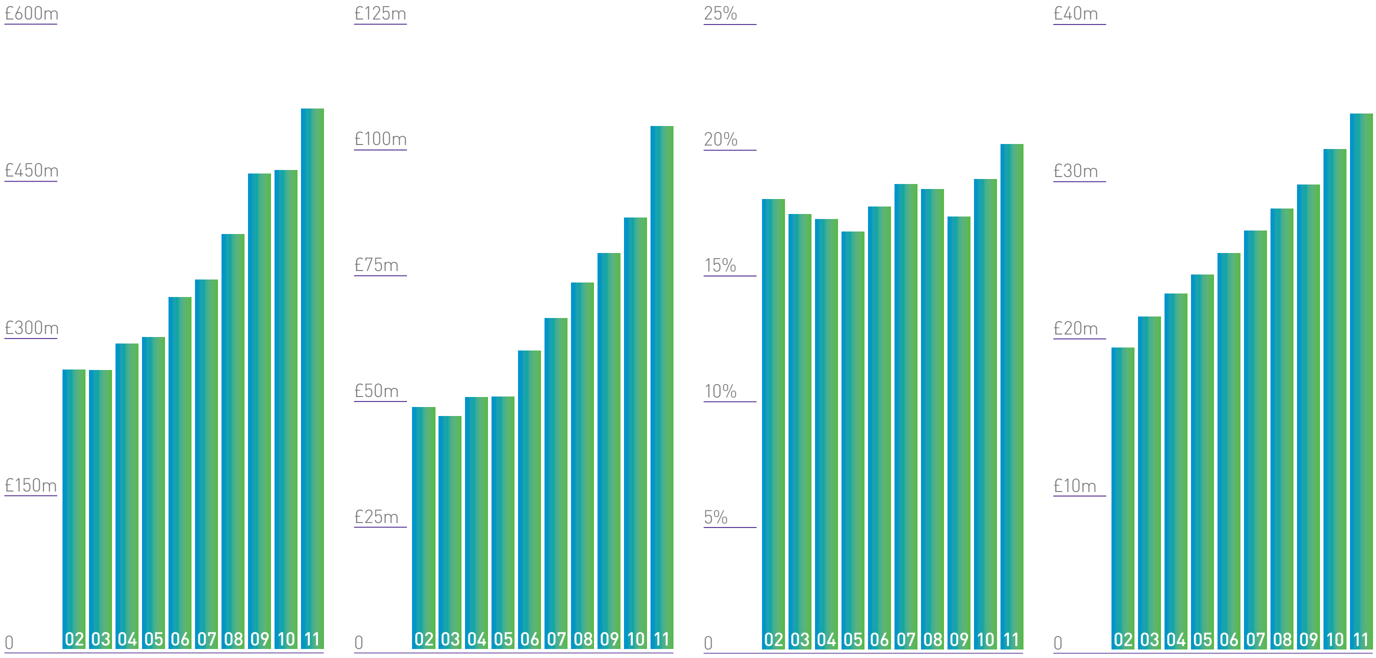
Financial Highlights

Revenue
£518m
Year on year growth +13%

Adjusted profit before taxation
£104.6m
Year on year growth +21%

Return on Sales
20.2%

Dividend paid and proposed
9.1p
Year on year growth +7%



Continuing operations

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

Pro-forma information:

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

2 Adjusted to remove the amortisation of acquired intangible assets, acquisition costs and the associated tax. 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.

Investment Proposition

Halma has an impressive record of creating sustained shareholder value through the economic cycle. Our reputation is built on consistently delivering record profits, high returns, strong cash flows, low levels of balance sheet gearing and a 30+ year track record of growing dividend payments by 5% or more every year. We are one of only three companies quoted on the London Stock Exchange with this record of dividend increases.

Our ability to achieve record profits through the recent period of unprecedented economic turbulence is derived from our strategy of having a group of relatively small, autonomous businesses operating in diverse specialised global markets with resilient growth drivers. These include Health, Safety and Environmental regulation which stimulate 'non-discretionary' purchase of products whose technical, quality and reliability requirements enable us to build competitive advantage.

We maintain organic growth momentum by increasing levels of investment in management development, new product development and establishing platforms for growth in developing markets, where Health, Safety and Environmental regulation is starting to emerge.

Organic growth generates the financial and business resources we need to fund acquisitions. Through acquisitions we add value to our business by bringing new intellectual assets and a wider technological and geographic footprint.

Over the long term, we actively manage the mix of businesses in our Group to ensure we can continue to generate strong growth and returns. Whilst acquisitions accelerate entry into more attractive market niches, we also exit markets which promise to offer less attractive opportunities in the future through carefully planned disposals.

Halma's defensive market qualities, organic growth momentum and potential to acquire new businesses position us strongly to continue to create shareholder value and achieve even higher levels of performance in the future.

Chairman's Statement

The Group has made strong progress

Halma: what we do and our strategy

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

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

Performance

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

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

As a result the Board is recommending a final dividend of 5.56p per share giving a total dividend of 9.1p for the year, an increase of 7.1%. The final dividend is subject to approval by shareholders and will be paid on 24 August 2011 to shareholders on the register at 22 July 2011. Dividend cover is 2.25 times (2010: 1.98 times) meeting our objective of around 2 times cover.

Acquisitions

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

Continued strong investment in markets and products

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

Technical collaboration across the Group has increased which accelerates our adoption of new technologies and speeds our time to market. Although we believe passionately in autonomy, collaboration is also encouraged, these are key differentiators for the Group.

Research and Development was 5.0% of revenue (2010: 4.7%).

People

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

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

Governance

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

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

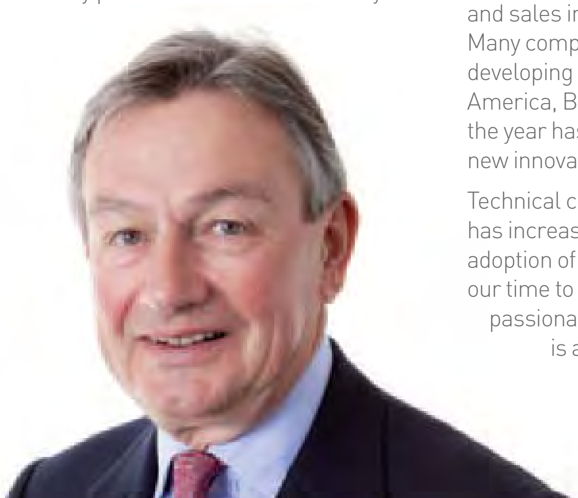
In line with the recommendations of the UK Corporate Governance Code, the Board has agreed to submit all Directors to annual election starting at this year's AGM on 28 July 2011, ahead of being obliged to do so at the 2012 AGM.

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

Outlook

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

[1] See Financial Highlights.



Geoff Unwin
Chairman

Our Business Model

Our strategy

We aim to achieve high returns on invested capital and create shareholder value. We operate in relatively noncyclical, specialised global markets where technology and application know-how provide the opportunity to generate growth at sustainable high returns through strong competitive advantage. Our chosen markets have significant barriers to entry. Demand for our products is underpinned by long-term, resilient growth drivers.

We place our operational resources close to our customers through local, autonomous businesses.

Our strategic priorities

We are making the following key strategic investments across the group to accelerate growth above market rates:

- Acquisitions
- Innovation (products and process)
- People development
- International expansion (especially Asia)

Our growth drivers

Demand in each of our markets is driven by one or more of the following long-term growth drivers:

- Increasing demand for healthcare
- Increasing demand for energy and water
- Increasing urbanisation of population
- Increasing health and safety regulation

Our values

Our values help to ensure a consistent set of standards and behaviours throughout the Group. This is particularly important given the Group's decentralised structure.

Our core values are Achievement, Innovation, Empowerment and Customer Satisfaction. We encourage our employees to act fairly in their dealings with fellow employees, customers, suppliers and business partners.

Our organisational structure

A small head office team focuses on setting the strategic framework and maintains a standard process of financial planning, reporting and control.

Halma's 12 sub-sectors are composed of 38 autonomous operating companies, each with their own board of directors. These sub-sectors are grouped into operating divisions, each chaired by a Halma Divisional Chief Executive (DCE), responsible for its own growth.

DCEs understand the market needs of their companies and contribute broadly to their strategies. Through regular interaction between Executive Board members, common challenges and opportunities are identified.

Our operational culture

Our decentralised structure delivers real competitive advantage. Tactical decision making takes place at operating company level by managers closest to markets with the ability to allocate resources. This ensures quick and agile responses to market changes.

Acquisition prospects are attracted by our operating culture which affords them the autonomy they are accustomed to while providing access, amongst other things, to new markets and technology via the Group's collective resources.

Our Sectors

Health and Analysis

Improving public and personal health; protecting the environment.

Revenue £218m 42% of Group

Profit[1] £46m 42% of Group

Sub-sectors

Water

Products to detect leaks in water pipes. UV technology for disinfecting water and water quality test kits.

Photonics

Opto-electronic technology for scientific, medical, environmental and other applications.

Health Optics

Devices used to assess eye health, diagnose disease, assist with eye surgery and general medical applications.

Fluid Technology

Critical components such as flow controllers, pumps, probes, valves, connectors and tubing used by scientific, environmental and medical diagnostic OEMs.

See page 26

Infrastructure Sensors

Detecting hazards and protecting assets and people in buildings.

Revenue £197m 38% of Group

Profit[1] £39m 36% of Group

Sub-sectors

Fire Detection

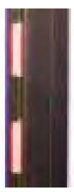
Fire and smoke detectors and audible/visual warning devices.

Security Sensors

Security sensors and signals used in public and commercial property.

Automatic Door Sensors

Sensors used on automatic doors in commercial buildings, industrial sites and transportation.



Elevator Safety

Elevator/lift door safety sensors, emergency communication devices, displays and control panels for elevators.

See page 30

Industrial Safety

Protecting assets and people at work.

Revenue £103m 20% of Group

Profit[1] £25m 22% of Group

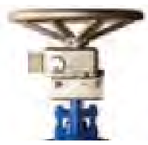
Sub-sectors

Gas Detection

Portable instruments and fixed systems which detect flammable and hazardous gases.

Bursting Disks

'One time use' pressure relief devices to protect large vessels and pipework in process industries.



Safety Interlocks

Specialised mechanical, electrical and electromechanical locks which ensure that critical processes operate safely.

Asset Monitoring

Products for monitoring physical assets under water using sensors and communications technologies.

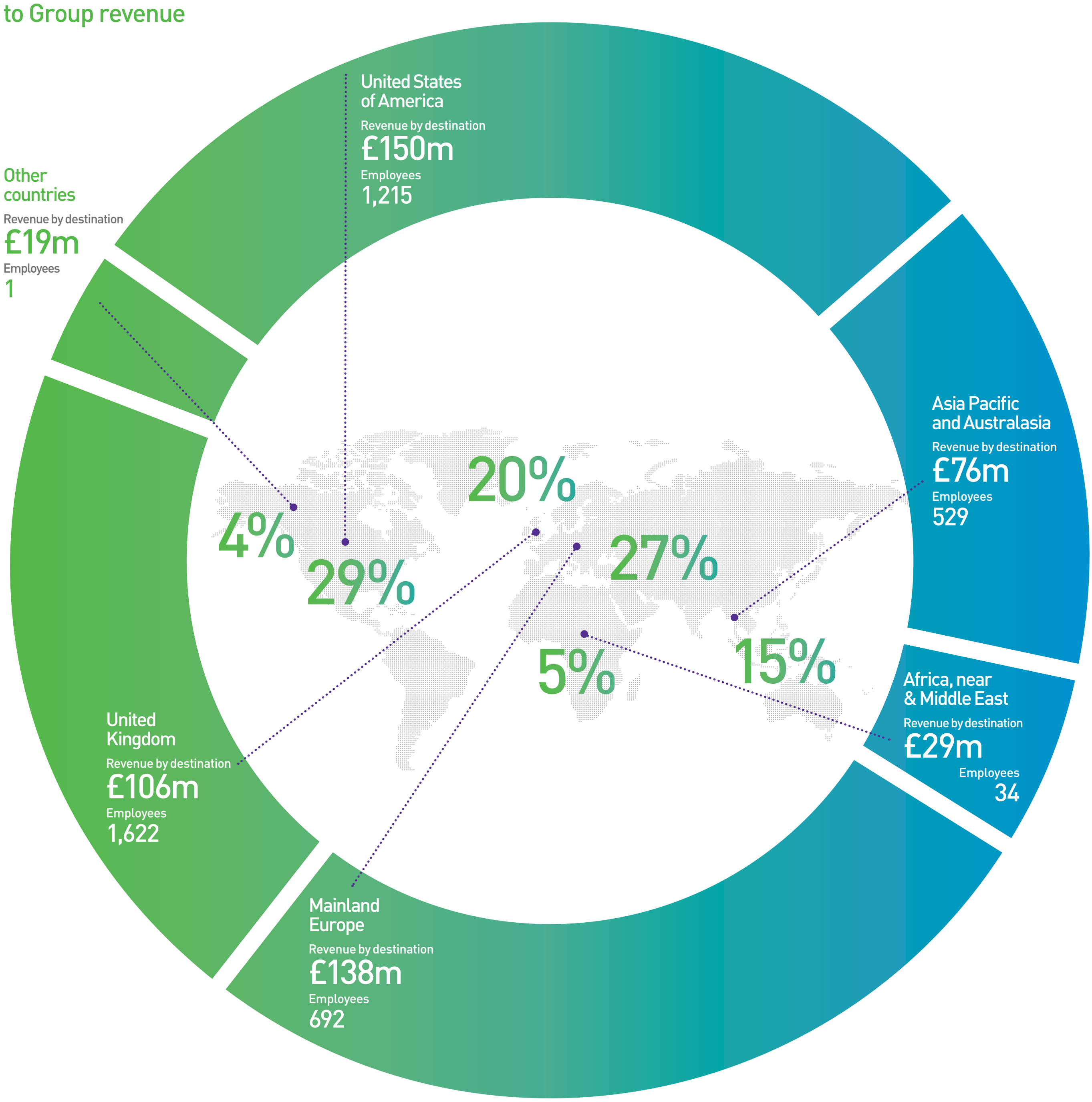
See page 34

[1] See note 1 to the Accounts.

Global Capability

Our global capability is developing as we continue to put our resources close to our customers. We operate in 22 countries selling to customers in over 150 countries. We are not over-reliant on any single region, market or customer with our largest customer constituting less than 3% of revenue.

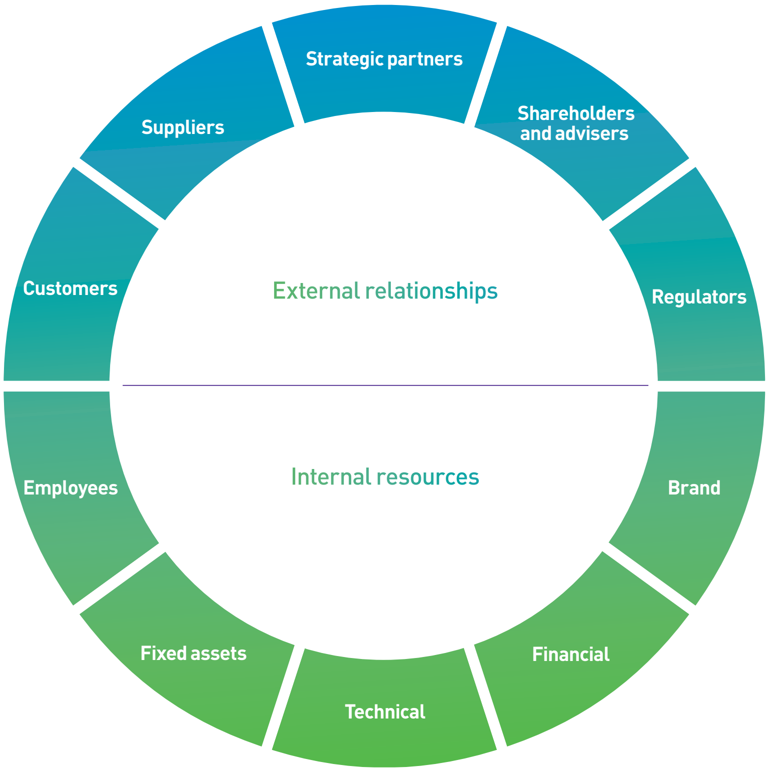
Contribution to Group revenue



Our Resources

We have access to the resources necessary to support investment for organic growth and acquisitions. Operationally, we have a decentralised structure which places our R&D, manufacturing, sales and marketing resources within each Halma company under the management of the local board.

Relationships and resource breakdown



External relationships

We work in partnership with our **customers** not only to ensure their short-term needs are met but also to ensure that we design new products which meet their medium- and long-term needs. Since we have a diverse customer base, our decentralised structure enables our companies to develop closer relationships with their customers than would be possible if we were more centralised.

We assemble products locally, but source our components globally. Halma companies often collaborate to identify high quality **suppliers** of common technologies or component types and are required to ensure suppliers meet our ethical standards.

We develop relationships with **strategic partners** such as universities, specialist design businesses and value-adding distributors to complement our technical and commercial resources. From these relationships come new technologies and expertise to aid product development or identify new market opportunities.

We develop good relationships with industry **regulators** who regulate the quality of suppliers (like us) or our customers. Many Halma companies will be represented on industry regulatory bodies as technical experts to ensure regulatory codes are implemented in light of the latest technology and best practice.

Halma recognises the need to listen closely to the views given by **shareholders and corporate advisers** such as our bankers, brokers, solicitors and investor relations partners. They provide valuable insight gained through their involvement with a broad array of other businesses and commercial situations.

Internal resources

We continue to increase our investment in training and development of **employees** since this is critical to our medium- and long-term success. In 2010, we launched a new programme aimed at technical staff.

In general our manufacturing is "asset light" and not capital intensive. We do have some **fixed assets** which are critical to our businesses (for example, thin film coaters in Photonics). The average direct labour content of our products is less than 7% of the selling price. This allows us to locate operations close to our customers rather than be driven to position them in the lowest cost region. Decisions to establish manufacturing facilities in low cost regions are made because we see local sales opportunities.

Our **technical** resources include our people, patents and specialist application know-how. Often our competitive advantage is built on knowing how to reliably apply a proven technology in very specific situations whilst meeting stringent regulatory requirements. We invest at least 4% of revenue in R&D and this, together with acquisitions, continues to refresh and strengthen our intellectual assets. We encourage our companies to collaborate on technical issues through our various training programmes and the HITE events held in May 2009 and May 2011.

We have sufficient **financial** resources to meet our organic and acquisition growth objectives. We operate with a strong system of financial control and audit the value and location of our cash on a weekly basis. Due to our high returns, we encourage our companies to make capital investments in accordance with a strict but speedy approvals process.

Halma companies are typically the leader (in the top five) in their specialised markets and therefore each has a strong product **brand**. These brands are synonymous with high quality products and service levels and in some cases are used as the generic industry term for a particular product type.

Strategy and Performance

Objective

To create sustained shareholder value and high returns on invested capital.

Strategic direction

To operate in global specialised markets offering long-term growth with technology able to sustain high returns.

Organic Growth

Strategic focus

Through 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%.

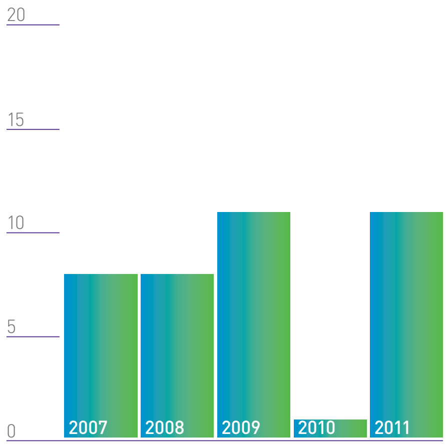
KPI definition/strategic focus

Organic revenue growth
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 period has been equalised.

Organic profit growth
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 period has been equalised.

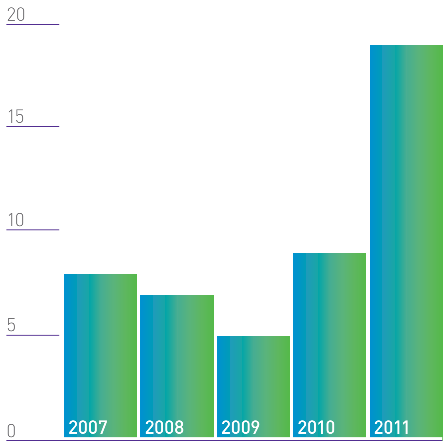
2010/11 performance

Organic Revenue Growth[1] %



Target	>5%
Performance	**11%**

Organic Profit Growth[1] %



Target	>5%
Performance	**19%**

Comment

Strong organic growth following the tough economic conditions in 2010. Over the last five years our average rate of annual organic revenue growth has been 8% p.a. which is 3% in excess of our minimum target.

Very strong organic profit growth. Over the last five years our average rate of annual organic profit growth has been 10% p.a.

2011/12 target

The Board established a long-term minimum organic growth target of 5% representing the blended long-term average growth rate of our markets. This target remains appropriate to the Group's achievement of an overall revenue and profit objective of growing by 15% p.a. after acquisition revenue and profit are taken into account.

In order to meet the target of organic growth in excess of 5%, the Group will need to maintain its focus on innovation, people development and growth in Asia in order to ensure the momentum developed over recent years is retained.

The primary factors affecting our ability to meet the target relate to competitive innovations overtaking the Group's technology and macro-economic factors.

Link to other disclosures

Chief Executive's Strategic Review, Financial Review and Risk Factors.

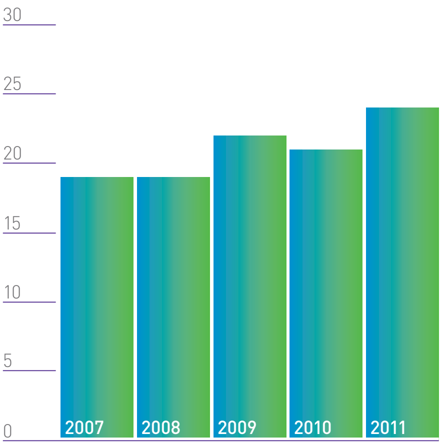
[1] See Financial Highlights.
[2] See note 1 to the Accounts.

International Expansion

The Health, Safety and Environmental markets in Asia and other developing regions are developing fast and offer us higher rates of growth in the future. We continue to invest in establishing local selling, technical and manufacturing resources to meet this current and future need.

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

Revenue outside the USA and Europe[2] %



Target (by 2015)	**30%**
Performance	**24%**

Revenue outside the USA and UK/Europe was 24% of the Group total with revenue from Asia Pacific and Australasia up by 29%. Revenue from China grew by 28% to £24m which is now 4 times the level in 2006 when we established our first Halma hubs. During 2010 we opened three new regional offices in China and doubled the number of local staff in our hub in India.

Our aim is for revenue outside the USA and UK/Europe to be 30% of the Group total by 2015.

Halma corporate hubs have been established in China and India to assist companies in setting up local operations. We will review our options for South America during 2011/12.

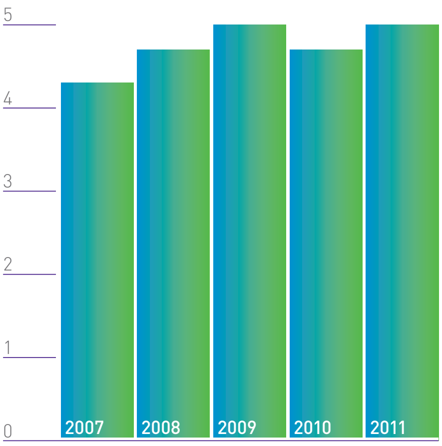
Chief Executive's Strategic Review and Financial Review, Note 1 to the Accounts.

High Rate of Innovation

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.

R&D as Percentage of Revenue
Total research and development expenditure in the financial year (regardless of whether or not it was capitalised) as a percentage of revenue from continuing operations.

R&D as Percentage of Revenue %



Target	**>4%**
Performance	**5.0%**

Total spend in the year was £26m (2010: £21m) exceeding the 4% of revenue target. All three sectors exceeded the 4% target both this year and last year.

New products contribute strongly to 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.

The recently introduced HCAT development programme for engineers in the Group helps drive our technical and process innovation to fuel organic growth.

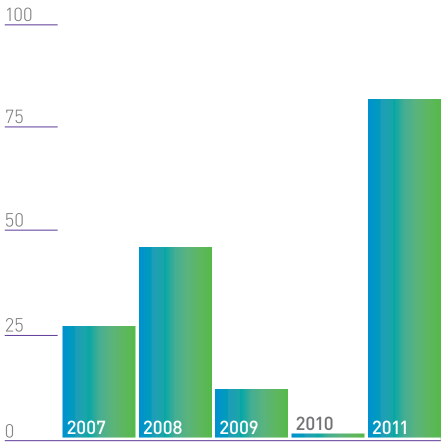
Chief Executive's Strategic Review, Corporate Responsibility.

Acquisitions

We buy companies with business and market characteristics like Halma. They have to be a good fit with our operating culture and strategy in addition to being value-enhancing financially.

Acquisitions
The cash outflow disclosed in the Consolidated Cash Flow Statement under Acquisition of businesses.

Acquisitions £m



Performance	**£82m**

We began the year with good financial capacity with net cash and facilities in place to comfortably finance a further £100m of investment and we succeeded in buying a number of excellent companies during the year.

2011 ended with sufficient financial capacity to finance further acquisitions.

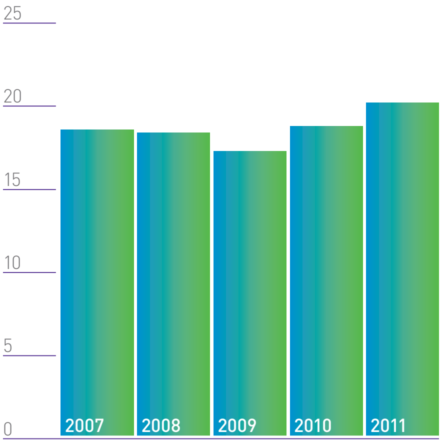
Such investment will be kept under close scrutiny to ensure market conditions remain appropriate and acquisition targets meet our exacting standards.

Chief Executive's Strategic Review, Financial Review and Risk Factors.

	Return on Sales	ROTIC (Return on Total Invested Capital)
Strategic focus	We choose to operate in markets which are capable of delivering high returns. The ability to sustain these returns is a product of maintaining strong market and product positions together with excellent management of our operations and assets.	
KPI definition	**Return on Sales** Return on Sales is defined as adjusted profit before taxation[1] from continuing operations expressed as a percentage of revenue from continuing operations.	**ROTIC** Return on Total Invested Capital is defined as the post-tax return from continuing operations before amortisation of acquired intangibles as a percentage of adjusted shareholders' funds as detailed in note 3 to the Accounts.

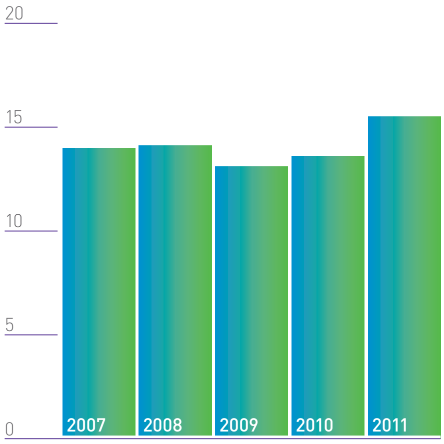
2010/11 performance

Return on Sales[1] %



Target	>18%
Performance	**20.2%**

ROTIC[1] %



Target	>12%
Performance	**15.5%**

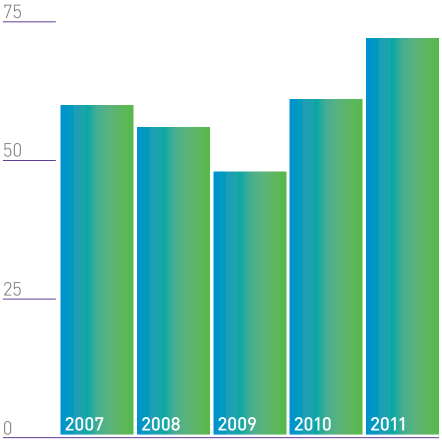
	Return on Sales	ROTIC
Comment	High returns achieved representing a significant improvement in performance against the previous year. This performance reflects both good management to ensure increases in fixed and variable costs do not overtake revenue growth, and the quality of acquisitions.	High returns maintained in excess of our long-term Weighted Average Cost of Capital (WACC) of 8.5% (2010: 8.5%). Earnings increased faster than our asset base due to good operational management and acquisitions at sensible values.
2011/12 target	We aim to achieve a Return on Sales within the 18% to 22% range whilst continuing to deliver profit growth.	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 14% is considered representative of the Board's expectations over the long term.
Link to other disclosures	Chief Executive's Strategic Review, Financial Review.	Chief Executive's Strategic Review, Financial Review.

[1] See Financial Highlights.

ROCE (Return on Capital Employed)

ROCE
Return on Capital Employed is defined as the operating profit from continuing operations before amortisation of acquired intangibles as a percentage of capital employed as detailed in note 3 to the Accounts.

ROCE[1] %



Target	>45%
Performance	**71.9%**

Very high returns above the target level achieved. The significant increase in recent years is due to concerted efforts to improve profitability and improve efficiency in our operations.

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

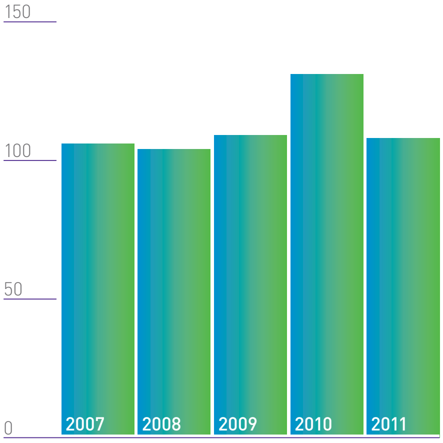
Chief Executive's Strategic Review, Financial Review.

Operating Cash to Profit

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

Operating Cash to Profit
Cash generated from operations expressed as a percentage of adjusted profit from continuing operations[1].

Operating Cash to Profit %



Target	>100%
Performance	**108%**

Cash conversion of 108% was above the target, an excellent performance across the Group.

The goal of cash inflow exceeding 100% is a metric that has relevance at all levels of the organisation and aligns management action with the strategic goals of organic growth, acquisitions and progressive dividends.

Financial Review.

Chief Executive's Strategic Review

Andrew Williams
Chief Executive

Record results and increased strategic investment

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

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

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

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

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

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

Higher rates of return

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

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

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

Growth in all regions and sectors

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

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

Health and Analysis is now Halma's largest sector

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

£105m +21%

Profit

Infrastructure Sensors made good progress

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

Industrial Safety achieved high profit growth and Return on Sales

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

Clear strategic priorities

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

Organic growth

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

International expansion with a focus on Asia

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

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

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

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

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

High rate of innovation

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

Innovation excellence in Halma is recognised through the monthly Eureka award and the Halma Annual Innovation Award. Both are open to all employees, and award a top prize of £1,000 and £20,000 respectively.

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

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

Management development

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

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

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

Acquisitions, mergers and disposals

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

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

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

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

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

Macro-economic, regulatory and competitive environment

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

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

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

We serve a wide range of market niches, each with its own unique competitive environment. Our strategy is to empower local management to create or respond to their changing markets by controlling their own competitive strategy including product pricing, product development and market positioning. More details are given in the sector reviews on pages 26 to 37.

Our primary market growth drivers

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

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

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

Increasing demand for healthcare

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

Spending on healthcare continues to grow rapidly throughout the developed world, particularly in the USA where it is projected to rise from about 17.5% of GDP in 2010 to about 20% by 2020.[3]

Population growth and rising incomes in the developing world also drive healthcare demand. The world's population is also ageing. Globally, the number of people over 60 years old is growing annually by 2.6%, considerably faster than the general population growth of 1.2%.[4]

Population ageing creates rising healthcare needs and, as incomes rise, health services become available to an increasing number of people in the developing world. In China, for example, the healthcare budget will have increased threefold between 2000 and 2015.[5] Continuous advances in medical technology create new medical procedures, which also stimulate demand for new instruments and equipment.

Increasing demand for energy and water

Throughout the world rising energy consumption and water usage is driven by three key trends: population growth; rising living standards; and changing patterns of food consumption and agriculture. In many

Delivering quality and growth

Over the next few pages we will demonstrate how Halma adds value by focusing on higher growth markets, more innovation, developing our people and international expansion.

economies energy and water supply are mutually dependent. In the USA for example, the energy sector's water consumption is forecast to rise by 50% from 2005 to 2030. This will account for 85% of the country's total increase in water demand.[6]

Worldwide consumption of marketed energy is projected to increase by 49% from 2007 to 2035 with the highest increase in non-OECD economies.[7] While water demand rises relentlessly, both the quality and availability of clean water is declining.[8,9] Contaminated water is the primary environmental cause of human sickness and death.[10]

Several of our **Health and Analysis** businesses are positioned to benefit from the global trend of rising demand for energy and water. In both developed and developing regions we see increasing competition for water resources between economic groups and between national governments.[11] The increasing value placed on water resources drives demand for our water conservation, treatment and quality analysis products. Continued investment in oil and gas exploration and extraction drives demand for our **Industrial Safety** products.[12]

Increasing urbanisation

Current expectations for continued global population expansion predict growth from today's population of about 7 billion people to 9 billion by 2050.[13] In many developed economies, such as Europe and Japan, falling birth rates mean that population numbers will decline; future global population growth will be concentrated in developing countries.[14] Population increase will also be an almost entirely urban phenomenon. The world's urban population is expected to increase by 84% between 2009 and 2050; Asia's urban population is predicted to grow by 1.7 billion, Africa's by 0.8 billion, and Latin America and the Caribbean's by 0.2 billion.[15]

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

Increasing health and safety regulation

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

In addition to the human cost, workplace accidents and sickness restrain economic development. Taking account of the direct and indirect costs of occupational accidents and diseases, such as lost working time, employee compensation, production downtime and medical expenses, the economic impact is estimated at around 4% of global GDP (US$1.25tn).[16]

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

Delivering corporate responsibility and sustainability

Our primary market growth drivers mean that Halma companies operate in markets in which their products contribute positively to the wider community. These market characteristics and our commitment to health and safety, the environment and people development are reflected in the values held by our employees and our operating culture. We review our responsibility and sustainability reporting in accordance with best practice. Recent legislative changes, particularly concerning the environment and bribery and corruption, have provided an opportunity to review and ensure that our procedures in these important areas are accessible, compliant and firmly embedded within our businesses.

A detailed report on Corporate Responsibility is on pages 44 to 47.

Outlook

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

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

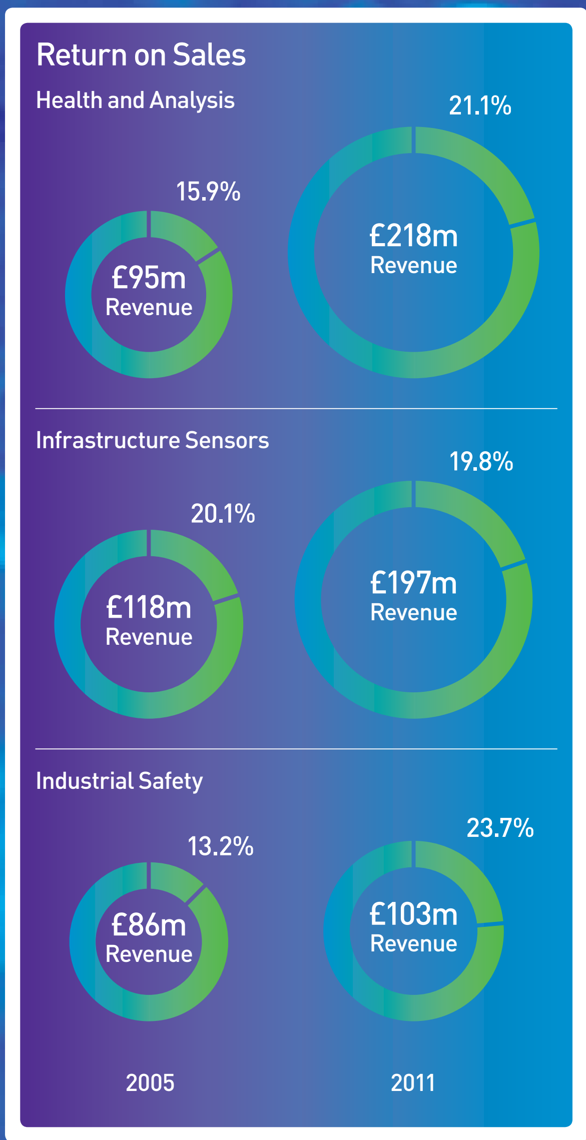
1 See Financial Highlights.
2 See note 1 to the Accounts.
3 *Introduction to the Health Care Industry*, Plunkett Research, 2010.
4 *World Population Aging, 2009*. United Nations, 2010.
5 *Healthcare Market in China: Opportunities and Barriers of a Developing Economy*, Scientia Advisers, 2009.
6 *Energy's Water Demand: Trends, Vulnerabilities, and Management*, US Congressional Research Service, November 2010.
7 *International Energy Outlook 2010*, US Energy Information Administration, May 2010.
8 *UN Water Policy Brief*, UN Water, 2011.
9 *International Atomic Energy Authority*, IAEA Programme on Water Resources, 2010-2011.
10 *Global Environmental Outlook GEO4*, United Nations, 2007.
11 *Water Conflicts – Chronology*, Pacific Institute, 2010.
12 Big oil groups forecast to spend $128bn, Financial Times, January 2011.
13 *World Population Graphs*, US Census Bureau.
14 *2010 World Population Data Sheet*, Population Reference Bureau, 2010.
15 *World Urbanization Prospects, 2009 Revision*, United Nations, 2010.
16 *Facts on Health and Safety at Work*, International Labor Organisation, 2009.

Adding value through acquisitions

Higher growth markets

Since 2005 we have reshaped our business. We have moved into markets with higher growth potential which can sustain higher margins and exited from markets with unattractive growth prospects.

We have achieved growth combined with increased returns by giving high priority to M&A activity. Since 2005 we have bought 18 businesses and sold 12. We acquired businesses in our existing markets or closely allied sectors, with strong, long-term growth prospects. We sold businesses where market growth was uncertain, where competition was increasing and where mature technologies could not sustain high returns. Over the past six years we have grown revenue by 73% and Return on Sales (ROS) has risen; all three sectors now have ROS above 18% and overall ROS is over 20%.



Recent acquisitions have focused on our Health and Analysis sector.

Alicat

We acquired **Alicat Scientific, Inc.** in November 2010. It makes precision instruments which measure and control the flow of gases in analytical and life sciences industries such as pharmaceuticals. Alicat's secondary market is specialised industrial processes. The company shares many customers with our existing Fluid Technology businesses.

Accudynamics

Accudynamics LLC, which we bought in December 2010, makes components used in scientific and medical analysis systems such as in vitro diagnostics. Accudynamics is a good fit with our other Fluid Technology businesses and enables us to offer OEM customers integrated sub-assemblies which incorporate components from different Halma fluidics companies.

Medicel

In March 2011 we bought **Medicel AG**. This extended our interests in the ophthalmic surgical instrument market. Medicel is a leader in very high precision surgical instruments that inject replacement lenses into the eyes of people suffering from cataracts. Cataracts are the leading cause of treatable blindness, with approximately 15 million surgeries performed annually. There is a migration towards the specialist instruments made by Medicel because they allow surgeons to make a smaller incision which leads to improved patient safety and outcomes.

High rate of innovation

Higher technology markets

Why is Halma in the Photonics sector?

To deliver growth with quality returns we are moving into higher technology markets. Photonics technologies are replacing traditional technologies both within our companies and in the global marketplace. Our photonics businesses operate in fast-growing market niches with strong drivers and benefit from the protection of strong barriers to entry.

What is photonics?

Photonics is basically about how we make use of light. It is the science of generating, controlling and detecting light. Light lets us see, but it can also transmit data and control electronic equipment.

While electronic devices communicate via electricity using electrons, photonics devices use photons, the fundamental 'particles' of light.

So many of the products we rely on are made using photonics components and principles. Light bulbs, TVs, digital cameras, cell phones, PDAs, the internet and computers all depend on the science of photonics and components that emit or measure light. Halma businesses match the science of photonics with products that solve customers' problems.

Every aspect of our lives

Photonics products are crucial to many cutting-edge areas of science and technology, often involving lasers, optics, fibre optics and hybrid electro-optical devices. The range of photonics applications is huge. Photonics devices play a major role in scientific research and medicine, and technology used in manufacture, lighting, communications, defence, aerospace, environmental monitoring, security, safety and consumer electronics.

Real or fake?

The ability to measure the quality of light which materials reflect, absorb or transmit, can tell us a lot about the world we live in. In Beijing Antique City, China, nationally renowned antiques appraiser Guan Haisen uses our spectrometers to tell genuine ceramics from fakes.

Which Halma sub-sectors use photonics?

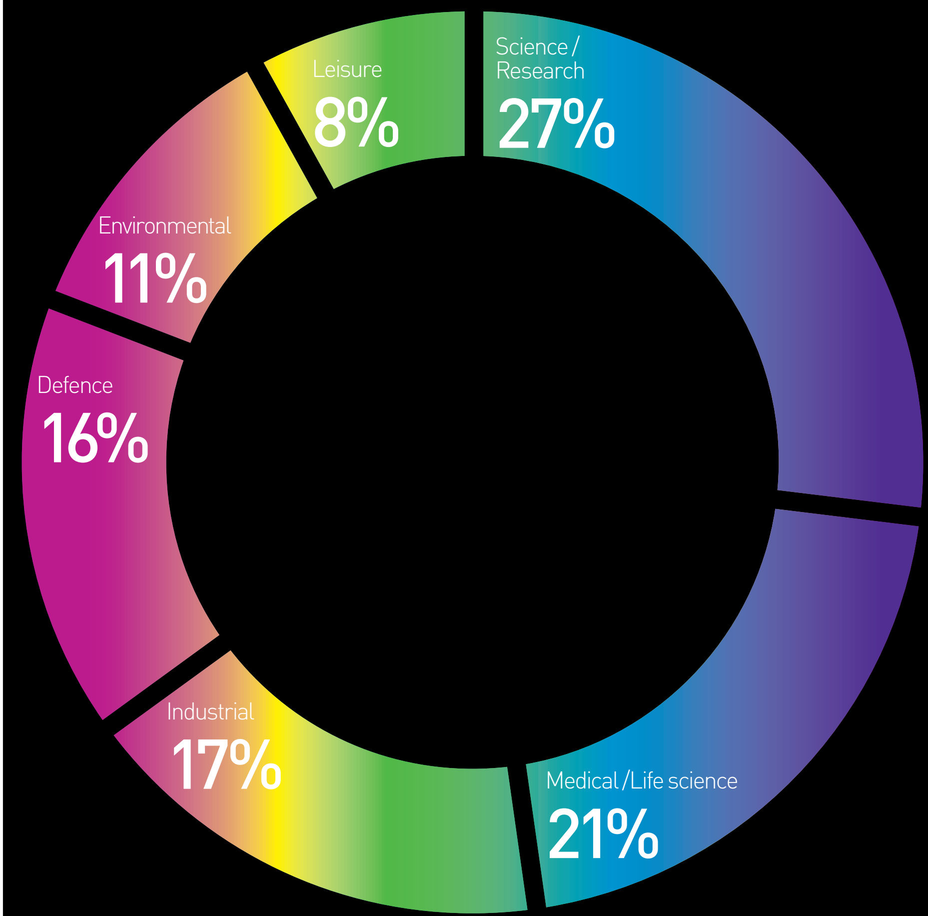
In Infrastructure Sensors, our Fire Detection, Security Sensors, Automatic Door Sensors and Elevator Safety products all use a variety of optical technologies. In Health and Analysis, our Water products, Health Optics products and our Photonics businesses use light and optics within their products. In our Industrial Safety sector our Gas Detection and Asset Monitoring businesses use optics and imaging technologies.

Water on the moon?

Our photonics products helped NASA to discover that there really is water on the moon in the form of ice crystals. NASA deliberately crashed a rocket carrying scientific instruments into the Moon's surface and our spectrometer analysed the light to reveal the presence of water.

High rate of innovation

Our photonics markets and applications



Building our presence in photonics

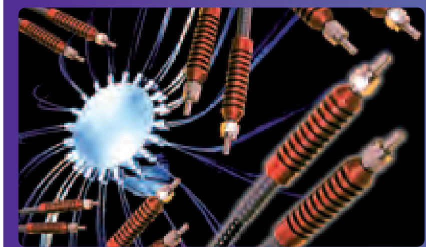
We acquired Ocean Optics, a world-leading photonics business based in Florida, USA, in 2004 for £28m. Since then we have acquired a series of stand-alone and bolt-on photonics businesses and spent another £28m in acquisitions to generate a sub-sector within our Health and Analysis sector which generates around £73m of revenue.

What photonics products do we make?

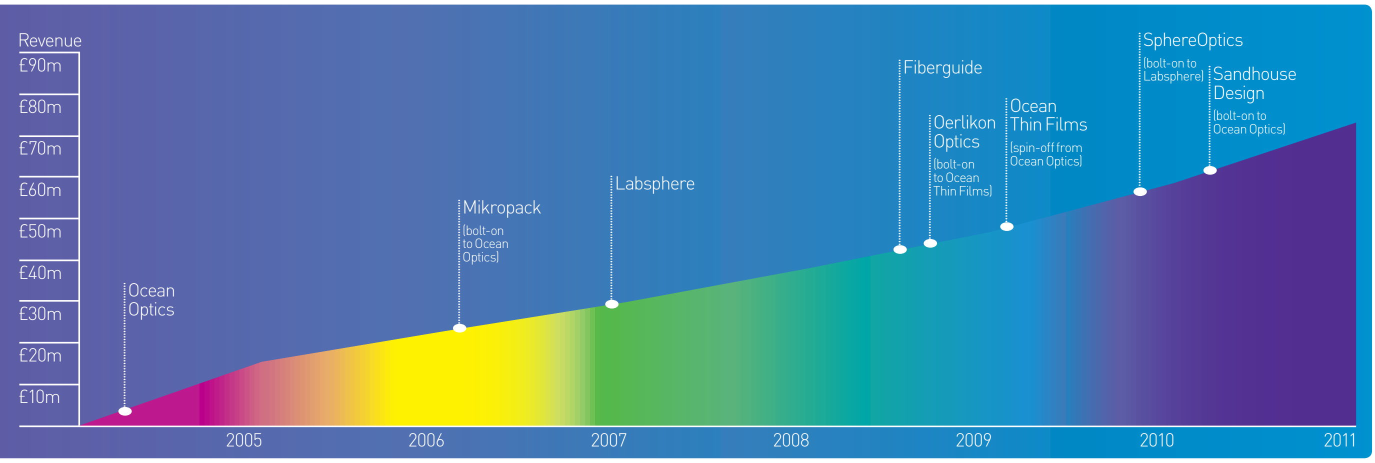
We make products that generate and capture light, transmit light, analyse light and change light to deliver desired optical characteristics.

Ocean Optics makes instruments that analyse light. When something is hit by light it either reflects the light, emits energy, absorbs the light or does all three. Our spectrometer instruments record how light reacts with a sample which reveals what the sample is made of. Applications include scientific analysis, space research, medical diagnostics and environmental monitoring.

Fiberguide makes fibre optic products that transmit light carrying digital data. These are strands of glass thinner than a human hair sometimes coated with aluminium or gold to add strength or temperature resistance.



Fiberguide's multimode fibres deliver high power laser beams in scientific and industrial applications.



Fiberguide manufactures the raw fibre and produces assemblies that carry the energy from a light source to the point of use or transmit information from a test sample to a detector or analyser. Applications include photodynamic therapy, ophthalmology, laser delivery systems, industrial process control, illumination, remote sensing and smoke detection.

Labsphere is a world leader in capturing emitted light for analysis. They make high precision test chambers internally coated with highly reflective material. Customers include some of the world's largest consumer electronics manufacturers and leading research scientists.

Ocean Thin Films specialises in changing light. They deposit coatings on glass or plastic which behave like filters, separating specific wavelengths of light. Applications include colour wheels for projecting light and coatings for surgical lamps.

Ocean Optics' NeoFox is a new type of portable optical sensing system for measuring dissolved and gaseous oxygen.

Positioned to benefit from fast growth in the LEDs market

Our businesses are world leaders in devices that capture light so that it can be measured. Our products enable the energy output and colour spectrum of light sources to be analysed with extraordinary accuracy.

These systems are used to check quality in the manufacture of LED light fixtures and electronic consumer products such as TVs, cameras and mobile phones.

The LED market is moving from niche to high volume. Market forecasts for the high brightness LED market suggest that applications such as backlights for LCD TVs and solid-state lighting will grow faster than 50% per year over the next five years. The global high brightness LED market is projected to grow at almost 30% per year between 2010 and 2014.

Photonics – the new electronics

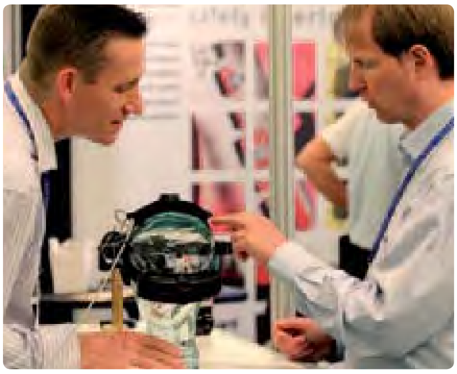
Almost any physical or environmental parameter can be measured using light and the applications for photonics are growing all of the time. The areas where we expect exciting growth are photonics applications in remote sensing, biotechnology, medicine and other life sciences. Many people believe that photonics will be the fundamental transforming technology of the 21st century in the same way that electronics was the key technological development in the last century.

Management development

Changing our culture

Our people play a vital role in delivering quality and growth. We have worked to develop a more collaborative, interactive, knowledge-sharing organisation consisting of many formal and informal cross-subsidiary networks.

In 2005 we initiated the Halma Executive Development Programme (HEDP) and subsequently the Halma Management Development Programme (HMDP) and the Halma Certificate in Applied Technology (HCAT). These programmes bring together senior and middle management and engineers respectively from across subsidiaries and disciplines, develop their talents and encourage future communication and collaboration.



Halma Innovation & Technology Exposition

In 2009 we held our first Halma Innovation & Technology Exposition (HITE) in London in order to improve cross-subsidiary communication, collaboration and innovation. We held a second HITE in Orlando in 2011, providing opportunities to cement relationships developed at the first HITE and during training, in addition to showcasing new products and sharing innovative technologies and best practices.

Networks have developed throughout Halma for many disciplines from Human Resources to Operations. The latter, in particular, has led to manufacturing efficiency savings throughout the Group.

International expansion with a focus on Asia

Global expansion

Investment in international expansion has been a key strategic priority since 2005. A specific aim has been to grow the proportion of sales from emerging markets where we can achieve higher revenue growth rates than in more mature markets. In the past year we grew sales outside of Europe and the USA to 24% of total revenue, taking us towards our target of at least 30% by 2015.

We have focused on Asia and aim that China alone will account for 10% of total revenue within four years. This year, we invested around £1m in three new regional offices with centrally-funded regional sales people. We are investing in expanded R&D and manufacturing so that we can design, make and sell appropriate products for the market. In India 10 of our businesses now have people based in our centrally-funded hub in Mumbai, five more than a year ago. Revenue from India grew by 32% during 2010/11.

Now that many of our companies have thriving operations in China and India, we are turning our attention to South America. Our Health Optics businesses have already set up a shared service centre in São Paulo, Brazil.

China revenue growth

+28%

We grew revenues in China by 28% during 2010/11

Innovation Award in China

Halma won the Innovation Award at the British Business Awards in Shanghai, China, in September 2010. The Award recognised the achievements of Halma's Chinese subsidiaries having introduced over 130 innovative products to the Chinese market since 2006. Over 20 Halma subsidiaries now operate in China selling products for water treatment and testing, industrial safety, photonics, laboratory instrumentation and healthcare.

Pictured:
Martin Zhang (left) Director of Halma China, receives the Innovation Award from Roy Brown, Chairman of GKN Plc.

Sector Reviews
Health and Analysis

What we do

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

Sector growth drivers

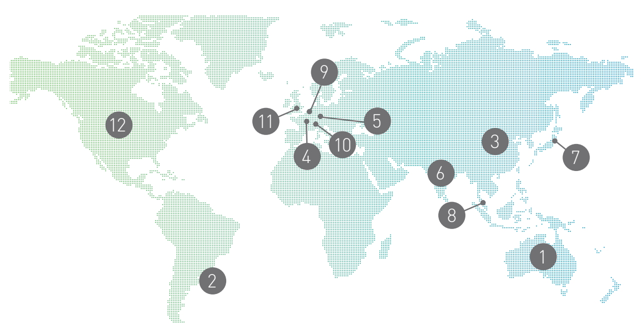
– Increasing demand for healthcare
– Increasing demand for energy and water
– Increasing urbanisation

Sector performance

KPIs	Sector performance	Group target	✓/x
Revenue growth[1]	23%	>5%	✓
Profit growth[1]	33%	>5%	✓
Return on Sales[2]	21.1%	>18%	✓
ROCE[3]	80%	>45%	✓
R&D % of Revenue[4]	5.3%	>4%	✓

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] profit 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 intangibles and acquisition costs.

Where we operate



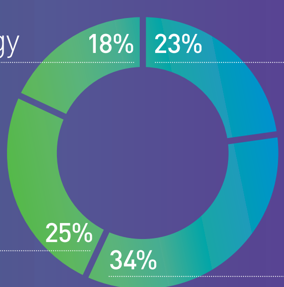
1. Australia
2. Brazil
3. China
4. France
5. Germany
6. India
7. Japan
8. Malaysia
9. The Netherlands
10. Switzerland
11. UK
12. USA

Contribution to Group

	Percent of Group	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Revenue[6]	***42%***	**218**	178	167	137	120
Profit[6]	***42%***	**46**	35	29	28	24

6 Prior years' figures have been restated for the transfer of Radio-Tech Limited between reporting segments.

Sub-sector revenue split



Strategic summary

Achievements
– Organic profit growth 27%
– Organic revenue growth 18%
– 52% revenue growth in China
– Acquisition of Medicel AG
– Acquisition of Wagtech International WTD
– Acquisition of Alicat Scientific
– Acquisition of Accudynamics

Directions
– Sustain high organic growth
– Expansion in Asia and South America
– Collaborative product development
– Acquisitions
– Local manufacture in export territories

Water
World leader in products to detect leaks in water pipes; among the world leaders in UV technology for disinfecting water; and water quality test kits.

Photonics
Market leading opto-electronic technology for scientific, medical, environmental and other applications.

Water

Market trends and growth drivers

A combination of water scarcity and pressure on finite water resources drives demand across our **Water** sub-sector. Capital investment in water infrastructure decreased during the global recession, but a return to pre-crisis growth is expected with global water capital expenditure projected to increase by 6% per year from 2010 to 2016[1]. Spending on non-chemical water disinfection technologies, such as UV, is expected to grow even faster[2].

In the UK a new five-year regulatory cycle of water infrastructure investment began in April 2010. This allowed utilities to increase capital spending and delivered a stimulus that will support sales growth of our network monitoring and control instrumentation[3].

Strategy

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

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

Performance

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

Outlook

We expect continued expansion of the global markets for our water products. Growth is underpinned by increasing regulation to protect water supply security and drinking water quality, plus environmental regulation of wastewater discharge and management[4]. Capital investment by UK utilities will increase for the next two years[3]. **Water** sector sales growth in China is variable but increased regional sales resources and the stimulus of increasing regulation[5,6] will deliver faster growth in the medium term.

Photonics

Market trends and growth drivers

Demand strengthened in several **Photonics** niches during 2010/11. The US spectroscopy market is forecast to continue to grow by 6% per year to at least 2014[7] whilst annual growth of 29.5% is predicted for the LED lighting market[8].

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

Strategy

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

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

Health Optics
Devices used to assess eye health, diagnose disease, assist with eye surgery and for general medical applications.

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

Outlook
We expect further growth from new product launches in 2011 and we should benefit from the high growth forecast for the solid-state low energy lighting (LED) market[8]. Strong Asian sales growth should continue and we expect increasing returns from our Chinese photonics manufacturing investments. In the USA and Europe, governments will cut spending in 2012 and we expect lower sales growth in these regions than seen in 2010/11.

Health Optics

Market trends and growth drivers
New diagnostic and therapeutic technologies, ageing populations and greater access to healthcare in the developing world continued to drive growth in our **Health Optics** markets. In the USA, the largest ophthalmic market, annual growth of 3% to 4% is forecast[9] over the next five years.

We expect strong growth in South East Asia as governments increase healthcare investment. The Chinese market for medical devices was estimated to have grown by over 13% during 2010[10]. Even in developing markets, increasingly stringent, complex and costly medical product certification procedures create strong market entry barriers which favour our market-leading brands.

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

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

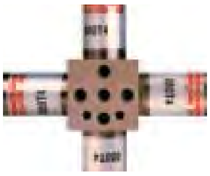
Performance
In **Health Optics** we achieved record sales and profit. Sales growth was particularly strong in South East Asia.

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

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

Market focus

Wireless lighting colour measurement
Our ColorBug product measures colour values and brightness in theatrical, studio and architectural lighting applications. Its software allows technicians to wirelessly share data with their iPhone or iPad, making lighting colour analysis simple and convenient.



Fluid Technology

Critical components such as pumps, probes, valves, connectors and gas conditioning products used by scientific, environmental and medical diagnostic OEMs for demanding applications.

Fluid Technology

Market trends and growth drivers

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

Strategy

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

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

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

Performance

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

Outlook

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

1 *Global Water Market 2011*. Global Water Intelligence, March 2010.
2 *World Water Disinfection Products; Industry Study with Forecasts for 2014 & 2019*. Freedonia Group, February 2011.
3 *Future water and sewerage charges 2010–15: Final determinations*, OFWAT.
4 *The Drinking Water Directive*, EU.
5 *The Ministry of Water Resources, China, 5 Year Plan.*
6 *China Issues New Regulation on Water Management*, WorldWatch Institute.
7 *Spectroscopy market: Outlook positive*. Photonics.com, September 2010.
8 *High-Brightness LED: Market Review and Forecast 2010*. Strategies Unlimited. February 2010.
9 *The Future of Ophthalmic Devices, Market Forecasts and Growth Opportunities to 2016 – The Vision Care Segment Emerges as a Key Revenue Generator*. GBI Research, March 2010.
10 *The Medical Device Market: China*. Epsicom, February 2011.
11 *Visual impairment and blindness, Fact Sheet N°282*. World Health Organisation, April 2011.
12 *2010 Comprehensive Report on the Global Cataract Surgical Equipment Market*. Marketscope LLC, September 2010.
13 *Cataract Surgery – Global Pipeline Analysis, Opportunity Assessment And Market Forecasts To 2016*. GlobalData, November 2010.

Market focus

Cataract operations rise

The acquisition of Medicel AG extends our ophthalmic surgery interests.

Throughout the world cataracts are the primary cause of vision loss among people aged 55 and over. In many developing countries cataracts are the main cause of blindness[11].

Recently acquired Medicel AG is a world leader in specialist cataract surgery instruments. The global market for cataract surgical equipment is forecast to grow by 80% between 2010 and 2015[12] driven by improving surgical techniques, increasing affordability of healthcare and rising demand in emerging economies like India where over five million cataract operations are performed every year.[13]

Sector Reviews
Infrastructure Sensors

What we do

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

Sector growth drivers

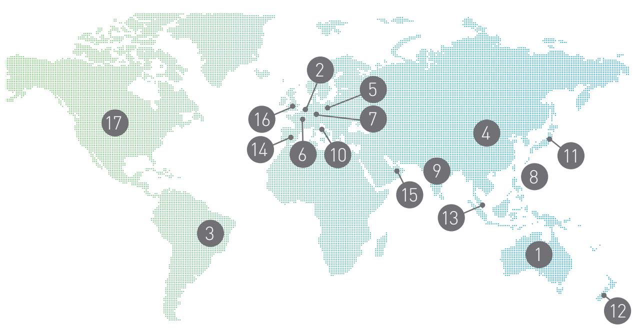
– Increasing urbanisation
– Increasing health and safety regulation

Sector performance

KPIs	Sector performance	Group target	✓/x
Revenue growth[1]	8%	>5%	✓
Profit growth[1]	10%	>5%	✓
Return on Sales[2]	19.8%	>18%	✓
ROCE[3]	80%	>45%	✓
R&D % of Revenue[4]	4.9%	>4%	✓

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] profit 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 intangibles and acquisition costs.

Where we operate

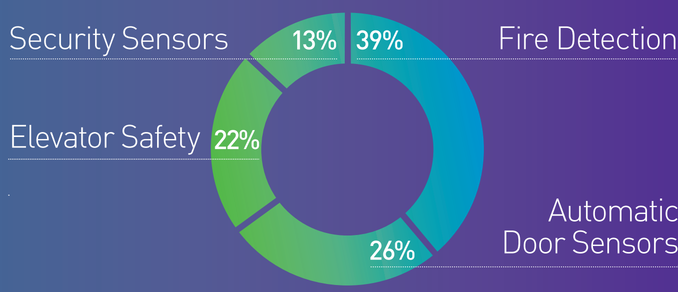


1. Australia
2. Belgium
3. Brazil
4. China
5. Czech Republic
6. France
7. Germany
8. Hong Kong
9. India
10. Italy
11. Japan
12. New Zealand
13. Singapore
14. Spain
15. UAE
16. UK
17. USA

Contribution to Group

	Percent of Group	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Revenue	***38%***	**197**	183	186	167	155
Profit	***36%***	**39**	36	33	29	28

Sub-sector revenue split



Strategic summary

Achievements
– Organic profit growth of 10%
– Organic revenue growth of 8%
– 24% revenue growth in China
– Security Sensor businesses consolidated
– Diversification of Automatic Door Sensors into industrial, security and transport markets

Directions
– Sustain organic growth
– Increase resources and revenue in Asia
– Increase revenue from the USA for Fire and Security
– Continue automatic door safety diversification
– Bolt-on acquisitions

Fire Detection
Fire and smoke detectors and audible/visual warning devices. World's second largest manufacturer of point smoke detectors used in public and commercial property.

Security Sensors
Security sensors and signals used in public and commercial property. Market leaders in the UK.

Fire Detection

Market trends and growth drivers

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

A combination of increasingly strict legislation, new technology and a slight recovery in building construction is expected to stimulate fire industry growth in 2011 after reduced capital investment during the recession[1]. Asia is expected to deliver significant growth; amendments to China's fire laws have stimulated demand with market expansion estimated at 12.9% per year between 2009 and 2014[2].

Strategy

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

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

Performance

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

Outlook

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

Security Sensors

Market trends and growth drivers

After two years of recession, demand for intruder sensors is forecast to return to growth during 2011 with strongest demand in Europe, the Middle East, Africa and Asia[3].

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

Automatic Door Sensors
World leader in sensors used on automatic doors in public and commercial buildings.

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

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

Performance
Our **Security Sensors** business achieved double-digit increases in both revenue and profit. We delivered strong market share growth despite flat or receding markets in many of the countries where we operate. We made progress in reducing dependence on the UK market. During 2010/11, UK sales were less than half of total revenue for the first time.

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

Automatic Door Sensors

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

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

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

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

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

Outlook
Increasing safety regulation will continue to drive door sensor growth.[4] Our strategy of developing innovative new technologies, extending global reach and investing in market diversification has created a strong growth platform.

Market focus

China's stricter fire regulations
At China's 11th National People's Congress the country's leaders announced major changes to national fire laws which came into force in May 2009. The stricter laws, which increase fire safety liabilities for enterprises, are predicted to have a significant impact on attitudes towards fire safety and the way in which fire detection equipment is used in Chinese buildings.

Analysts predict that the Chinese market for fire detection and suppression products will grow at a compound annual growth rate of about 13% from 2009 to 2014.[5]

Elevator Safety

World leader in elevator/lift door safety sensors. We also make emergency communication devices, displays and control panels for elevators.

Elevator Safety

Market trends and growth drivers

Western countries account for the majority of the installed elevator customer base. Here, demand for our safety products depends on building modernisation and elevator upgrades driven by legislation. The Asian elevator market, in contrast, is mainly driven by new elevator installations. China is now the world's largest installer of new elevators and accounts for about 60% of all new elevator projects. Social housing is the largest segment of the Chinese market, forecast to grow significantly in 2011 fuelled by government investment[6].

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

Strategy

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

Performance

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

Outlook

Global demand for **Elevator Safety** products is forecast to rise by over 4% annually at least until 2013. China will account for over half of all new demand, while Western Europe remains the largest market for modernisation[7]. Outside Asia, demand is expected to be flat but we expect to maintain growth momentum from market share gains and new technology.

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

[1] *Global Fire Market Regroups after a Troublesome 2009.* IMS Research, March 2010.
[2] *The Dawn of China's New Fire Industry.* IMS Research, May 2010.
[3] *Intrusion Alarm Market Set to Recover.* IMS Research, May 2010.
[4] *Recovery imminent for global construction markets*, RLB Global Research and Development, January 2011.
[5] *The Dawn of China's New Fire Industry*, IMS Research, May 2010.
[6] *Chinese Elevator Industry*, Credit Suisse, March 2011.
[7] *World Elevators to 2013 – Demand and Sales Forecasts, Market Share, Market Size, Market Leaders*, Freedonia Group, 2009.

Market focus

Intruder alarms go wireless

Wireless intruder alarms use radio waves in place of cables to communicate between the control panel and the security sensors. Wireless security products are more expensive than hard-wired equivalents but, because there are no cabling costs, wireless systems can be less costly overall.

Our new RICOCHET system is based on mesh network technology. This means that intruder sensors can communicate with their control panel by sending signals to any other sensor in the network. If the wireless connection between two devices weakens, the network 'self-heals' and automatically re-routes signals via other devices.

Sector Reviews
Industrial Safety

What we do

We make products which protect assets and people at work.

Sector performance

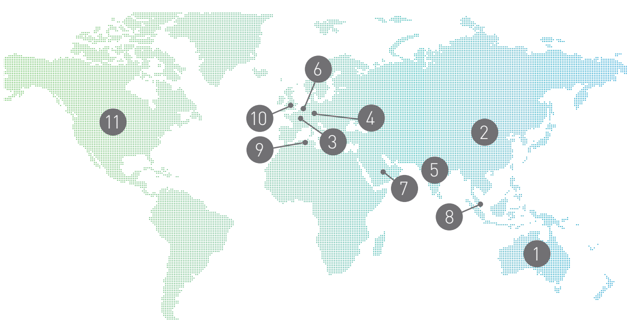
KPIs	Sector performance	Group target	✓/x
Revenue growth[1]	5%	>5%	✓
Profit growth[1]	20%	>5%	✓
Return on Sales[2]	23.7%	>18%	✓
ROCE[3]	88%	>45%	✓
R&D % of Revenue[4]	4.3%	>4%	✓

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] profit 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 intangibles and acquisition costs.

Sector growth drivers

- Increasing health and safety regulation
- Increasing demand for energy and water

Where we operate



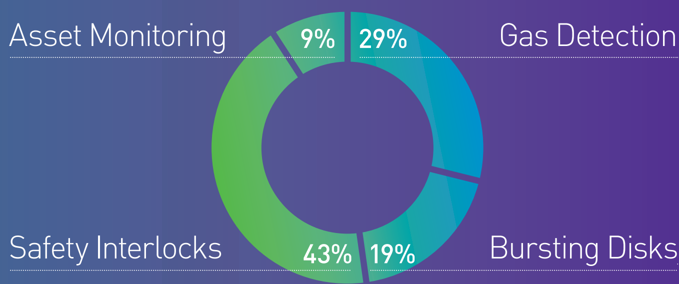
1. Australia
2. China
3. France
4. Germany
5. India
6. The Netherlands
7. Saudi Arabia
8. Singapore
9. Tunisia
10. UK
11. USA

Contribution to Group

	Percent of Group	**2011 £m**	2010 £m	2009 £m	2008 £m	2007 £m
Revenue[6]	***20%***	**103**	98	103	91	77
Profit[6]	***22%***	**25**	20	22	20	16

6 Prior years' figures have been restated for the transfer of Radio-Tech Limited between reporting segments.

Sub-sector revenue split



Strategic summary

Achievements
- Record organic revenue and profit
- Revenue growth in China and Asia Pacific
- R&D expenditure exceeded 4% of revenue with new products launched in all sub-sectors

Directions
- Organic revenue and profit growth
- Continued expansion in China and Asia
- Maintain R&D investment above 4% of revenue and increase rate of new product introductions
- R&D collaboration
- Bolt-on acquisitions

Gas Detection
Portable instruments and fixed systems which detect flammable and hazardous gases.

Bursting Disks
'One time use' pressure relief devices to protect large vessels and pipework in process industries.

Gas Detection

Market trends and growth drivers

Fixed and portable **Gas Detection** equipment is increasingly required in industrial workplaces for compliance with health and safety regulations. In addition to our core oil & gas and chemicals markets, we see expanding sales opportunities in monitoring commercial buildings, confined space working and wastewater treatment[1].

The worldwide market for **Gas Detection** products is expected to grow by 3% to 4% annually at least until 2013[2]. We have seen demand grow strongly in China, India and South America and there are indicators of recovery from the 2009 recession in global markets such as power generation, offshore oil, utilities and chemical processing. We anticipate fastest growth from the Asia Pacific region. Key market drivers in Asia are the increasing pace of industrialisation and adoption of Western safety standards by emerging economies[1].

Strategy

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

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

Performance

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

Outlook

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

Bursting Disks

Market trends and growth drivers

Our **Bursting Disks** are sold into industrial manufacturing and process industry markets where increasing regulation and rising expectations of health and safety drive demand. A rising oil price and greater safety awareness during 2010/11 stimulated increased petrochemical capital spending by government-owned oil companies and created opportunities for sales growth[3].

Strategy

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

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

Safety Interlocks

Specialised mechanical, electrical and electromechanical locks which ensure that critical processes operate safely.

Performance

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

Outlook

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

Safety Interlocks

Market trends and growth drivers

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

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

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

Strategy

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

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

Performance

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

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

Outlook

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

Market focus

State oil companies drive market growth

Market analysts are reporting a rise in the relative importance of state oil companies in comparison to private oil producers. The oil and gas market has seen a marked split in investment behaviour with state-owned oil companies gearing up capital investment but independent oil producers behaving more cautiously.

Recent capital spending by national oil companies has risen steeply, growing by 131% from 2005 to 2009. Over the same period the major international oil companies only increased capital spending by 59%. This capital investment trend appears to be continuing. Capital spending by the major international oil companies was flat for the first 9 months of 2010 while spending by the national oil companies appeared to be increasing.[3]

Asset Monitoring
Products for monitoring physical assets under water using sensors and communications technologies.

Asset Monitoring

Market trends and growth drivers

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

Spending on subsea inspection, repair and maintenance is forecast to rise by 10% per year from 2010 to 2014[4]. A similar growth rate is forecast for underwater remotely operated vehicle (ROV) services[5]. Tougher safety measures proposed for the offshore industry in the wake of the Deepwater Horizon tragedy may increase spending on underwater inspection.[6]

Strategy

Our growth strategy in this sub-sector is to gain market share through market-leading technology, investment in sales channels and diversification into new applications such as offshore renewable energy and subsea mining. We are establishing a sales and technical support office for our sonar products in Brazil, one of the world's fastest growing deepwater oil & gas markets[7].

Performance

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

Outlook

Current market forecasts for the subsea industry are very positive[8], foreseeing growth over the next five years as the economy recovers, energy prices increase, technology improves, delayed projects come back online and investment in deep-water exploration increases. New market opportunities will be exploited in offshore energy generation and fire and rescue services.

1 *Gas Detection Equipment: A Global Strategic Business Report*, Global Industry Analysts, Inc., September 2010.
2 *Toxic and Combustible Gas Detectors Worldwide Outlook*. ARC Advisory Group study, 2009.
3 *NOC's Capital Spending Leaves IOC's Behind*, Evaluate Energy, November 2010.
4 *Offshore Operations & Maintenance Market Report 2010–2014*, Douglas-Westwood, December 2009.
5 *World ROV Market Report 2010-2014*, Douglas-Westwood, 2009.
6 *Deepwater; The Gulf Oil Disaster and the Future of Offshore Drilling*, Oil Spill Commission, January 2011.
7 *The Future of the Offshore Drilling Industry to 2015*, GBI Research, February 2010.
8 *Subsea Market Update Report to 2014*, Infield Energy Analysts, 2010.

Market focus

Deepwater Horizon prompts tougher safety regulations for offshore oil

A US government commission set up to investigate the BP Deepwater Horizon oil rig disaster in the Gulf of Mexico which killed 11 workers and created an environmental catastrophe has revealed systematic failures in risk management and highlighted the need for a dramatic increase in safety and further reforms to the offshore regulatory regime.

The commission's report[6] said that the technology, laws and regulations, and practices for containing and responding to oil spills lag behind the risks associated with deepwater drilling. According to the report, if the industry's safety practice and regulatory oversight do not improve, another disaster is inevitable.

Financial Review

Kevin Thompson
Finance Director

Record results and increased returns maintaining a strong financial position

Another year of good progress

Halma delivered strong growth once again with characteristically high returns. We exceeded all of our financial Key Performance Indicators (KPIs) as shown on pages 8 to 11 and further increased our rate of profitability as well as putting our financial resources to work to acquire high quality businesses that fit our long-term strategy. In a year when market conditions were more stable Halma delivered record results and continued its long history of strong performance.

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

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

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

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

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

Growth in all geographic regions

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

Notes:

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

[2] *See Financial Highlights.*

The USA overtook Mainland Europe once again to be our largest revenue destination. Health and Analysis was a significant contributor to the US growth with the stronger US Dollar also lifting reported revenue when translated to Sterling. The more modest growth in Mainland Europe is dampened by translation of revenue earned in weaker Euros. Over 60% of our revenue in Mainland Europe is in the Northern European countries. Health and Analysis and Infrastructure Sensors grew revenue in Europe. Revenue to the UK held up well with all sectors growing, however, the faster growth in most other territories means that revenue to the UK continues to be a reducing element of the total; now 20% compared with 26% in 2005.

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

Limited currency impacts this year

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

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

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

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

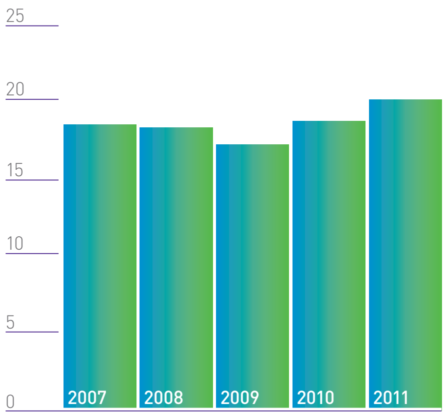
Within the Group there is a good degree of natural hedging (similar amounts of purchase and sale transactions) in US Dollars. We typically buy less products in Euros than we sell and so have a net exposure of approximately Euro 40m in any year. Our transactional hedging strategy, fixing currency rates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

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

Higher returns and strong margins

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

Return on Sales[2] %



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

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

Reduced finance costs

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

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

Lower tax rates

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

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

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

Earnings per share grow and dividend increases

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

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

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

Record returns

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

We operate an 'asset light' model and aim to be efficient in our use of working capital and tangible assets within our businesses. This year our Return on Capital Employed (ROCE), which measures this operating efficiency, was also a record at 71.9%, exceeding the previous record of 61.3% set last year. Both the ROTIC and ROCE figures (see note 3 to the Accounts for detailed calculations) comfortably exceeded our KPI targets.

Another year of good cash generation

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

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

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

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

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

Strong financial position and capital structure

Halma is highly cash generative and has substantial bank facilities. We use these facilities and our retained earnings to sustain and

1 See Financial Highlights.

develop our business. We have access to competitively priced finance at short notice and spread our risks to provide good liquidity for the Group. Group treasury policy is conservative and no speculative transactions are allowed.

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

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

Value adding acquisitions

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

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

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

In December 2010 the Group made an investment of Euro 2m in Optomed Oy, a Finnish manufacturer of ophthalmic equipment whose products offer us good commercial opportunities. Our share of the results of Optomed are shown as an Associate. See note 14 to the Accounts for more information.

The integration of all acquisitions is progressing well.

Continuing to meet our pension obligations

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

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

Investing in R&D

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

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

Managing risks and going concern considerations

The main risks facing the Group and how we address them are reviewed on pages 42 and 43. The key operating risks are covered in the Chief Executive's Strategic Review and Sector reviews.

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

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

The Board considers all of the above factors in its review of Going Concern as described on page 54 and has been able to conclude its review satisfactorily. Sound management of risks and high performance across the Group should enable Halma to continue its tremendous long-term record of creating value for its shareholders.

Kevin Thompson
Finance Director

Our Risk Factors

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

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

Description	Mitigation
Acquisitions The identification and purchase of businesses which meet our demanding financial and growth criteria is an important part of our strategy for developing the Group, as is ensuring the new businesses are rapidly integrated into the Group.	We pay sensible multiples for businesses whose technology and markets we know well. Divisional Chief Executives are responsible for finding and completing acquisitions in their business sectors subject to Board approval. We support them with central resources to search for opportunities and assist with implementation of a post-acquisition plan. Incentives are aligned to encourage acquisitions which are value-enhancing from day one.
Information Technology/Business Interruption Group and operational management depend on timely and reliable information from our software systems. We seek to ensure continuous availability and operation of those systems as disruption could delay or impact on decision making and service to our customers.	There is substantial redundancy and back up built into any Group-wide systems. The spread of business offers good protection from individual events and disaster recovery plans are widespread. We have a small central resource available, Halma IT Services, to assist Group companies with any major IT needs and to ensure adequate IT security policies are set across the Group. We carry out regular IT audits across the Group. This year we have increased external penetration testing and are rolling out a centralised IT disaster recovery solution to supplement local processes.
Financial Irregularities and International Expansion Our objective is to grow our business across the world and to export outside of developed markets and particularly in Asia. This presents both operating and cultural risks. We recognise that the size and remoteness of some operations may not permit full segregation of duties and that Internal and External Audit procedures may not always identify a financial irregularity.	The Group ensures that there is adequate local management and financial resource in each operational location ensuring they are adequately trained in financial matters whilst maintaining a culture of openness to promote disclosure. Responsibility for remote operations rests with operational management in the sponsoring company who supervise closely and visit frequently. Group companies operate a common set of reporting procedures and accounting policies, disseminated via the Group intranet. Internal Audit regularly reviews operations and we appointed a new Internal Auditor in China this year.
Cash For any business a key risk is that it will run out of cash or have inadequate access to cash. In addition, cash deposits need to be held in a secure form or location.	The strong cash flow generated by the Group provides financial flexibility. Cash needs are monitored regularly. In addition to short-term overdraft facilities the Group holds a five-year revolving credit facility, renewable in February 2013, which provides sufficient headroom for its needs. Cash deposits are monitored centrally and spread amongst a number of highly rated banks.
Treasury Risks Foreign currency risk is the most significant treasury related risk for the Group. In times of increased volatility this can have a significant impact on performance. The Sterling value of overseas profit earned during the year is sensitive to the strength of Sterling, particularly against the US Dollar and the Euro. The Group is exposed to a lesser extent to other treasury risks such as interest rate risk and liquidity risk.	The Group does not use complex derivative financial instruments and no speculative treasury transactions are undertaken. Currency profits are not hedged. Currency hedging must fit with the commercial needs of the business and we have in place a hedging strategy to manage Group exposures. This requires the hedging of a substantial proportion of expected future transactions up to 12 months ahead. Longer term currency trends can only be covered through a wide geographic spread of operations. We closely monitor performance against the financial covenants on our revolving credit facility and are operating well within these covenants.
Economic Conditions In times of uncertain economic conditions businesses face additional or elevated levels of risk. These include market and customer risk, customer default, fraud, supply chain risk and liquidity risk.	We manage such risks primarily at local company level where they are best understood and where we are closest to the markets and our customers. The financial strength, availability of finance and diversity of the Group provides mitigation to much of this risk. We operate robust credit management at each operating company. Each business regularly undertakes a close examination of its cost structure to determine that it is appropriate to the economic circumstances it faces. High quality subsidiary boards provide close monitoring of operations whilst the Halma Executive Board identifies any wider trends which require action.
Pension Deficit Monitoring the funding needs of the Group's pension plans is essential to funding our pension obligations effectively. Our UK defined benefit pension plans are closed to new members.	There is regular dialogue with pension fund trustees and pension strategy is a regular Halma Board agenda item. The Group's strong cash flows and access to adequate borrowing facilities mean that the pensions risk can be adequately managed. The Group has increased pension contributions with the overall objective of paying off the deficit in line with the Actuary's recommendations. We monitor and consider alternative means of reducing our pension risk in light of the best long-term interest for shareholders.

Corporate Responsibility

Achievements	KPIs
We deliver sustainable value to our customers and shareholders.	Non-financial Key Performance Indicators (KPIs) are used by the Board to monitor progress on Group initiatives; financial KPIs are considered on pages 8 to 11.
1. Halma's carbon policy was first approved by the Board in 2007. In 2010 the policy target was reviewed and continues to call for a 10% reduction in the carbon footprint every three years.	**CO_2 emissions: tonnes/£m of revenue*** **46** (**2011**) · 47 (2010) · 44 (2009) · 44 (2008) · 46 (2007) · **10% reduction** (**Group target**) Good progress with new initiatives now launched particularly in the UK. *Prior year figures restated to reflect current carbon conversion rates.
2. Halma conducts an annual survey of its employees to assess how well the Group's values are aligned with its employees and how well the Group communicates its values to employees.	**Values alignment** **5** (**2011**) · 5 (2010) · **5** (**Group target**) Survey of senior managers matched the target of five of their desired values being present in our business culture.
3. The Halma Executive Development Programme (HEDP) and the Halma Management Development Programme (HMDP) provide executives and middle managers with the necessary skills they need in their current and future roles.	**Subsidiary directors/managers who had completed** HEDP/HMDP by March 2011 **71%** (**2011**) · 67% (2010) · **>50%** (**Group target**) Continued commitment to training our people.

Governance and commitment to Corporate Responsibility

As Halma companies are involved in the manufacture of a wide range of products for the protection and improvement to quality of life for people worldwide, safety is critical to the Group and is a major priority for management. Likewise, the reduction of the Group's carbon footprint has received elevated attention since 2007 with the initial objective of a 10% reduction in relative carbon usage in the three years to March 2010 and over the subsequent three years to March 2013.

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 have invested in and encouraged their development more this year than ever before, not only with our intranet training facilities and 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 recognise the necessity of safeguarding the health and safety of our own employees whilst 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. We have an excellent long-term record 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.

Many of our innovative products play a very positive role in monitoring and improving the environment. Our brands lead the world in a number of technologies which help to minimise environmental damage.

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, 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.

A summary of our progress and performance for all areas of corporate responsibility follows. 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.

Halma has an excellent health and safety record and a culture of safety is deeply embedded within the Group. We will continue to actively promote our safety culture over the coming year following a major update and relaunch of our internal Health and Safety policy and guidance.

Halma and 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, gas emissions monitoring, water and effluent analysis, UV water treatment and optical sensing. We tirelessly promote the use of UV water sterilisation which eliminates the need to use dangerous chemicals, as well as products that minimise the waste of clean water.

Our commitment to the development of equipment for measuring environmental changes and controlling the damaging impact of industrial activities is long term.

We make safety equipment for use at work, in public places and in transportation systems that contribute to increased personal safety by ensuring safe practice at work, protecting people from fire and making elevators and automatic doors safe and effective. We are the major world supplier in several of these areas.

Carbon policy

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.

Environmental management system

We are committed to developing and implementing an environmental management system (EMS) throughout the Group to measure, control and, where practical, 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 43% 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 19% of the Group has ISO 14001 approval.

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 whilst meeting the Group's ethical standards.

FTSE4Good has assessed Halma as having a low impact on the environment. Nevertheless, Group companies are encouraged to improve energy efficiency, reduce waste and emissions and reduce the use of materials in order to minimise their environmental impact. 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 five 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. 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 will extend this requirement to the rest of the world in due course. This limit is reduced each year so as to consistently reduce our vehicles' environmental impact. We have also set a fuel consumption standard for company vehicles in the USA which is reviewed annually.

Due to revisions to best practice in conversion of energy usage into carbon tonnes we have restated prior year carbon figures to enable comparability.

We are committed to reducing our carbon footprint. We set a target in 2007 to reduce the Group's total carbon emissions relative to revenues by 10% over three years. Following a total reduction of 7% in the first two years, 2009/10 showed an increase following the acquisition of a high energy usage facility in the USA. We are working hard to reduce the energy impact of that facility and excluding that operation we would have achieved our target reduction.

We renewed our target in 2010 and in the first year achieved a useful reduction. We have initiated a number of carbon reduction actions, particularly in the UK, which are designed to help us meet our targets.

From April 2010, we have worked with a provider 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 climate change and energy saving scheme, and administered by the Environment Agency. We are well on track to be in full compliance with the CRC requirements. Already we have rolled out Automatic Meter Reading (AMR) technology to the majority of UK sites. In 2010/11 all major UK sites received an energy survey and set an action plan for improved energy usage. This initiative is backed up by specialist carbon management software and comprehensive training on its use.

Our carbon policy can be found on the Halma website. The Group's environmental performance will continue to be reported both in the Annual report and on our website.

The Group is committed to examining the establishment of 'green' procurement policies and increasing our use of recycled materials.

Halma and its people

The Group has a policy of equal opportunities and preventing harassment, which applies in relation to recruitment of all new employees and to the management of existing personnel. This gives us access to the widest labour market and enables us to secure the best employees for our needs. We offer all of our staff training relevant to their roles and we believe that this contributes to an increase in employee motivation and job satisfaction. The culture alignment survey results mentioned below support this trend.

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 of the values they wanted to see in our business were actually present. Again in 2011, our survey of senior managers showed that five desired values were still present in our business. This indicates that there is a healthy level of alignment between the culture we aspire to have and the culture we have today.

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 bringing these values and strengths to work so that they and we may derive further benefit from them.

Disabled employees

Applications for employment by disabled persons 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 persons 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 intranet and the annual financial statements. Employee representatives are consulted routinely on a wide range of matters affecting their current and future interests. An employee share plan has been running successfully since 1980. It is open to all UK employees and aligns the interests of all UK employees to those of shareholders.

Health and safety

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 during the year through improved guidance and reporting following a comprehensive review led by an external expert. The reporting of Health and Safety incidents and corrective action where needed has been give an even higher profile. Given the autonomous structure of the Group, operational responsibility for compliance with relevant local health and safety regulations is delegated to the board of directors of each Group company. We believe health and safety training is important and it is carried out within companies as appropriate. Adequate internal reporting exists in order that the Group's Finance Director may monitor each company's compliance with this policy.

Major injuries recorded	2011	2010	2009
Days lost due to work-related injuries	**455**	133	706
Total recorded injuries to all employees	**505**	233	496

The Group has collected details of its worldwide reported health and safety incidents which are available on our website at www.halma.com. We are pleased to report that there were no fatalities during 2010/11, 2009/10 or 2008/09.

People development

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 2010/11. HEDP is an integrated development plan for our senior people – including the next generation of Managing Directors and Divisional Chief Executives. Our objective is to provide these individuals with the tools and training to achieve more in their existing role and potentially to advance through the organisation if their achievements merit it.

Training	2011	2010	2009
Cumulative number of candidates that have completed HEDP	**166**	152	113
Cumulative number of candidates that have completed HMDP	**319**	277	206

HEDP is aimed squarely 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 200 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.

12 programmes have now been completed and the success of the programme can be measured by the enthusiasm of the participants upon their return to their businesses, the achievements of a number of participants and their eagerness to coordinate further sessions to explore topics of particular interest to their programme Group.

Now that a significant proportion of executives have completed HEDP, a follow up programme, HEDP+, has been developed to provide updated training and to reinforce the original course contents.

Complementing the HEDP is a programme for subsidiary managers and supervisors – the Halma Management Development Programme (HMDP). During the year, three programmes were completed giving a cumulative total of 319 employees who have completed HMDP. Programmes were held in the USA, Europe and Asia.

In 2011, we introduced a new programme 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. One such programme with 20 participants has been completed with great success.

Community

In line with our decentralised structure, social and community activities are sponsored and undertaken at the direction of subsidiary management. Each subsidiary has the freedom to implement its own initiatives. This approach recognises that priorities will vary from business to business.

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.

Halma's policies reflect the core requirements of the Universal Declaration of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work. 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 the solutions to their particular needs.

Ethics

The Group culture is one of openness, integrity and accountability. Halma encourages its employees to act fairly in their dealings with fellow employees, customers, suppliers and business partners. We aim to have suppliers of high quality and operate to accepted international standards. Halma operates a confidential whistleblowing policy, 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. Policy and guidance in this area continues to be updated in line with best practice.

Board of Directors and Executives

Name: Geoff Unwin

Title: Chairman

Appointment: July 2003 Chairman
September 2002 Deputy Chairman

Age: 68

Committees/Sub-sectors:
Nomination (Chairman) and Remuneration

Skills and experience: Geoff is Chairman of Taptu Limited, a Non-voting Board Director of Capgemini Group, a member of the Advisory Board of Palamon Capital Partners and also chairs one of their investments, Retail Decisions Limited. Previously he was Chief Executive of Cap Gemini Ernst & Young until 2002, Chairman of United Business Media plc from 2002 to 2007, Alliance Medical Group until December 2010 and Liberata plc from 2003 to 2011.

Name: Andrew Williams

Title: Chief Executive

Appointment: July 2004 (Board)
April 2002 (Executive Board)

Age: 44

Committees/Sub-sectors:
Nomination

Skills and experience: Andrew was appointed Chief Executive of Halma p.l.c. in February 2005. He became a member of the Halma Executive Board in 2002 as Divisional Chief Executive of the Optics and Water Instrumentation Division and was promoted to a Director of the Halma p.l.c. Board in 2004. He joined Halma in 1994 as Manufacturing Director of Reten Acoustics (now HWM-Water) and became Managing Director of that company in 1997. Andrew is a Chartered Engineer and a production engineering graduate of Birmingham University.

Name: Kevin Thompson

Title: Finance Director

Appointment: April 1998 (Board)
January 1995 (Executive Board)

Age: 51

Skills and experience: Kevin is Finance Director of Halma. In 1995 he joined the Halma Executive Board as Finance Director, in 1997 became Group Finance Director and in 1998 was appointed to the Halma p.l.c. Board. He joined Halma in 1987 as Group Financial Controller and qualified as a Chartered Accountant with Price Waterhouse. Kevin is an economics and accounting graduate of Bristol University.

Name: Jane Aikman

Title: Non-executive Director

Appointment: August 2007

Age: 45

Committees/Sub-sectors:
Audit (Chairman)

Skills and experience: Jane was appointed a non executive Director of Halma in August 2007. She is Finance Director of Infinis Limited. Jane qualified as a Chartered Accountant with Ernst & Young and has a degree in civil engineering from Birmingham University. Previously Jane was finance director of both 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.

Name: Norman Blackwell

Title: Non-executive Director

Appointment: July 2010

Age: 58

Committees/Sub-sectors:
Remuneration and Audit

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

Name: Steve Marshall

Title: Non-executive Director

Appointment: July 2010

Age: 53

Committees/Sub-sectors:
Nomination, Remuneration and Audit

Skills and experience: Steve was appointed a non-executive Director of Halma in July 2010. He is non-executive Chairman of Balfour Beatty plc. 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.

Name: Neil Quinn

Title: Chief Executive, Safety Sensors Division

Appointment: April 1998 (Board) April 1995 (Executive Board)

Age: 61

Committees/Sub-sectors: Bursting Disks, Gas Detection and Automatic Door Sensors

Skills and experience: Neil is Chief Executive of the Safety Sensors Division. He was appointed to the Halma Executive Board in 1995 and to the Halma p.l.c. Board in 1998. He joined Halma as Sales Director of Apollo Fire Detectors in 1987, becoming Managing Director in 1992. Neil has a material sciences degree from Sheffield University.

Name: Adam Meyers

Title: Chief Executive, Health Optics Division

Appointment: April 2008 (Board) April 2003 (Executive Board)

Age: 49

Committees/Sub-sectors: Health Optics

Skills and experience: Adam is Chief Executive of the Health Optics Division. He was promoted to a Director of Halma's p.l.c. Board in April 2008. He became a member of the Halma Executive Board in 2003 as Divisional Chief Executive. He joined Halma in 1996 as President of Bio-Chem Valve. Adam is a systems engineering graduate of the University of Pennsylvania and gained his MBA from Harvard Business School.

Name: Stephen Pettit

Title: Non-executive Director

Appointment: September 2003

Age: 60

Committees/Sub-sectors: Nomination, Remuneration and Audit

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

Name: Richard Stone

Title: Non-executive Director

Appointment: January 2001

Age: 68

Committees/Sub-sectors: Nomination, Remuneration (Chairman) and Audit

Skills and experience: Richard is the Senior Independent Director. He is Chairman of Candover Investments plc, a non-executive director of Gartmore Global Trust p.l.c., Trust Union Finance (1991) plc, Engandscot Limited and TR Property Investment Trust plc. Previously Richard was Chairman of Drambuie Limited, a member of the Global Board of PricewaterhouseCoopers and Chairman of Coopers & Lybrand.

Name: Carol Chesney

Title: Company Secretary

Appointment: April 1998

Age: 48

Skills and experience: Carol was appointed Company Secretary of Halma p.l.c. in 1998. She spent three years with English China Clays p.l.c. before joining Halma in 1995 as Group Finance Manager. She is a maths graduate of Randolph-Macon Woman's College, Virginia and qualified as a Chartered Accountant with Arthur Andersen.

Name: John Campbell

Title: Chief Executive, Elevator Safety Division

Appointment: April 1998 (Executive Board)

Age: 52

Committees/Sub-sectors: Elevator Safety

Skills and experience: John is Chief Executive of the Elevator Safety Division. He previously led the successful disposal of the Group's resistor businesses. He joined the Halma Executive Board in 1998 and has also operated Halma businesses in the Safety Interlock, Bursting Disk and Automatic Door Sensor areas. He joined Halma in 1995 as President of IPC Resistors and is an electrical engineering graduate of the University of Toronto.

Name: Charles Dubois

Title: Chief Executive, Fluid Technology Division

Appointment: April 2008 (Executive Board)

Age: 45

Committees/Sub-sectors: Fluid Technology

Skills and experience: Charles is Chief Executive of the Fluid Technology Division. He was appointed to the Executive Board in April 2008. He was previously President of Diba Industries having joined the Group in 1999 as Vice President of Perma Pure LLC. He holds a Bachelor's degree in physics from the College of the Holy Cross and earned his MBA from the F.W. Olin School of Business at Babson College.

Name: Mark Lavelle

Title: Chief Executive, Process Safety and Asset Monitoring Division

Appointment: April 2007 (Executive Board)

Age: 52

Committees/Sub-sectors: Safety Interlocks and Asset Monitoring

Skills and experience: Mark is Chief Executive of the Process Safety and Asset Monitoring Division. He joined Keeler in November 2001 as Managing Director and was promoted to Divisional Chief Executive and the Executive Board in 2007. Mark has a chemistry degree from Cambridge University and an MBA from INSEAD.

Name: Rob Randelman

Title: Chief Executive, Photonics Division

Appointment: April 2011 (Executive Board)

Age: 51

Committees/Sub-sectors: Photonics

Skills and experience: Rob is Chief Executive of the Photonics Division. He became a member of the Halma Executive Board in 2011 as Divisional Chief Executive. He was previously President of Ocean Optics having joined the group in 2006 as Vice President of Sales at Ocean Optics. Rob is a Chemistry and Physics graduate of Ursinus College, and gained his MSE and PhD in Chemical Engineering from Lehigh University.

Name: Allan Stamper

Title: Chief Executive, Water Division

Appointment: October 2007 (Executive Board)

Age: 56

Committees/Sub-sectors: Water Management and Water – UV

Skills and experience: Allan is Divisional Chief Executive of the Water Division. He was appointed to the Executive Board in October 2007. He joined Halma in 2002 as Managing Director of Crowcon Detection Instruments. Allan is an engineering graduate of both Loughborough University (BSc) and Imperial College (MSc) and has an MBA from Cranfield.

Name: Nigel Trodd

Title: Chief Executive, Fire and Security Division

Appointment: July 2003 (Executive Board)

Age: 53

Committees/Sub-sectors: Fire Detection and Security Sensors

Skills and experience: Nigel is Chief Executive of the Fire and Security Division. He joined Halma in July 2003 as Chief Executive of Process Safety Division and a member of the Executive Board. Nigel is a business studies graduate of Thames Valley University and is a member of the Chartered Institute of Marketing.

Name: Martin Zhang

Title: Director – Halma China

Appointment: February 2008 (Executive Board)

Age: 44

Committees/Sub-sectors: Halma China

Skills and experience: Martin was appointed as Adviser to the Halma Executive Board in February 2008. Martin joined the Group in June 2006 as Director of Halma China and successfully established Halma China offices in Beijing and Shanghai. Martin holds a Bachelor's degree in Chemical Engineering from Chengdu University of Science and Technology and he also studied for his Executive MBA at University of Texas at Arlington (Tongji University Shanghai).

Corporate Governance

Geoff Unwin
Chairman

Corporate governance is about behaviour and this section of the report deals with how the Board and its committees discharge their duties and how we apply the principles of good governance in the Combined Code on Corporate Governance which is appended to the Listing Rules of the Financial Services Authority and for which the Board is accountable to shareholders. Governance is complex, so the Board is committed to the shared endeavour of maintaining high standards of corporate governance to ensure the Board sends consistent messages on values and behaviours. The policy of the Board is to manage the affairs of the Company in accordance with the principles of corporate governance contained in the Combined Code not by merely following regimented rules, but by the promotion of wide discussion on topics to which Board members properly contribute, demonstrating mutual engagement amongst the participants.

I continue to be pleased with the progress Halma has made to ensure best practice is maintained and we continually seek to improve our practices for the benefit of our shareholders.

Succession planning

I have always maintained that a key part of my role involves ensuring that the right people are doing the right jobs within the Group and that there is a sufficient cadre of individuals being nurtured throughout the Group to enable effective succession planning. The additional emphasis placed on our succession planning practices over the past year has demonstrated the importance we place on developing talent in house, for example, Rob Randelman's promotion to the Executive Board in April 2011. Reviews of management capabilities and potential are performed on a routine basis and I am satisfied that sufficient resource within the Group exists and continues to be developed through programmes such as the Halma Executive Development Programme which itself evolves to meet the changing needs of the Group. Where a need for improvement to management resources is identified, the necessary attention is provided to ensure full strength is attained as soon as practicable.

Board appointments

The Board has been strengthened during the year by the appointment of both Lord Blackwell and Steven Marshall. These appointments have resulted in the Company's full compliance with the principles of the Combined Code; a position which we plan to continue aided by the recruitment of an additional non-executive Director due to Richard Stone's upcoming retirement.

Board committees

Our committees are a valuable part of the Company's corporate governance structure. The workload of the committees is far more than the table of scheduled meetings would indicate as ad hoc meetings and communications between meetings frequently require considerable amounts of time. Our appointment of two non-executive Directors mid-year enabled us to review the committee allocations during the year to ensure their composition matched the resources available.

Board performance

The Board evaluates its performance and that of the Remuneration, Audit and Nomination Committees at least annually with each Committee also evaluating its own performance. Each year, we consult the Board to determine whether an external facilitator would enhance our process. To date, we have concluded that the current, open climate that the Board enjoys ensures a full and frank discussion of all matters, so an external facilitator is not necessary. However the Board feels that it would be worthwhile to engage an external facilitator periodically and plans to do so during 2011/12. For 2010/11 the evaluation commenced with an updated self-assessment questionnaire, the results of which were compiled by the Company Secretary and discussed by the Board at the February 2011 Board and Committee meetings. The Board also met in February 2011, separate from any scheduled meeting, for a general discussion on Board effectiveness followed by a meeting of the executive Directors with the Chairman, the executive Directors with the Senior Independent Director, a meeting of the Chairman and non-executive Directors, and then a meeting of the non-executive Directors without the Chairman present. The outcomes of these meetings were then fed back to individuals by the Chairman, Senior Independent Director or Chief Executive, as appropriate. Overall, our process confirms that the blend of behaviours and skills around the Halma Board table are well suited to the task and consistent with Group values. With a Board that is free to openly express concerns comes more considered outcomes emphasising collective responsibility, transparency, clarity and sustainable conduct.

Shareholder communication

I would like to encourage all shareholders to find the time to attend our AGM on 28 July 2011. It is an excellent opportunity to meet the Board, the Executive Board and a selection of the CEOs from our operating companies.

Geoff Unwin
Chairman

21 June 2011

Compliance with the Code of best practice

Since 29 July 2010 when Lord Blackwell and Steven Marshall were appointed, the Company complied with the Code provisions set out in Section 1 of the 2008 FRC Combined Code. Prior to that date the Company did not comply with provision A.3.2 which involves the composition of the Board and the number of members who are independent non-executive Directors.

The Board recently 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. With Richard Stone's upcoming retirement, the Board will appoint a further non-executive Director, placing an emphasis on improving its diversity.

Application of the principles of good governance

The Company has applied the principles set out in section 1 of the Code, including both the Main Principles and supporting principles, by complying with the Code as reported above.

The Group is controlled and directed by a Board consisting of a Chairman, four executive Directors and five other non-executive Directors. Their biographies appear on page 48. The Board considers the Chairman and each of the non-executive Directors to be independent. In assessing independence, the Board considers that the Chairman and non-executive Directors are 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 all shareholders. Richard Stone is acknowledged as the Senior Independent Director and, upon his retirement after the AGM, will be succeeded in this role by Stephen Pettit. Upon appointment and at regular intervals, all Directors are offered appropriate training. Under the Company's Article's, each Director is subject to re-election at least every three years however, commencing this year, the Board is adopting annual re-election of Directors. The Board confirms that each Director standing for re-election continues to be effective and demonstrates commitment to their roles. Richard Stone is not standing for re-election as he is retiring after the Annual General 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.

Engagement with management

The Directors have a programmed schedule of meetings and visits with the Executive Board, Group companies and Development Programmes to ensure that they are able to engage with management and employees at all levels. Such contact, especially between the non-executive Directors and Group employees, is where much value is added and supports the messages from the Executive team.

Committees of the Board

Halma has six committees of the Board: the Remuneration Committee, the Audit Committee, the Nomination 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 approved by the Board, copies of which are available on the website or on request from the Company Secretary.

Board meeting attendance

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

Geoff Unwin	6 of 6
Andrew Williams	6 of 6
Kevin Thompson	6 of 6
Neil Quinn	6 of 6
Richard Stone	6 of 6
Stephen Pettit	6 of 6
Jane Aikman	5 of 6
Adam Meyers	6 of 6
Norman Blackwell	3 of 3
Steve Marshall	3 of 3

Training

During the year the Board received training and briefing updates on changes in corporate governance, bribery and corruption legislation, health and safety matters and other relevant legislative changes. Newly appointed non-executive Directors followed an induction programme which included scheduled trips to companies in each of the 12 sub-sectors to be achieved over a 3-year period.

Internal control

The Board has overall responsibility to the shareholders for the Group's system of internal control, and responsibility for reviewing its 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 principal risks are detailed on pages 42 and 43.

Following publication by the Turnbull Committee of the guidance for directors on internal control ('Internal Control: Guidance for Directors on the Combined Code'), the Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group, that this 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 Group accords with the Turnbull guidance.

The Group's external auditors, Deloitte LLP, have audited the financial statements and have reviewed the internal financial control systems to the extent they consider necessary to support their audit report.

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.

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 operates with 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;
- 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, further enhanced during the last financial year, within which actual and forecast results are compared with approved budgets and the previous year's figures on a monthly basis and 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; and
- a prescribed robust structure under which it is appropriate to adopt means of electronic communication and to conduct e-commerce.

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, relevant risk assessment each year and identify mitigating actions in place or proposed for each significant risk. This risk assessment process was renewed and enhanced in line with best practice in 2010/11. A risk register is compiled from this information, against which action is monitored through to resolution. Group management also compile a summary of significant Group risks, documenting existing or planned actions to mitigate, manage or avoid the risk.
- Each month the board of each 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 chairs this meeting. Divisional Chief Executives meet regularly with the Chief Executive and Finance Director and report progress to the Executive Board.
- 'Warning signs' are reported to Group and divisional management. These are 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 p.l.c. Board meeting which includes financial information, the main features of Group operations and an analysis of the significant risks facing the Group at that time.
- Cyclical and risk-based internal control visits are carried out by internal audit personnel or senior finance staff resulting in actions fed back to each company and followed up by Divisional Finance Directors and Divisional Chief Executives. Visit reports are coded in terms of risk and a summary of all such visits reported to the Audit Committee regularly with any significant control failings being reported directly to the Audit Committee; senior finance staff also conduct financial reviews at each operating company prior to publication of half-year and year-end figures. A programme of IT audits is also carried out and reported on.
- The Chief Executive and Finance Director report to the Audit Committee on all aspects of internal control for its review. The Board receives the papers and minutes of the Audit Committee meetings and uses these as a basis for its annual review of internal control.

During the year, actions to strengthen the control environment continue to be taken centrally by Group management, principally in the area of health and safety and bribery and corruption. The duties and responsibilities of subsidiary management are continually refreshed as well as documented in a manual circulated to all subsidiary managing directors. The dedicated resources established to identify and investigate potential acquisitions and to ensure a rapid and successful integration following acquisition remain in place, and the scope of the Group's IT policies and the programme of compliance audits are regularly reviewed to ensure they are sufficient to address current risks. During the year we refreshed our processes to ensure that appropriate tax accounting arrangements are maintained in particular to enable continued compliance with local tax requirements.

As noted above, a programme of internal control visits is conducted. The internal audit function has independently operated since 2004, reporting on the outcome of these visits 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 to the function. Each year we implement further improvements to our Internal Audit activities as the result of benchmarking activities and continue to target further revisions for the coming year to enhance our processes.

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 Business Review. 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 £165m five-year revolving credit facility) together with contracts with a diverse range of customers and suppliers across different geographic areas and industries. No one customer accounts for more than 3% of Group turnover. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully.

After making enquiries and after conducting a formal review of the Group's financial resources, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

Investor relations

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.

All shareholders are encouraged to attend the annual general meeting, and major shareholders are also invited to briefings following the half-year and annual results. 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 key Directors and Officers, share price information, and full subsidiary company contact details as well as hotlinks to their own websites. The website also features the facility to request e-mail alerts relating to announcements made by the Group and contains information in Chinese, French, German and Spanish as well as English.

The Financial calendar is set out on page 128.

Auditor independence

The Audit Committee has responsibility for reviewing auditor independence and objectivity annually. During 2003/04, the Committee set down the 'Policy on Auditor Independence and Services provided by the External Auditor'. This policy 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. 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 regarding the external auditors are also subject to an annual cap equal to the audit fee.

Nomination Committee Report

Geoff Unwin
Chairman

Members

– Geoff Unwin (Chairman)
– Andrew Williams
– Richard Stone
– Stephen Pettit
– Steve Marshall (from 1 August 2010)
– Jane Aikman (to 1 August 2010)

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 Combined Code. The terms of reference are considered annually by the Nomination Committee and are then referred to the Board for approval.

Responsibilities

- regularly reviewing the structure, size and composition (including the skills, knowledge and experience) required of the Board compared to its current position and making recommendations to the Board with regard to any changes;
- giving 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 what skills and expertise are therefore needed on the Board in the future; and
- being responsible for identifying and nominating, for the approval of the Board, candidates to fill Board vacancies as and when they arise.

The full terms of reference, which remain unchanged from the previous year, can be found on the Company's website or can be obtained from the Company Secretary.

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 upon appointment to the Board. Three of the five members of the Committee are independent non-executive Directors in accordance with provision A.3.1 of the Combined Code.

During the year attendance by Committee members at meetings was as follows:

Name	Attendance
Geoff Unwin (Chairman)	2 of 2
Andrew Williams	2 of 2
Richard Stone	2 of 2
Stephen Pettit	2 of 2
Steve Marshall	1 of 1
Jane Aikman	1 of 1

Activities

The Committee is responsible for nominating appropriate executive and non-executive candidates for appointment to the Board. During the past year, the Committee has been occupied with succession planning discussions and the appointment of two non-executive Directors.

When the necessity to appoint a Director is identified, a candidate profile is developed indicating the ideal 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. The Committee meets at least annually and more frequently during times that a search is being conducted.

The coming year will involve the Committee in identifying a non-executive director candidate bringing additional diversity to the Board.

As noted on page 51 the process of appointments to the Board is paramount in ensuring the Company's performance is maintained and continually improved upon. The Committee is committed to identifying the right candidates to take Halma forward.

On behalf of the Nomination Committee

Geoff Unwin
Chairman

21 June 2011

Audit Committee Report

Jane Aikman
Chairman

Members
– Jane Aikman (Chairman)
– Stephen Pettit
– Richard Stone
– Norman Blackwell (from 1 August 2010)
– Steve Marshall (from 1 August 2010)

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 Transparency Rule 7.1 and the Combined Code. The terms of reference are considered annually by the Audit Committee and are then referred to the Board for approval.

Responsibilities
The Audit Committee assists the Board in fulfilling its responsibilities in respect of:

– monitoring the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance and reviewing significant financial reporting judgments contained therein;

– oversight of risk management including the review of the Group's financial, operational and compliance internal controls as well as whistleblowing procedures;

– monitoring and reviewing the effectiveness of the Group's internal audit function;

– making recommendations to the Board, for a resolution to be put to the shareholders for their approval in general meeting, on the appointment of the external auditors and the approval of the remuneration and terms of engagement of the external auditors;

– reviewing and monitoring the external auditors' 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

– developing and implementing a policy on the engagement of the external auditors to supply non-audit services, taking into account relevant guidance regarding the provision of non-audit services by the external audit firm.

The full terms of reference, which were subject to minor revision in February 2011 can be found on the Company's website or can be obtained from the Company Secretary.

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 A.3.1 of the Combined Code.

The Chairman, Chief Executive, Finance Director and representatives from the Auditors attend Committee meetings by invitation in order to provide appropriate advice. The Committee routinely meets the Auditors without the involvement of the executive Directors; the Committee meets at least three times per year.

During the year attendance by Committee members at meetings was as follows:

Name	Attendance
Jane Aikman (Chairman)	3 of 3
Richard Stone	3 of 3
Stephen Pettit	3 of 3
Norman Blackwell	2 of 2
Steve Marshall	2 of 2

The Board has designated Jane Aikman as the member of the Audit Committee with recent and relevant financial experience. Her background is as a chartered accountant and finance director with listed company experience.

Training
The external auditors, Deloitte LLP, conducted a training exercise for the Committee, the Chairman, the Chief Executive and the Finance Director as part of its refreshing of the audit process. The audit partner and audit manager led the participants in an interactive discussion on relevant financial reporting matters.

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, the Committee:

- reviewed the 2 April 2011 report and financial statements, the 2 October 2010 half-yearly report and the Interim Management Statements issued in July 2010 and February 2011. As part of these reviews the Committee received a report from the external auditors on their audit of the Annual Report and Accounts;
- considered the quality of the reports and the output from the Group-wide process used to identify, evaluate and mitigate risks;
- reviewed the effectiveness of the Group's internal controls and disclosures made in the annual report and financial statements on this matter;
- reviewed and agreed the scope of the audit work to be undertaken by the auditors;
- evaluated the independence and objectivity of the external auditors;
- agreed the terms of engagement and fees to be paid to the external auditors for their audit of the 2 April 2011 financial statements;
- reviewed its own effectiveness;
- evaluated the performance of the Internal Audit function;
- agreed a programme of work for the Company's Internal Audit function; and
- received reports from the Internal Audit Coordinator on the work undertaken by Internal Audit and management responses to proposals made in the audit reports issued by the function during the year.

The Group's policy on external audit sets out the categories of non-audit services which the external auditors will and will not be allowed to provide to the Group, subject to de minimis levels.

The audit fees payable to Deloitte LLP during 2010/11 were £653,000 (2010: £608,000) and non-audit service fees were £251,000 (2010: £263,000). The principal non-audit service is tax related. The Committee confirms that Deloitte LLP remains best placed to advise the Group on matters related to compliance and the structure of the Group.

The independent auditors, Deloitte LLP, were appointed in 2003. The Committee has considered the risk of the withdrawal of their independent auditors from the market and has concluded that the risk is small. During the year a review of their independence was undertaken, and the Committee concluded that the independence criteria under the relevant standards continued to be met. As part of their review, the Committee ensured that adequate procedures were in place to safeguard the auditors' objectivity and independence. At the year-end the auditors formally confirmed that their independence and objectivity has been maintained. In addition, they are required to rotate the audit partner responsible for the Group audit every five years. In 2010/11 the Audit Committee considered whether to fully tender for the audit work in 2011 by conducting a rigorous joint re-evaluation of the audit service provided by Deloitte LLP. Following a change in audit partner and a thorough review of the audit process, from both Deloitte's and Halma's perspective, the Audit Committee agreed that a full tender was not required at this time. There are no contractual obligations that acted to restrict the Committee's choice of auditor.

Accordingly, the Committee unanimously recommended to the Board that a resolution for the reappointment of Deloitte LLP as the Company's independent auditors be proposed to shareholders at the AGM in July 2011.

The Group's whistleblowing policy contains arrangements for the Group Internal Audit Coordinator to receive, in confidence, complaints on accounting, risk issues, internal controls, auditing issues and related matters for reporting to the Audit Committee as appropriate.

On behalf of the Audit Committee

Jane Aikman
Chairman

21 June 2011

Remuneration Report

Richard Stone
Chairman

Members

- Richard Stone (Chairman)
- Geoff Unwin
- Stephen Pettit
- Norman Blackwell (from 1 August 2010)
- Steve Marshall (from 1 August 2010)
- Jane Aikman (to 1 August 2010)

Remuneration Committee Report

The Committee makes recommendations to the Board on the framework for executive Directors' and senior executives' remuneration based on proposals formulated by the Chief Executive.

Responsibilities

- determining and agreeing with the Board the policy and framework for the remuneration of the Chief Executive, the executive Directors, the Company Secretary and such other members of the executive management as it is designated to consider;
- approving the design of, and determining targets for, any performance-related pay plans operated by the Company and agreeing the total annual payments made under such plans;
- reviewing the design of all share incentive plans for approval by the Board and shareholders, and determining, 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
- determining the policy for, and scope of, pension arrangements for each executive Director and other senior executives.

The Committee also monitors and considers, with the Chief Executive, the framework of remuneration for subsidiary chief executives and directors and ensures a consistent approach is applied.

The full terms of reference, which were updated in February 2011, can be found on the Company's website or can be obtained from the Company Secretary.

Governance

The Remuneration Committee, which meets at least twice per year, was in place throughout the financial year. All members are independent in accordance with provision A.3.1 of the Combined Code.

None of the Committee has any personal financial interest (other than as shareholders), conflicts of interests arising from cross-directorships or day-to-day involvement in running the business. The Committee makes recommendations to the Board. No Director plays a part in any discussion about his or her own remuneration.

In determining the Directors' remuneration for the year, the Committee consults Andrew Williams (Chief Executive) on his proposals and relates the proposals to remuneration packages at comparable listed companies. The Committee consults Towers Watson regarding the structuring of executive remuneration packages and reviews other external published material. Independent pension advice is provided to the Company by Lane, Clark & Peacock LLP.

During the year attendance by Committee members at meetings was as follows:

Name	Attendance
Richard Stone (Chairman)	5 of 5
Geoff Unwin	5 of 5
Stephen Pettit	5 of 5
Norman Blackwell	2 of 2
Steve Marshall	2 of 2
Jane Aikman	2 of 2

Activities

During 2010/11, the Committee continued to review the Company's remuneration strategy such that executives remain appropriately incentivised to meet the Group's objectives in the prevailing economic conditions. That strategy relies upon three key components which produce an appropriate balance between fixed and variable pay over the short and long term:

- setting salaries close to median levels;
- a performance related bonus scheme, as described below, tying bonuses to a weighted average increase in economic value added; and
- a long-term equity-based incentive with entry and exit performance hurdles.

Accordingly the Committee agreed that:

- executive base salaries for 2010/11 should be increased by an average of 3.5%;
- executive base salaries for 2011/12 should be increased by an average of 5%;
- the annual targets on the granting of performance shares were set appropriately; and
- the award of bonuses in respect of 2010/11 should only be based on objective measures and be related to the Company's performance.

The Committee has reviewed the Remuneration Report for 2010/11 and the Company's remuneration strategy, policy and details of executive remuneration follow.

On behalf on the Remuneration Committee

Richard Stone
Chairman

21 June 2011

Report on Remuneration Strategy and Policy

Introduction

This report has been prepared in accordance with Schedule 8 to the Accounting Regulations under the Companies Act 2006. The report also meets the relevant requirements of the Listing Rules of the Financial Services Authority and describes how the Board has applied the principles relating to directors' remuneration in the Combined Code. As required by the Act, a resolution to approve the report will be proposed at the Annual General Meeting of the Company at which the financial statements will be approved.

The Act requires the auditors to report to the Company's members on certain parts of the Directors' Remuneration Report and to state whether in their opinion those parts of the report have been properly prepared in accordance with the Accounting Regulations. The report has therefore been divided into separate sections for audited and unaudited information.

Unaudited information

Remuneration policy

Executive remuneration packages are designed to attract, retain and motivate executives of the high calibre needed to manage the Group successfully and align their interests with those of the shareholders by rewarding them for enhancing value to shareholders. The performance measurement of the executive Directors and key members of senior management and the determination of their annual remuneration package are undertaken by the Committee.

There are four main elements of the remuneration package for executive Directors and senior management:

Element	Purpose	Operation
Salary	To provide competitive fixed remuneration that will attract and retain key employees and reflect their experience and position in the Group.	Reviewed every 12 months. Benchmarked against appropriate median market comparators. Linked to individual performance and contribution.
Annual bonus	Incentivises the achievement of an objective annual target which supports the short- to medium-term strategy of the Group.	Maximum bonus potential is set at a market competitive level (100% of salary). Bonus is based on Economic Value Added. Paid in cash.
Equity incentive	Performance share plan incentivises executives to achieve superior returns to shareholders over a three-year period. Retain key individuals and align interests with shareholders.	Share awards are made annually to senior executives and are based on a combination of TSR (50%) and ROTIC (50%) targets over a three-year period. Maximum awards range from 100% to 140% of salary.
Pension	To provide competitive post-retirement benefits.	Executives may 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 are made to some individuals.

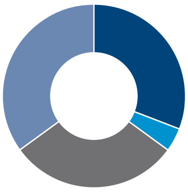
The Company's policy is that a substantial proportion of the remuneration of the executive Directors should be performance-related. As described below, executive Directors may earn annual bonus payments of up to 100% of their basic salary together with the benefits of participation in share plans which are subject to a maximum value, in the year of grant, of 140% of basic salary.

Each executive Director currently holds shares in the Company in excess of the guideline of one year's salary.

Split of package (expected)

Salary (base)	39%
Pension (employer contributions)	8%
Annual incentive (expected)	24%
Equity incentive (expected value at grant)	29%

Split of package (2010/11)



Salary (base)	31%
Pension (employer contributions)	4%
Annual incentive (paid)	30%
Equity incentive (vested)	35%

Basic salary
An executive Director's basic salary is reviewed by the Committee against the market, Company performance and future strategy prior to the beginning of each year and when an individual changes position or responsibility. The Chief Executive is responsible for assessing the performance of each senior executive taking account of the complexity of the operations under their control, their opportunities for advancement with the Group, their remuneration relative to other executives in the Group and their bonus earning potential. He then formulates a remuneration proposal for the Committee's consideration. In deciding appropriate remuneration levels, the Committee also considers the Group as a whole and relies on objective external research which gives information on a comparator group of companies. Basic salaries are reviewed in January/February of each year with increases, if appropriate, taking effect from 1 April. Executive Directors' contracts of service which include details of remuneration will be available for inspection at the Annual General Meeting.

Annual bonus payments
During the year the Committee carefully assessed existing incentive arrangements and determined that incentive levels are appropriately set. The Committee establishes the economic value added (EVA) objectives that must be met for each financial year if a cash bonus is to be paid. In setting appropriate bonus parameters the Committee has determined that bonuses of approximately 60% of salary are payable on the achievement of targeted levels of growth. The maximum performance-related bonus that can be paid is 100% of basic annual salary. Executive Director bonus payments for 2011 were £1,127,000 versus £322,000 in the prior year reflecting the Group's improved performance in terms of reported profit and EVA.

This performance-related bonus plan, which applies to executive Directors and Divisional Chief Executives, is reviewed annually by the Committee and approved by the Board.

In the case of a Divisional Chief Executive a bonus is earned if the profit of the Division for which he is responsible exceeds a target calculated from the profits of the three preceding financial years. The profits calculated for this purpose regard each Division as a stand-alone group of companies charging it with the cost of capital it utilises including the cost of acquisitions.

For the Chief Executive and Finance Director, bonuses are calculated as above but 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.

Profit for each year	Minus	Minus	Minus	Minus	Equals
	a notional charge on working capital	a notional charge on cost of acquisitions	unrealised profit in inventory	the resultant bonus itself (to make it self-financing)	the Economic Value Added (EVA) for each year

For 2010/11, a supplemental cash bonus of up to 20% of salary could be earned, subject to the 100% of salary cap for total bonus paid, dependent upon attainment of a Return on Capital Employed of 45% and operating cash generation over 100%.

Transitional provisions exist for divisional restructuring to ensure Divisional Chief Executives remain appropriately incentivised.

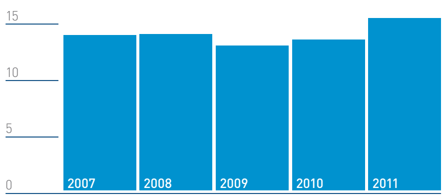
Subsidiary directors participate in bonus arrangements similar to those established for senior executives.

Performance share plan (PSP)
The Directors have long believed that share plans are an excellent way to align the interests of senior management with those of shareholders and that share plans provide excellent motivation. The Committee, recognising the need to assess and evaluate such incentives, adopted a performance share plan following shareholder approval at the 2005 annual general meeting; this Plan replaced the existing share option plans in respect of future share awards. The Committee has responsibility for supervising the Plan and the grants under its terms. The Committee believes that any incentive compensation awarded should be tied to the interests of the Company's shareholders and that the principal measure of those interests is Total Shareholder Return.

PSP vesting table %

		TSR (percentile)			
Percentage of award which vests		<50%	50%	75%	100%
ROTIC (post-tax)	9.5%	0.0	16.7	50.0	50.0
	11.0%	16.7	33.3	66.7	66.7
	12.5%	33.3	50.0	83.3	83.3
	14.0%	50.0	66.7	100.0	100.0

ROTIC (Return on Total Invested Capital)[1] %



How the PSP works

Performance criteria determine the amount to be granted and, after three years, the amount to vest as illustrated below:

Stages	Award		Vesting	
Process	Performance criteria determine the number of shares to be granted out of a Maximum Award level. Primary emphasis is placed upon the attainment of personal strategic objectives coupled with financial and operational success.	The assessment of the individual's achievement of their objectives establishes the proportion of the Maximum Award that an individual is granted (the Actual Award in the table below).	50% of the amount granted is subject to TSR growth relative to the FTSE 250, excluding financial companies, over the three-year vesting period. 50% of the amount granted is subject to ROTIC performance over each of the three years.	Awards vest on a sliding scale, as set out on page 60.
Timeline	Criteria set one year prior to grant.	Assessment occurs immediately prior to grant.	Vesting conditions apply throughout the three-year vesting period.	Three years from grant or pro rata for good leavers.
PSP value	Maximum Award.	x % attainment of individual objectives.	x % attainment of Group performance conditions.	= Final shares vested.

Vested awards are satisfied in shares with sufficient shares being sold to meet tax and social costs owing, as directed, and the net balance of shares transferred to the individual.

Awards lapse if they do not vest on the third anniversary of their award.

Current vesting expectations for awards made in 2008, 2009 and 2010 range from 93% to 100%.

Performance against objectives	Maximum award permitted*		Actual award 2010/11*		Estimate of vesting in 2013/14*
Chief Executive	140%	At individual % assessment level	136%	At 67% vesting expectation	91%
Finance Director	140%		131%		88%
Executive Directors	140%		132%		89%
Divisional Chief Executives	100%		85%		57%
Managing Directors and Divisional Finance Directors	40%		33%		22%

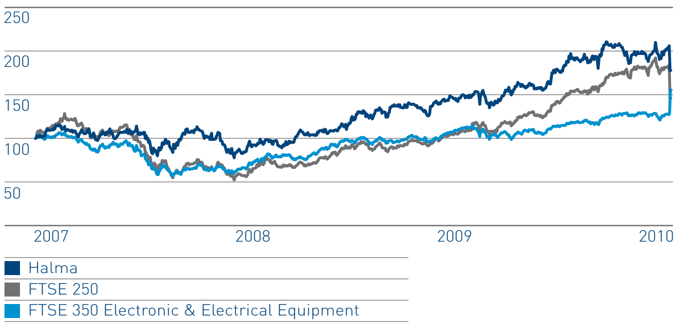
* Expressed as a percentage of 2010/11 base salary.

Awards vest after three years on a sliding scale, as set out on page 60, subject to the Company's relative TSR performance against the FTSE 250, excluding financial companies, combined with a measure based upon an absolute ROTIC.

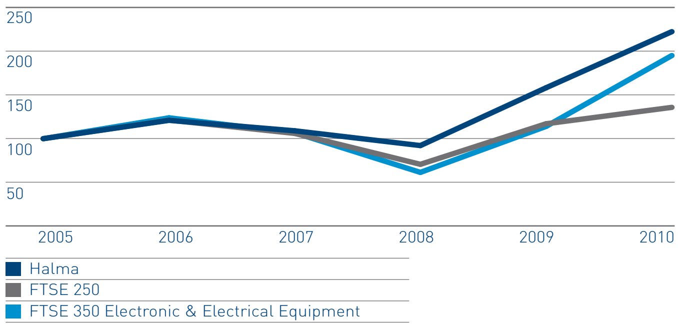
The five-year graph below shows the Company's total shareholder return performance over the five years to 2 April 2011 as compared to the FTSE 250 and the FTSE 350 Electronic & Electrical Equipment sector indices, the latter of which the Company has been a constituent since it was reclassified in June 2006. Over the period indicated, the Company's total shareholder return was 224% compared to 136% for the FTSE 250 and 197% for the FTSE 350 Electronic & Electrical Equipment sector.

At the commencement of the five-year period depicted in the graph, the Halma p.l.c. ordinary share price was 187.75p and the total of dividends paid in the year ended 1 April 2006 was 6.63p per share. The Halma p.l.c. ordinary share price at 2 April 2011 was 355p and the total of dividends paid in the year then ended was 8.73p per share. The Plan contains provisions permitting share option grants, restricted share awards and performance share awards. To date, the Committee has used the Plan only to award both approved and unapproved performance shares.

Total Shareholder Return (three years)



Total Shareholder Return (five years)



Share option plans
The 1999 share option plan provided for the grant of two categories of option both of which are subject to performance criteria. The exercise criteria for this plan are noted in note 23 to the accounts. No further grants may be made from this plan which has been replaced by the performance share plan approved by shareholders at the 2005 annual general meeting. The granting of options was spread over the life of the plan.

Dilution
The total dilution effect under these various discretionary share plans is less than 5%.

The Company does not operate any long-term incentive plans other than the share plans described above. No significant amendments are proposed to be made to the terms and conditions of any entitlement of a Director to share options or performance share awards.

Pension arrangements
Except as noted below, the executive Directors participate in the appropriate section of the Halma Group Pension Plan. This section is a funded final salary occupational pension plan registered with HM Revenue & Customs, 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 2006, final pensionable salary is capped at 7.5% of the Lifetime Allowance equating to £135,000 for the year ended 2 April 2011.

From 6 April 2011, final pensionable salary is capped at £139,185 and will be increased annually thereafter by CPI.

Bonuses and other fluctuating emoluments and benefits-in-kind are not pensionable nor subject to any pension accrued 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 a pensionable salary cap introduced from 6 April 2006. The Company introduced a pensionable salary cap in order to address changes affecting the Plan made in the Pension Act 2006. Without the introduction of such a cap, there would, effectively, have been no benefit limits. This could have resulted in benefits in excess of prescribed levels with some individuals suffering penal rates of tax and potentially causing a limitation on the tax deductibility of employer contributions. The Company obtained external advice regarding the changes to the Plan and executive pension arrangements and required each affected executive to obtain independent advice prior to implementing the changes. These changes reduce the Plan's future liabilities and their associated funding risk.

Prior to receiving pension payments, 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 entirely future service accrual in the Halma Group Pension Plan in return for the pension supplement on his full salary.

Benefits-in-kind
The executive Directors receive certain benefits-in-kind, principally use of a car and private medical insurance.

Directors' contracts
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:

	Date of 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

In the event of early termination, no predetermined compensation is provided for in the Directors' contracts.

Non-executive Directors
Unless otherwise indicated, all non-executive Directors 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. Stephen Pettit, who is proposed for re-election had his terms of engagement extended for a further third three-year term in 2009 in contemplation of attaining six years of service in 2009.

The remuneration of the Chairman and the non-executive Directors is determined by the Board based on independent surveys of fees paid to the Chairman and the non-executive Directors of similar companies. The Chairman receives a basic fee and the non-executive Directors receive a basic fee supplemented by additional fees for membership and/or chairmanship of the Audit, Remuneration and Nomination Committees.

The contract in respect of Geoff Unwin's services provides for termination, by either party, by giving not less than six months' notice. Richard Stone, Stephen Pettit, Jane Aikman, Norman Blackwell and Steve Marshall have contracts in respect of their non-executive Director services which can be terminated, by either party, by giving not less than three months' notice. The Board has accepted Richard Stone's notice to retire after the AGM on 28 July 2011.

The Chairman's and the non-executive Directors' fees were reviewed by the Board in April 2010 and July 2010, with increases taking effect from April 2010 and August 2010.

AUDITED INFORMATION

Aggregate Directors' remuneration

The total amounts for Directors' remuneration were as follows:

	2011 £000	2010 £000
Emoluments	2,649	1,719
Pension supplements (including 401k company contributions)	142	156
Gains on vesting of performance shares	1,377	1,122
Gains on exercise of share options	228	966
	4,396	3,963

Directors' remuneration

	Salaries and fees £000	Bonus £000	Benefits £000	Pension supplement £000	2011 Total £000	2010 Total £000
Geoff Unwin	145	–	–	–	145	140
Andrew Williams	414	414	25	73	926	569
Kevin Thompson	267	267	14	69	617	387
Neil Quinn	214	214	16	–	444	276
Richard Stone	52	–	–	–	52	43
Stephen Pettit	42	–	–	–	42	36
Jane Aikman	43	–	–	–	43	40
Adam Meyers**	232	232	3	–	467	384
Norman Blackwell*	27	–	–	–	27	–
Steve Marshall*	28	–	–	–	28	–
	1,464	1,127	58	142	2,791	1,875

* From appointment.
** Remunerated in US Dollars and translated at the prevailing average rate for the year.

Directors' interests

The Directors who held office at 2 April 2011 had the following interests in the ordinary shares of the Company:

	Shares 02.04.11	Shares 03.04.10
Geoff Unwin	68,250	68,250
Andrew Williams	364,885	328,028
Kevin Thompson	279,553	241,775
Neil Quinn	219,571	178,689
Richard Stone	20,000	20,000
Stephen Pettit	2,000	2,000
Jane Aikman	2,000	2,000
Adam Meyers	182,929	125,131
Norman Blackwell	2,000	–
Steve Marshall	2,000	–

There are no non-beneficial interests of Directors. There were no changes in Directors' interests from 2 April 2011 to 21 June 2011.

Performance share plan

The movements in performance share awards during the financial year were as follows:

	Date of grant	As at 03.04.10	Granted/ (vested) in the year	Five-day average share price on grant	As at 02.04.11
Andrew Williams	July 2007	218,144	(208,458)	204.67p	–
	Aug 2008	274,297		201.30p	274,297
	Aug 2009	226,610		194.36p	226,610
	Aug 2010		200,215	281.08p	200,215
Kevin Thompson	July 2007	141,632	(135,343)	204.67p	–
	Aug 2008	173,154		201.30p	173,154
	Aug 2009	157,473		194.36p	157,473
	Aug 2010		124,126	281.08p	124,126
Neil Quinn	July 2007	109,695	(104,824)	204.67p	–
	Aug 2008	143,964		201.30p	143,964
	Aug 2009	125,620		194.36p	125,620
	Aug 2010		97,531	281.08p	97,531
Adam Meyers	July 2007	62,025	(59,271)	204.67p	–
	Aug 2008	110,507		201.30p	110,507
	Aug 2009	80,909		194.36p	80,909
	Aug 2010		110,005	281.08p	110,005

Performance conditions for the awards made in the financial year are set out above. The 2007 grants vested in August 2010 at a value of 271.034p per share with 95.56% of the original number of shares granted being transferred to participants net of any tax and social charges; the balance of the 2007 award lapsed. The current vesting expectation for grants made in 2008 is 100%; for grants made in 2009, 93% and for grants made in 2010, 95%.

Share Incentive Plan

As part of their participation in the performance share plan, UK executive Directors were awarded a proportion of their 2010 awards in Free Shares under the provisions of the UK share incentive plan (SIP) on 1 October 2010, as follows: Andrew Williams, 857 shares; Kevin Thompson, 882 shares; and Neil Quinn, 882 shares. The Free Shares are held in trust for the participants and may transfer to them from the third anniversary of the award, on request and subject to continued employment. The share price on the award date was 319.6p. SIP shareholdings are included in Directors' interests above.

Directors' share options

The movements in share options during the financial year were as follows:

	As at 03.04.10	Lapsed	Exercised	Share price on exercise	As at 02.04.11	2011 Gains on exercise (£)	2010 Gains on exercise (£)
Andrew Williams	119,337	(15,500)	–	–	103,837	–	278,367
Kevin Thompson	216,986	(39,700)	–	–	177,286	–	499,128
Neil Quinn	277,756	(43,700)	(63,800)	281.44p	170,256	75,246	171,293
Adam Meyers	468,481	(26,700)	(89,000)	283.10p	352,781	153,169	17,410

There were no share plan grants during the financial year.

The gains are calculated by deducting the exercise price from the closing middle market price at the date of exercise or the actual gross sales proceeds if appropriate.

The closing middle market price of the Company's ordinary shares on Friday, 1 April 2011, the last trading day preceding the financial year end, was 355p per share and the range during the year was 239.5p to 366.6p.

Details of Directors' options outstanding at 2 April 2011 are set out in the table below. The status of the options can be summarised as follows:

1. Exercisable at that date at a price less than 355p.
2. Not yet exercisable, will only be exercisable when the performance criteria, set out in note 22 to the accounts, have been met and have an exercise price per share of less than 355p.

	Status of options (see above)	Year of grant	Number of shares	Weighted average exercise price (p) per share
Andrew Williams	2	2001-2004	103,837	142.74
Kevin Thompson	2	2001-2004	177,286	144.47
Neil Quinn	2	2001-2004	170,256	144.56
Adam Meyers	1	2003-2005	218,783	140.10
	2	2001-2004	133,998	144.14

All options lapse if not exercised within ten years from the date of grant.

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' pension entitlements

Two Directors are members of the Company's defined benefit pension plan. The following Directors had accrued entitlements under the plans as follows:

	Age at 02.04.11	Years of pensionable service at 02.04.11	Accrued pension 2010 £000	**Increase in the year £000**	**Accrued pension 2011 £000**
Andrew Williams	43	16	40	**4**	**44**
Kevin Thompson	51	18	100	**–**	**100**

The accrued pension shown is that which would be paid annually on retirement based on service to the end of the year.

	Transfer value 03.04.10 £000	Directors' contributions £000	Increase in value net of contributions £000	Transfer value 02.04.11 £000
Andrew Williams	456	15	26	497
Kevin Thompson	1,534	–	39	1,573

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.

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 $24,015 (£15,394) (2010: $12,654 (£7,909)).

The report was approved by the Board of Directors and signed on its behalf by:

Richard Stone
Remuneration Committee (Chairman)

21 June 2011

Other Statutory Information

Activities
Halma p.l.c. is a holding company. A list of its principal subsidiary companies and their activities is set out on pages 124 to 127.

Ordinary dividends
The Directors recommend a final dividend of 5.56p per share and, if approved, this dividend will be paid on 24 August 2011 to ordinary shareholders on the register at the close of business on 22 July 2011. Together with the interim dividend of 3.54p per share already paid, this will make a total of 9.10p (2010: 8.50p) per share for the financial year.

Share capital and capital structure
Details of share capital issued in the financial year are set out in note 22 to the accounts.

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 Acts 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. 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, and the Corporate Governance Statement on page 51.

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 £165m revolving credit facility which on change of control, if the majority lenders require, can result in 30 days' notice being given to the Company for all amounts outstanding to be immediately due and payable, at which time the 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 20 June 2011 (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 2012. 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 20 June 2011 (the latest practicable date prior to the publication of the Notice of Meeting), the Company had 378,247,685 ordinary shares of 10p each in issue of which 1,847,368 were held as treasury shares, which is equal to approximately 0.5% 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 20 June 2011 (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 including brief biographies, are set out on pages 48 and 49.

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 2010 Annual General Meeting to purchase up to 37,600,000 of its own 10p ordinary shares in the market. This authority expires at the end of the 2011 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 37,600,000 ordinary shares, which is approximately 10% of the Company's issued share capital (excluding treasury shares) as at 20 June 2011 (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 2 April 2011, 1,793,572 shares, with a nominal value of £179,357.20, which is 0.5% of the Company's issued share capital as at 20 June 2011 (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 20 June 2011, 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 2,975,991 ordinary shares, or 0.8% 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 0.9% of the Company's issued share capital (excluding treasury shares).

Supplier payment policy

The Company does not follow any particular supplier payment code of practice. The Company has due regard to the payment terms of suppliers and generally settles all undisputed accounts within 30 days of the due date for payment. At 2 April 2011 the Company's trade creditors amounting to £0.9m (2010: £1.1m) represented 25 days (2010: 39 days) of its annual purchases.

Donations

Group companies made charitable donations amounting to £2,451 (2010: £4,383) during the financial year. There were no political donations (2010: £nil).

Substantial shareholdings

On 20 June 2011, 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.

	No. of ordinary shares	Percentage of voting rights and issued share capital
Sprucegrove Investment Management Ltd	22,317,670	5.93
Massachusetts Financial Services Company	18,910,784	5.02
Capital Research and Management Company	18,804,168	5.00
Schroder Investment Management	18,667,466	4.96
Barclays Bank PLC	15,724,354	4.18
Sanderson Asset Management Ltd	14,891,762	3.96
Legal & General Group Plc	14,874,651	3.95
Norges Bank Investment Management	11,293,494	3.00

Annual General Meeting

The Company's Annual General Meeting will be held on 28 July 2011. The Notice of Meeting, together with an explanation of the proposed resolutions, is enclosed with this Annual Report and is also available on the Company's website at www.halma.com.

Special Business

The Board will propose a special resolution under Special Business at the Annual General Meeting, in accordance with the EU Shareholder Rights Directive implemented in August 2009, 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.

Auditors

Each of the persons who is a Director at the date of approval of this Annual Report confirms that:

– so far as the Director is aware, there is no relevant audit information of which the Company's auditors are 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 auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

By order of the Board

Carol Chesney
Company Secretary

21 June 2011

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 elected 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 the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the management report, which is incorporated into the Directors' Report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board

Andrew Williams
Chief Executive

21 June 2011

Kevin Thompson
Finance Director

21 June 2011

Independent Auditor's Report to the Members of Halma p.l.c.

We have audited the Group financial statements of Halma p.l.c. for the 52 week period ended 2 April 2011 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income and Expenditure, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement and the related notes 1 to 31. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 auditors' 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.

Respective responsibilities of Directors and Auditors

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the Group 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 Group 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 (APB's) Ethical Standards for Auditors.

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 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 to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 2 April 2011 and of its profit for the 52 week period then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the Group financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' Statement contained within Corporate Governance in relation to going concern;
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review; and
- certain elements of the report to the shareholders by the Board on Directors' remuneration.

Other matters

We have reported separately on the parent company financial statements of Halma p.l.c. for the 52 week period ended 2 April 2011 and on the information in the Directors' Remuneration Report that is described as having been audited.

Alexander Butterworth ACA (Senior Statutory Auditor)
for and on behalf of **Deloitte LLP**
Chartered Accountants and Statutory Auditor
Reading, UK

21 June 2011

Consolidated Income Statement

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

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

Consolidated Statement of Comprehensive Income and Expenditure

	Notes	52 weeks to 2 April 2011 £000	53 weeks to 3 April 2010 £000
Profit for the year		**72,434**	60,437
Exchange differences on translation of foreign operations		**(4,268)**	(8,613)
Actuarial gains/(losses) on defined benefit pension plans	28	**857**	(4,644)
Effective portion of changes in fair value of cash flow hedges	26	**(311)**	(47)
Tax relating to components of other comprehensive income	9	**(887)**	2,917
Other comprehensive expense for the year		**(4,609)**	(10,387)
Total comprehensive income for the year attributable to equity shareholders		**67,825**	50,050

Consolidated Balance Sheet

	Notes	2 April 2011 £000	3 April 2010 £000
Non-current assets			
Goodwill	11	**259,954**	195,334
Other intangible assets	12	**73,490**	33,705
Property, plant and equipment	13	**69,891**	66,786
Interests in associates	14	**1,989**	–
Deferred tax asset	21	**10,779**	10,612
		416,103	306,437
Current assets			
Inventories	15	**54,540**	47,014
Trade and other receivables	16	**110,456**	98,077
Tax receivable		**237**	1,067
Cash and cash equivalents		**42,610**	31,323
Derivative financial instruments	26	**327**	232
		208,170	177,713
Total assets		**624,273**	484,150
Current liabilities			
Borrowings	17	**–**	317
Trade and other payables	18	**85,511**	66,955
Provisions	19	**2,887**	1,515
Tax liabilities		**14,997**	7,843
Derivative financial instruments	26	**858**	331
		104,253	76,961
Net current assets		**103,917**	100,752
Non-current liabilities			
Borrowings	17	**79,688**	21,924
Retirement benefit obligations	28	**36,237**	43,071
Trade and other payables	20	**22,848**	4,554
Provisions	19	**1,593**	1,954
Deferred tax liabilities	21	**24,269**	13,193
		164,635	84,696
Total liabilities		**268,888**	161,657
Net assets		**355,385**	322,493
Equity			
Share capital	22	**37,824**	37,765
Share premium account		**21,744**	20,959
Treasury shares		**(5,016)**	(2,581)
Capital redemption reserve		**185**	185
Hedging and translation reserve		**34,511**	39,013
Other reserves		**3,634**	4,178
Retained earnings		**262,503**	222,974
Shareholders' funds		**355,385**	322,493

The financial statements of Halma p.l.c., company number 40932, were approved by the Board of Directors on 21 June 2011.

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

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

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

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

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

Consolidated Cash Flow Statement

	Notes	52 weeks to 2 April 2011 £000	53 weeks to 3 April 2010 £000
Net cash inflow from operating activities	25	**95,064**	100,338
Cash flows from investing activities			
Purchase of property, plant and equipment		**(14,399)**	(9,781)
Purchase of computer software		**(1,019)**	(1,260)
Purchase of other intangibles		**(6)**	(38)
Proceeds from sale of property, plant and equipment		**677**	854
Development costs capitalised		**(4,735)**	(3,072)
Interest received		**317**	189
Acquisition of businesses, net of cash acquired	24	**(82,093)**	(1,676)
Acquisition of investments in associates		**(1,708)**	–
Disposal of businesses		**–**	520
Net cash used in investing activities		**(102,966)**	(14,264)
Financing activities			
Dividends paid		**(32,891)**	(30,394)
Proceeds from issue of share capital		**844**	3,039
Purchase of treasury shares		**(5,358)**	(2,252)
Interest paid		**(825)**	(1,047)
Proceeds from borrowings	25	**76,156**	–
Repayment of borrowings	25	**(18,152)**	(58,845)
Net cash from/(used in) financing activities		**19,774**	(89,499)
Increase/(decrease) in cash and cash equivalents	25	**11,872**	(3,425)
Cash and cash equivalents brought forward		**31,006**	34,987
Exchange adjustments		**(268)**	(556)
Cash and cash equivalents carried forward		**42,610**	31,006

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 3 April 2010 and 2 April 2011 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, revised or changes to existing standards which have been adopted by the Group in the year ending 2 April 2011

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

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

Additionally the following new standards and interpretations have been adopted in the current year but have not impacted the reported results or the financial position:

- IFRIC 9 and IAS 39 'Embedded Derivatives'
- IFRIC 17 'Distribution of non-cash assets to owners'
- IFRIC 18 'Transfers of assets from customer'
- IAS 27 (revised) 'Consolidated and separate financial statements'
- IAS 28 (revised) 'Investments in associates'
- Amendment to IAS 32 'Classfication of Rights Issue'
- Amendments to IAS 39 'Elgible Hedged Items'
- Amendments to IFRS 1 'Additional exemption for first time presentation'
- Amendments to IFRS 2 'Group Cash-settled Share-based Payment Transactions'

New standards and interpretations not yet adopted

At the date of authorisation of these financial statements, the following Standards and Interpretations 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):

- Amendments to IFRS 7, 'Financial Instruments: Disclosure', effective for annual periods beginning on or after 1 July 2011. This standard has not yet been endorsed for use in the EU
- IFRS 9 'Financial Instruments – Classification and Measurement'
- IFRS 10 'Consolidated Financial Statements'
- IFRS 11 'Joint Arrangements'
- IFRS 12 'Disclosure of Interests in Other Entities'
- IFRS 13 'Fair Value Measurement'
- Amendment to IFRS 1, 'Limited Exemption from Comparative IFRS 7 disclosures for first time adopters'
- Amendment to IAS 24, 'Related Party Disclosures'
- Amendment to IFRIC 14, 'Prepayment on a Minimum Funding Requirement'
- IFRIC 19, 'Extinguishing Financial Liabilities with Equity Instruments'
- Improvements to IFRSs – 2010

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.

IFRS 10 – 13 were issued by the IASB on 12 May 2011 and are effective for annual periods beginning on or after 1 January 2013. These pronoucements have not yet been endorsed for use in the EU. The Group has not completed its assessment of the impact of these pronoucements on the consolidated results, financial position or cash flows of the Group.

Going concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. Further detail is contained on page 54.

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 three 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.
– 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.
– 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. These estimates and judgements cover future growth rates, expected inflation rates and the discount rate used.

Basis of consolidation

The Group accounts include the accounts of Halma p.l.c. and its subsidiary companies made up to 2 April 2011, 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.

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. For acquisitions after 3 April 2010, 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 purchase consideration payable 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.

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 is not in 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 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 period 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 10 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.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured 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 overhedged is recognised immediately in 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 US Dollar and Euro 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.

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 33⅓%

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 1990 and 1996 share option plans and the 1999 company share option plan (together, the 'share option plans') 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 these plans 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 plans.

(c) Performance share plan
On 3 August 2005 the share option plans were 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.

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

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

Segment revenue and results

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

Inter-segmental sales are charged at prevailing market prices and have not been disclosed separately by segment as they are not considered material. The Group does not analyse revenue by product group.

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

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

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

	2011				2010			
		Acquisition costs				Acquisition costs		
	Amortisation of acquired intangibles	Transaction costs	Adjustments to contingent consideration	Total	Amortisation of acquired intangibles	Transaction costs	Adjustments to contingent consideration	Total
Health and Analysis	**4,481**	**1,226**	**231**	**5,938**	3,499	–	–	3,499
Infrastructure Sensors	**–**	**42**	**–**	**42**	–	–	–	–
Industrial Safety	**279**	**–**	**–**	**279**	1,341	–	–	1,341
Total Group	**4,760**	**1,268**	**231**	**6,259**	4,840	–	–	4,840

1 Segmental analysis continued

Segment assets and liabilities

Before goodwill, interests in associates and acquired intangible assets are allocated to specific segment assets/liabilities	Assets 2011 £000	(Restated) Assets 2010 £000	Liabilities 2011 £000	(Restated) Liabilities 2010 £000
Health and Analysis	**90,854**	77,542	**33,733**	23,025
Infrastructure Sensors	**77,051**	70,905	**28,702**	23,429
Industrial Safety	**45,300**	42,803	**17,967**	16,432
Total segment assets/liabilities excluding goodwill, interests in associates and acquired intangible assets	**213,205**	191,250	**80,402**	62,886
Goodwill	**259,954**	195,334	**–**	–
Interests in associates	**1,989**	–	**–**	–
Acquired intangible assets	**60,851**	21,230	**–**	–
Total segment assets/liabilities including goodwill, interests in associates and acquired intangible assets	**535,999**	407,814	**80,402**	62,886

After goodwill, interests in associates and acquired intangible assets are allocated to specific segment assets/liabilities	Assets 2011 £000	(Restated) Assets 2010 £000	Liabilities 2011 £000	(Restated) Liabilities 2010 £000
Health and Analysis	**310,219**	190,431	**33,733**	23,025
Infrastructure Sensors	**159,622**	153,112	**28,702**	23,429
Industrial Safety	**66,158**	64,271	**17,967**	16,432
Total segment assets/liabilities including goodwill and acquired intangibles	**535,999**	407,814	**80,402**	62,886
Cash and cash equivalents/borrowings	**42,610**	31,323	**79,688**	22,241
Derivative financial instruments	**327**	232	**858**	331
Other unallocated assets/liabilities	**45,337**	44,781	**107,940**	76,199
Total Group	**624,273**	484,150	**268,888**	161,657

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 2011 £000	(Restated) Additions to non-current assets 2010 £000	Depreciation and amortisation 2011 £000	(Restated) Depreciation and amortisation 2010 £000
Health and Analysis	**120,593**	10,435	**11,221**	9,930
Infrastructure Sensors	**6,733**	4,517	**5,852**	5,633
Industrial Safety	**3,576**	3,506	**4,034**	5,087
Total segment additions/depreciation and amortisation	**130,902**	18,458	**21,107**	20,650
Unallocated	**2,324**	395	**623**	582
Total Group	**133,226**	18,853	**21,730**	21,232

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 (2010: £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	
	2011 £000	2010 £000	**2011 £000**	2010 £000
United States of America	**150,280**	127,152	**38,977**	36,028
Mainland Europe	**138,313**	135,676	**26,296**	27,239
United Kingdom	**106,131**	98,339	**336,673**	230,139
Asia Pacific and Australasia	**76,207**	59,143	**3,378**	2,419
Africa, Near and Middle East	**28,756**	23,695	**–**	–
Other countries	**18,741**	15,113	**–**	–
	518,428	459,118	**405,324**	295,825

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 3% of the Group's revenue.

2 Earnings per ordinary share

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

Adjusted earnings are calculated as earnings from continuing operations excluding the amortisation of acquired intangible assets and acquisition costs after tax. The Directors consider that adjusted earnings represent a more consistent measure of underlying performance. A reconciliation of earnings and the effect on basic earnings per share figures is as follows:

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

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 and organic growth.

Return on Capital Employed

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

Return on Total Invested Capital

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

Organic growth

Organic growth measures the change in revenue and profit from continuing Group operations. The effect of acquisitions and disposals made during the current or prior financial year has been equalised by adjusting the current year results for a pro-rated contribution based on their revenue and profit before taxation at the date of acquisition or disposal, and has been calculated as follows:

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

* Before amortisation of acquired intangible assets and acquisition costs.

4 Finance income

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

5 Finance expense

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

6 Profit before taxation

Profit before taxation comprises:

	2011 £000	2010 £000
Revenue	**518,428**	459,118
Cost of sales	**(345,841)**	(310,530)
Gross profit	**172,587**	148,588
Distribution costs	**(11,072)**	(9,616)
Administrative expenses	**(62,066)**	(55,059)
Other operating income	**–**	382
Share of results of associates	**(59)**	–
Net finance expense	**(1,098)**	(2,921)
Profit before taxation	**98,292**	81,374

Included within administrative expenses are the amortisation of acquired intangible assets and acquisition costs.

Profit before taxation is stated after charging/(crediting):		2011 £000	2010 £000
Depreciation		**11,523**	11,461
Amortisation		**10,207**	9,771
Research and development[1]		**20,953**	18,299
Foreign exchange gain		**(346)**	(138)
Profit on disposal of operations[2]		**–**	(382)
(Profit)/loss on sale of property, plant and equipment and computer software		**(55)**	42
Cost of inventories recognised as an expense		**259,322**	232,285
Staff costs (note 7)		**135,035**	125,925
Auditors' remuneration[3]	Audit services to the Company	**123**	98
	Audit services to the Group	**530**	510
	Total audit services pursuant to legislation	**653**	608
	Other services pursuant to legislation[4]	**13**	12
	Interim review	**12**	12
	Tax services	**216**	230
	Other services	**10**	9
Operating lease rents:	Property	**5,871**	5,672
	Other	**837**	739

1 A further £4,735,000 (2010: £3,072,000) of development costs have been capitalised in the year. See note 12.

2 In 2010, the Group disposed of part of its Asset Monitoring business for a profit of £407,000. There was also a write down of £25,000 on a prior year disposal.

3 In 2010, £nil non-audit fees were paid to the auditors in respect of acquisition advice, which otherwise would have been included in cost of investments. In 2011, all acquisition advice is expensed.

4 Audit of the Halma Group Pension Plan.

7 Employee information

The average number of persons employed by the Group (including Directors) was:

	2011 Number	2010 Number
United Kingdom	1,705	1,755
Overseas	2,170	1,934
	3,875	3,689

Group employee costs comprise:

	2011 £000	2010 £000
Wages and salaries	113,705	103,530
Social security costs	16,971	15,692
Pension costs (note 28)	4,638	4,636
Share-based payment charge (note 23)	2,783	2,067
	138,097	125,925

8 Directors' remuneration

The remuneration of the Directors, who are the key management personnel of the Group, is set out on pages 63 to 65 within the Remuneration report described as being audited and forms part of these financial statements.

Directors' remuneration comprises:

	2011 £000	2010 £000
Wages, salaries and fees	2,791	1,875
Pension costs	54	75
Share-based payment charge	1,004	580
	3,849	2,530

9 Taxation

	2011 £000	2010 £000
Current tax		
UK corporation tax at 28% (2010: 28%)	10,009	8,608
Overseas taxation	14,154	10,941
Adjustments in respect of prior years	947	238
Total current tax charge	25,110	19,787
Deferred tax		
Origination and reversal of timing differences	1,361	1,013
Adjustments in respect of prior years	(613)	137
Total deferred tax charge	748	1,150
Total tax charge recognised in the Consolidated Income Statement	25,858	20,937
Reconciliation of the effective tax rate:		
Profit before tax	98,292	81,374
Tax at the UK corporation tax rate of 28% (2010: 28%)	27,522	22,785
Overseas tax rate differences	2,996	2,144
Permanent differences	(4,994)	(4,367)
Adjustments in respect of prior years	334	375
	25,858	20,937
Effective tax rate (after amortisation of acquired intangible assets and acquisition costs)	26.3%	25.7%
Profit before tax (before amortisation of acquired intangible assets and acquisition costs)	104,551	86,214
Total tax charge (before amortisation of acquired intangible assets and acquisition costs)	27,367	22,807
Effective tax rate (before amortisation of acquired intangible assets and acquisition costs)	26.2%	26.5%

9 Taxation continued

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:

	2011 £000	2010 £000
Current tax		
Corporation tax deduction on foreign exchange loss reclassified to Other comprehensive income on consolidation	–	1,592
Other	–	9
	–	1,601
Deferred tax (note 21)		
Retirement benefit obligations	964	1,300
Short-term timing differences	(77)	16
	887	1,316
	887	2,917

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:

	2011 £000	2010 £000
Current tax		
Excess tax deductions related to share-based payments on exercised options	93	73
Deferred tax (note 21)		
Change in estimated excess tax deductions related to share-based payments	220	949
	313	1,022

10 Dividends

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

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

11 Goodwill

	2011 £000	2010 £000
Cost		
At beginning of year	195,334	198,084
Additions (note 24)	66,798	4,585
Exchange adjustments	(2,178)	(7,335)
At end of year	259,954	195,334
Provision for impairment		
At beginning and end of year	–	–
Carrying amounts	259,954	195,334

11 Goodwill continued

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination. Before recognition of impairment losses, the carrying amount of goodwill has been allocated as follows:

	2011 £000	(Restated)* 2010 £000
Health and Analysis		
Water	**11,756**	10,463
Photonics	**43,927**	42,755
Health Optics	**70,852**	32,044
Fluid Technology	**29,990**	6,676
	156,525	91,938
Infrastructure Sensors		
Fire Detection	**11,275**	10,961
Security Sensors	**15,795**	15,795
Automatic Door Sensors	**45,433**	45,433
Elevator Safety	**10,068**	10,018
	82,571	82,207
Industrial Safety		
Bursting Disks	**7,239**	7,570
Safety Interlocks	**5,610**	5,610
Asset Monitoring	**8,009**	8,009
	20,858	21,189
Total Group	**259,954**	195,334

* During the year, Radio-Tech Limited was moved from the Group's Asset Monitoring sub-sector to its Water sub-sector. The prior year has therefore been restated to reflect this change and to ensure that the presentation is on a consistent basis.

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 the Group's pre-tax estimated short-term discount rate 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, which are the same for all CGUs:

- Discount rates;
- Market share during the budget period for the financial year to March 2012; and
- Growth rate used to extrapolate risk adjusted cash flows beyond the budget period.

Discount rates are based on the Group's borrowing and equity profile. The Directors do not currently expect any significant change in the present base discount rate of 9.05% (2010: 9.84%). The base discount rate of 9.05%, 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. The base discount rate was increased to reflect the size of each business and specific geographic and industry factors, resulting in the impairment testing using a rate of 13.05%.

Market share assumptions are important because, as well as the growth rates (as noted below), management assess how each unit's relative position to its competitors might change over the budget period. Management expects each unit's position to be stable over the projected period.

Growth rate estimates of respectively 3.25%, 2.0% and 1.25% for the first, second and third year onwards into perpetuity following the budget year are based on conservative estimates keeping in view past performance growth.

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.

12 Other intangible assets

	Acquired intangibles						
	Customer relationships[1] £000	Trademarks[2] £000	Total £000	Internally generated capitalised development costs £000	Computer software £000	Other intangibles[3] £000	Total £000
Cost							
At 28 March 2009	22,913	21,871	44,784	18,286	7,773	264	71,107
Assets of businesses acquired	–	–	–	–	6	–	6
Additions at cost	–	–	–	3,072	1,260	38	4,370
Disposals	–	–	–	–	(313)	–	(313)
Retirements	–	–	–	(640)	–	–	(640)
Exchange adjustments	(662)	(973)	(1,635)	(371)	(205)	(15)	(2,226)
At 3 April 2010	**22,251**	**20,898**	**43,149**	**20,347**	**8,521**	**287**	**72,304**
Assets of businesses acquired (note 24)	**36,881**	**7,509**	**44,390**	**–**	**1**	**127**	**44,518**
Additions at cost	**–**	**–**	**–**	**4,735**	**1,019**	**6**	**5,760**
Disposals	**–**	**–**	**–**	**(23)**	**(77)**	**(16)**	**(116)**
Retirements	**–**	**–**	**–**	**(29)**	**(241)**	**(21)**	**(291)**
Reclassification of category[4]	**–**	**–**	**–**	**–**	**(64)**	**–**	**(64)**
Exchange adjustments	**171**	**(217)**	**(46)**	**(163)**	**(127)**	**(15)**	**(351)**
At 2 April 2011	**59,303**	**28,190**	**87,493**	**24,867**	**9,032**	**368**	**121,760**
Accumulated amortisation							
At 28 March 2009	11,768	5,592	17,360	8,092	4,751	10	30,213
Charge for the year	2,260	2,580	4,840	3,762	1,116	53	9,771
Disposals	–	–	–	–	(286)	–	(286)
Retirements	–	–	–	(621)	–	–	(621)
Exchange adjustments	(155)	(126)	(281)	(88)	(110)	1	(478)
At 3 April 2010	**13,873**	**8,046**	**21,919**	**11,145**	**5,471**	**64**	**38,599**
Charge for the year	**2,398**	**2,362**	**4,760**	**4,168**	**1,217**	**62**	**10,207**
Disposals	**–**	**–**	**–**	**–**	**(66)**	**–**	**(66)**
Retirements	**–**	**–**	**–**	**–**	**(208)**	**(6)**	**(214)**
Reclassification of category[4]	**–**	**–**	**–**	**–**	**(40)**	**–**	**(40)**
Exchange adjustments	**5**	**(42)**	**(37)**	**(99)**	**(76)**	**(4)**	**(216)**
At 2 April 2011	**16,276**	**10,366**	**26,642**	**15,214**	**6,298**	**116**	**48,270**
Carrying amounts							
At 2 April 2011	**43,027**	**17,824**	**60,851**	**9,653**	**2,734**	**252**	**73,490**
At 3 April 2010	8,378	12,852	21,230	9,202	3,050	223	33,705

1 Customer relationship assets are amortised over their useful economic lives estimated to be between three and ten years.

2 Trademarks (including protected technical knowledge) are amortised over their useful economic lives estimated to be between three and ten years.

3 Other intangibles comprise licences and product registration costs amortised over their useful economic lives estimated to be between three and five years.

4 The net transfer from property, plant and equipment to computer software relates to identifiable software assets.

13 Property, plant and equipment

	Land and buildings				
	Freehold properties £000	Long leases £000	Short leases £000	Plant, equipment and vehicles £000	Total £000
Cost					
At 28 March 2009	35,243	1,665	5,682	106,059	148,649
Assets of businesses acquired	21	–	–	90	111
Assets of businesses sold	–	(19)	–	(575)	(594)
Additions at cost	44	104	217	9,416	9,781
Disposals	–	(12)	(151)	(7,806)	(7,969)
Reclassification of category	–	450	–	(450)	–
Exchange adjustments	(964)	18	(123)	(3,001)	(4,070)
At 3 April 2010	**34,344**	**2,206**	**5,625**	**103,733**	**145,908**
Assets of businesses acquired (note 24)	**–**	**1**	**6**	**1,744**	**1,751**
Additions at cost	**1,881**	**120**	**584**	**11,814**	**14,399**
Disposals	**–**	**(4)**	**(11)**	**(3,051)**	**(3,066)**
Retirements	**–**	**–**	**(231)**	**(2,862)**	**(3,093)**
Reclassification of category (note 12)	**–**	**–**	**15**	**49**	**64**
Exchange adjustments	**(385)**	**(30)**	**(54)**	**(1,447)**	**(1,916)**
At 2 April 2011	**35,840**	**2,293**	**5,934**	**109,980**	**154,047**
Accumulated depreciation					
At 28 March 2009	6,951	516	3,090	66,684	77,241
Assets of businesses sold	–	(11)	–	(470)	(481)
Charge for the year	747	159	607	9,948	11,461
Disposals	–	(1)	(136)	(6,963)	(7,100)
Reclassification of category	–	91	–	(91)	–
Exchange adjustments	(225)	6	(89)	(1,691)	(1,999)
At 3 April 2010	**7,473**	**760**	**3,472**	**67,417**	**79,122**
Charge for the year	**792**	**165**	**639**	**9,927**	**11,523**
Disposals	**–**	**(1)**	**(10)**	**(2,582)**	**(2,593)**
Retirements	**–**	**–**	**(215)**	**(2,773)**	**(2,988)**
Reclassification of category (note 12)	**–**	**–**	**7**	**33**	**40**
Exchange adjustments	**(116)**	**(12)**	**(41)**	**(779)**	**(948)**
At 2 April 2011	**8,149**	**912**	**3,852**	**71,243**	**84,156**
Carrying amounts					
At 2 April 2011	**27,691**	**1,381**	**2,082**	**38,737**	**69,891**
At 3 April 2010	26,871	1,446	2,153	36,316	66,786

14 Associates

	2011 £000	2010 £000
Interests in associates		
Optomed Oy	**1,708**	–
PSRM Immobilien AG	**338**	–
Acquisition cost of investments	**2,046**	–
Exchange adjustments	**2**	–
Group's share of loss of associates	**(59)**	–
Interests in associates	**1,989**	–

14 Associates continued

	2011 £000	2010 £000
Aggregated amounts relating to associates		
Total assets	5,442	–
Total liabilities	(5,094)	–
Net assets	348	–
Group's share of net assets of associates	72	–
Total revenue	100	–
Loss	(406)	–
Group's share of loss of associates	(59)	–

Although the Group holds only 15% of the voting rights, Optomed Oy is treated as an associate because the Group is one of three investors of which two must approve certain major decisions made by the business. The Group also holds 50% of the equity of PSRM Immobilien AG (PSRM), which it acquired as part of the Medicel AG business acquisition. PSRM is treated as an associate, and not a subsidiary, because the party holding the remaining 50% is 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.

Details of the Group's associates at 2 April 2011 are as follows:

Name of associate	Country of incorporation	Proportion of ownership interest	Principal activity
Optomed Oy	Finland	15%	Design, manufacture and selling
PSRM Immobilien AG	Switzerland	50%	Property management

15 Inventories

	2011 £000	2010 £000
Raw materials and consumables	30,832	26,166
Work in progress	7,050	5,738
Finished goods and goods for resale	16,658	15,110
	54,540	47,014

The above is stated net of provision for slow-moving and obsolete stock, movements of which are shown below:

	2011 £000	2010 £000
At beginning of the year	8,602	8,616
Amounts reversed against inventories previously impaired	(917)	(700)
Write downs of inventories recognised as an expense	1,117	1,029
Exchange adjustments	44	(343)
At end of the year	8,846	8,602

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

	2011 £000	2010 £000
Trade receivables	100,184	89,597
Allowance for doubtful debts	(2,150)	(1,566)
	98,034	88,031
Other receivables	3,987	2,868
Prepayments and accrued income	8,435	7,178
	110,456	98,077

16 Trade and other receivables continued

The movement in the allowance for doubtful debts in respect of trade receivables during the year was as follows:

	2011 £000	2010 £000
At beginning of the year	**1,566**	1,457
Net impairment loss recognised	**1,163**	416
Amounts recovered against trade receivables previously written down	**(574)**	(289)
Exchange adjustments	**(5)**	(18)
At end of the year	**2,150**	1,566

An impairment has been 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.

The ageing of trade receivables was as follows:

	Gross trade receivables		Trade receivables net of doubtful debts	
	2011 £000	2010 £000	2011 £000	2010 £000
Not yet due	**74,906**	65,610	**74,628**	65,362
Up to one month overdue	**17,194**	16,420	**17,151**	16,401
Up to two months overdue	**4,030**	3,176	**3,897**	3,149
Up to three months overdue	**1,554**	843	**1,462**	811
Over three months overdue	**2,500**	3,548	**896**	2,308
	100,184	89,597	**98,034**	88,031

17 Borrowings

	2011 £000	2010 £000
Unsecured bank overdraft falling due within one year	**–**	317
Unsecured bank loans:		
Falling due within one year	**–**	–
Falling due after more than one year	**79,688**	21,924
Total borrowings	**79,688**	22,241

Information concerning the security, currency, interest rates and maturity of the Group's borrowings is given in note 26 to the accounts.

18 Trade and other payables: falling due within one year

	2011 £000	2010 £000
Trade payables	**45,118**	40,210
Other taxation and social security	**4,604**	4,641
Provision for contingent purchase consideration	**5,882**	1,082
Other payables	**2,673**	2,092
Accruals and deferred income	**27,234**	18,930
	85,511	66,955

19 Provisions

Provisions are presented as:

	2011 £000	2010 £000
Current	2,887	1,515
Non-current	1,593	1,954
	4,480	3,469

	Dilapidations and empty property £000	Product warranty £000	Legal, contractual and other £000	Total £000
At beginning of the year	1,802	1,269	398	3,469
Additional provision in the year	206	638	306	1,150
Acquired on acquisition	127	343	274	744
Utilised during the year	(112)	(47)	(274)	(433)
Released during the year	(232)	(82)	(113)	(427)
Exchange adjustments	(17)	(15)	9	(23)
At end of the year	1,774	2,106	600	4,480

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 2011 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 typically apply for a 12-month period. Any warranties longer than 12 months are not significant and the provision represents the Directors' best estimate of the Group's liability based on past experience.

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, assesses that it is more likely than not that such proceedings may be successful.

20 Trade and other payables: falling due after one year

	2011 £000	2010 £000
Provision for contingent purchase consideration	21,155	1,839
Other payables	1,693	2,715
	22,848	4,554

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 3 April 2010	12,060	(6,493)	(8,579)	2,972	1,801	(4,342)	(2,581)
(Charge)/credit to Consolidated income statement	(1,674)	1,445	907	(1,102)	(314)	(10)	(748)
(Charge)/credit to Consolidated statement of comprehensive income	(964)	–	–	77	–	–	(887)
Credit to equity	–	–	–	–	220	–	220
Acquired (note 24)	–	(9,472)	(211)	(52)	–	55	(9,680)
Exchange adjustments	–	90	–	96	–	–	186
At 2 April 2011	9,422	(14,430)	(7,883)	1,991	1,707	(4,297)	(13,490)

	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 28 March 2009	11,920	(8,807)	(8,247)	3,021	1,218	(3,455)	(4,350)
(Charge)/credit to Consolidated income statement	(1,160)	1,869	(676)	61	(366)	(878)	(1,150)
(Charge)/credit to Consolidated statement of comprehensive income	1,300	–	–	16	–	–	1,316
Credit to equity	–	–	–	–	949	–	949
Acquired	–	–	–	140	–	(277)	(137)
Exchange adjustments	–	445	344	(266)	–	268	791
At 3 April 2010	12,060	(6,493)	(8,579)	2,972	1,801	(4,342)	(2,581)

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:

	2011 £000	2010 £000
Deferred tax liability	(24,269)	(13,193)
Deferred tax asset	10,779	10,612
Net deferred tax liability	(13,490)	(2,581)

Movement in deferred tax liability:

	2011 £000	2010 £000
At beginning of year	(2,581)	(4,350)
(Charge)/credit to Consolidated income statement:		
UK	(849)	(107)
Overseas	101	(1,043)
(Charge)/credit to Consolidated statement of comprehensive income	(887)	1,316
Credit to equity	220	949
Acquired (note 24)	(9,680)	(137)
Exchange adjustments	186	791
At end of year	(13,490)	(2,581)

The UK government's budget statement in March 2011 announced a phased reduction in the main UK corporation tax rate from 28% to 23% with the first 2% reduction taking effect from 1 April 2011 being substantively enacted on 29 March 2011. This rate reduction has no material impact on the financial statements as at 2 April 2011. No account will be taken of the expected further 3% reduction in UK tax rates until substantive enactment of these changes. Until this change and other potential changes are enacted it is not possible to identify the impact these changes might have. However, for indicative purposes only, had the UK main corporate tax rate been reduced to 23% the net impact on recognised deferred tax assets and liabilities at 2 April 2011 would not have been material.

21 Deferred tax continued

No deferred tax liability is recognised on temporary differences of £16,079,000 (2010: £13,921,000) relating to the unremitted earnings of overseas subsidiaries as the Group is able to control the timings of the reversal of these temporary differences and it is probable that they will not reverse in the forseeable future. Temporary timing differences in connection with interests in associates are insignificant.

At 2 April 2011 the Group had unused capital tax losses of £808,000 (2010: £871,000) for which no deferred tax asset has been recognised.

22 Share capital

	Issued and fully paid	
	2011 £000	2010 £000
Ordinary shares of 10p each	**37,824**	37,765

The number of ordinary shares in issue at 2 April 2011 was 378,235,685 (2010: 377,654,037), including treasury shares of 1,847,368 (2010: 1,130,036).

Changes during the year in the issued ordinary share capital were as follows:

	Issued and fully paid £000
At 3 April 2010	**37,765**
Share options exercised	**59**
At 2 April 2011	**37,824**

The total consideration received in cash in respect of share options exercised amounted to £844,000.

At 2 April 2011 options in respect of 2,975,991 (2010: 4,133,788) 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 378,247,685 including treasury shares of 1,847,368.

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:

	2011			2010		
	Equity-settled £000	**Cash-settled £000**	**Total £000**	Equity-settled £000	Cash-settled £000	Total £000
Share incentive plan	**415**	**–**	**415**	337	–	337
Share option plans	**(9)**	**–**	**(9)**	(33)	–	(33)
Performance share plan	**2,169**	**208**	**2,377**	1,509	254	1,763
	2,575	**208**	**2,783**	1,813	254	2,067

The Group has recorded liabilities of £364,000 (2010: £398,000) 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.

23 Share-based payments continued

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.

Section A options are exercisable after three years if the Group's earnings per share growth exceeds the growth in the Retail Price Index plus 3% per annum. Section B options are exercisable after five years if the Company's earnings per share growth exceeds the earnings per share of all but the top quarter of companies which were within a peer group at the date of grant of any option.

All options lapse if not exercised within 10 years from the date of grant.

No further awards have been made under the Company share option plan since 3 August 2005.

Options in respect of 2,975,991 ordinary shares remained outstanding at 2 April 2011 under the 1999 Plan. Subject to the performance restrictions on the exercise of options granted under this Plan, options are exercisable for the periods and at the prices set out below:

Number of shares	Option price	Five years from	Seven years from
73,300	163.5p		2004
92,830	144.33p		2005
284,042	134.0p		2006
360,378	142.25p		2007
104,528	145.67p		2008
360,600	163.5p	2006	
509,975	144.33p	2007	
562,424	134.0p	2008	
627,914	142.25p	2009	

A summary of the movements in options issued under the share option plans is as follows:

	2011		2010	
	Number of share options	**Weighted average option price**	Number of share options	Weighted average option price
Outstanding at beginning of year	**4,133,788**	**139.90p**	6,776,695	137.98p
Exercised during the year	**(581,648)**	**145.08p**	(2,263,360)	134.28p
Lapsed during the year	**(576,149)**	**115.88p**	(379,547)	139.12p
Outstanding at end of year	**2,975,991**	**143.54p**	4,133,788	139.90p
Exercisable at end of year	**915,078**	**141.99p**	1,496,726	143.19p

The weighted average share price at the date of exercise for share options exercised during the year was 303.17p (2010: 225.03p).

The options outstanding at 2 April 2011 had exercise prices from 134.0p to 163.5p (2010: 111.0p to 163.5p) and a weighted average remaining contractual life of 2.2 years (2010: 2.6 years).

23 Share-based payments continued

Under the transitional provisions of IFRS 1 only the options awarded in 2004, 2005 and 2006 under the 1999 Plan have been recognised under IFRS 2. The fair value of these options was calculated using the Black-Scholes model using the following assumptions:

	2006	2005		2004	
Option section	A	A	B	A	B
Dividend yield	4%	4%	4%	4%	4%
Expected volatility	25%	25%	25%	25%	25%
Expected life (years)	4	4	6	4	6
Risk free rate (%)	4.1%	4.3–4.9%	4.9%	3.8%	4.0%
Option price (p)	145.67	142.25–157.92	142.25	134.00	134.00
Fair value per option (p)	24.70	25.71-27.22	29.25	22.18	25.35

The expected volatility was determined by calculating the historic volatility of the Group's share price over the previous six years.

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 lapse.

A summary of the movements in share awards granted under the performance share plan is as follows:

	2011 Number of shares awarded	2010 Number of shares awarded
Outstanding at beginning of year	**4,263,672**	3,939,960
Granted during the year	**1,338,629**	1,640,315
Vested during the year (pro-rated for 'good leavers')	**(1,076,240)**	(1,180,518)
Lapsed during the year	**(140,380)**	(136,085)
Outstanding at end of year	**4,385,681**	4,263,672
Exercisable at end of year	**–**	–

The weighted average share price at the date of awards vesting during the year was 271.4p (2010: 197.0p).

The performance shares outstanding at 2 April 2011 had a weighted average remaining contractual life of 1.4 years (2010: 1.5 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:

	2011	2010	2009
Expected volatility (%)	**27%**	27.5%	25%
Expected life (years)	**3**	3	3
Share price on date of grant (p)	**281.08**	196.90	192.75
Option price (p)	**nil**	nil	nil
Fair value per option (%)	**66.9%**	61.8%	56%
Fair value per option (p)	**188.04**	121.68	107.94

The expected volatility was determined by calculating the historic volatility of the Group's share price over the previous three years.

24 Acquisitions

The Group made seven acquisitions during the year. Below, in order, are summaries of the assets and liabilities acquired and the purchase consideration of:

A) the total of all acquisitions;

B) each of the three largest acquisitions, namely Medicel AG (including its wholly-owned subsidiary Robutec GmbH and its associate, PSRM Immobilien AG), Accudynamics LLC and Alicat Scientific, Inc; and

C) the total of the remaining four acquisitions.

(A) Total of all acquisitions

	Book value £000	Provisional fair value adjustments £000	Total £000
Non-current assets			
Intangible assets	1	44,517	44,518
Investment in associate	–	338	338
Property, plant and equipment	769	982	1,751
Current assets			
Inventories	2,490	290	2,780
Trade and other receivables	5,374	(54)	5,320
Cash and cash equivalents	2,672	–	2,672
Deferred tax*	–	119	119
Total assets	11,306	46,192	57,498
Current liabilities			
Trade and other payables	(4,218)	108	(4,110)
Provisions	(680)	(64)	(744)
Corporation tax*	(1,031)	(16)	(1,047)
Non-current liabilities			
Deferred tax*	(10)	(9,789)	(9,799)
Total liabilities	(5,939)	(9,761)	(15,700)
Net assets of businesses acquired	5,367	36,431	41,798
Cash consideration			82,063
Contingent purchase consideration (current year acquisitions)			24,596
Contingent purchase consideration (revisions to prior year estimates)			1,937
Total consideration			108,596
Goodwill arising on current year acquisitions			64,861
Goodwill arising on prior year acquisitions			1,937
Goodwill arising on acquisitions			66,798

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

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

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

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

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

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

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

24 Acquisitions continued

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

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

(B i) Medicel AG

	Book value £000	Provisional fair value adjustments £000	Total £000
Non-current assets			
Intangible assets	–	29,310	29,310
Investment in associate	–	338	338
Property, plant and equipment	–	515	515
Current assets			
Inventories	160	642	802
Trade and other receivables	2,734	172	2,906
Cash and cash equivalents	540	–	540
Total assets	3,434	30,977	34,411
Current liabilities			
Trade and other payables	(1,774)	316	(1,458)
Provisions	(634)	171	(463)
Corporation tax	(456)	–	(456)
Non-current liabilities			
Deferred tax	–	(4,562)	(4,562)
Total liabilities	(2,864)	(4,075)	(6,939)
Net assets of businesses acquired	570	26,902	27,472
Cash consideration			46,312
Contingent purchase consideration			19,416
Total consideration			65,728
Goodwill arising on acquisition			38,256

On 8 March 2011, the Group acquired 100% of the issued share capital of Medicel AG, together with its subsidiary Robutec GmbH and a 50% owned associate PSRM Immobilien AG (together known as Medicel). Medicel is based in Switzerland and is a leader in the design and manufacture of single use injector devices for lenses used in cataract surgery. Medicel forms part of the Health and Analysis sector and was acquired to extend the Group's presence in the ophthalmic surgical instrument market which is forecast to see continued growth. The excess of the fair value of the consideration paid over the fair value of the assets acquired is represented by customer-related and trademark intangibles of £24.2m and £5.1m respectively, with residual goodwill arising of £38.3m. The goodwill represents the value of the acquired workforce and the opportunity to extend Halma's capability in the medical market.

The initial consideration was CHF70,000,000 followed by contingent consideration payable on or around May 2012, May 2013 and May 2014 totalling between CHF nil and CHF30,000,000 dependent on the profits of the acquired business for each of the three years up to March 2014. The Directors estimate that the maximum earnout of CHF30,000,000 will be paid.

The Medicel acquisition contributed £576,000 of revenue and £146,000 profit after tax for the year ended 2 April 2011.

24 Acquisitions continued

(B ii) Accudynamics LLC

	Book value £000	Provisional fair value adjustments £000	Total £000
Non-current assets			
Intangible assets	–	7,160	7,160
Property, plant and equipment	711	422	1,133
Current assets			
Inventories	1,188	(127)	1,061
Trade and other receivables	1,198	45	1,243
Cash and cash equivalents	1,859	–	1,859
Total assets	4,956	7,500	12,456
Current liabilities			
Trade and other payables	(1,196)	(72)	(1,268)
Provisions	(46)	(126)	(172)
Corporation tax	(943)	(16)	(959)
Non-current liabilities			
Deferred tax	(10)	(2,773)	(2,783)
Total liabilities	(2,195)	(2,987)	(5,182)
Net assets of businesses acquired	2,761	4,513	7,274
Cash consideration			15,633
Contingent purchase consideration			4,417
Total consideration			20,050
Goodwill arising on acquisition			12,776

On 16 December 2010, the Group acquired 100% of the issued share capital of Accudynamics LLC (ADL). ADL is based in Massachusetts, USA and manufactures components primarily for the medical diagnostics system and device markets. ADL forms part of the Health and Analysis sector and was purchased for the reasons (a) to (c) below. 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 £7.2m with residual goodwill arising of £12.8m. The goodwill represents:

a) the value of the acquired workforce;

b) the ability to offer OEM customers integrated sub-assemblies incorporating components from different Halma companies; and

c) the ability to exploit the Group's existing distribution arrangements, particularly outside of North America.

The initial consideration was US$24,775,000 followed by contingent consideration payable on or around May 2011 of between US$nil and US$7,000,000 dependent on the earnings growth of the acquired business for the nine months up to March 2011. The maximum earnout of US$7,000,000 was paid in June 2011.

The ADL acquisition contributed £2,833,000 of revenue and £561,000 of profit after tax for the year ended 2 April 2011.

24 Acquisitions continued

(B iii) Alicat Scientific, Inc.

	Book value £000	Provisional fair value adjustments £000	Total £000
Non-current assets			
Intangible assets	1	6,397	6,398
Property, plant and equipment	–	74	74
Current assets			
Inventories	432	(20)	412
Trade and other receivables	784	6	790
Cash and cash equivalents	213	–	213
Corporation tax	368	–	368
Deferred tax	–	47	47
Total assets	1,798	6,504	8,302
Current liabilities			
Trade and other payables	(222)	(88)	(310)
Provisions	–	(94)	(94)
Non-current liabilities			
Deferred tax	–	(2,430)	(2,430)
Total liabilities	(222)	(2,612)	(2,834)
Net assets of businesses acquired	1,576	3,892	5,468
Cash consideration			16,447
Goodwill arising on acquisition			10,979

On 2 November 2010, the Group acquired 100% of the issued share capital of Alicat Scientific, Inc. (Alicat). Alicat is based in Arizona, USA and is a leading manufacturer of mass flow meters, mass flow controllers, laminar flow meters, volumetric flow meters, pressure meters and gauges used in life science and industrial applications requiring high precision measurement of fluid flows. Alicat forms part of the Health and Analysis sector and was acquired for the additional strength it brings to our Fluid Technology product range. The excess of the fair value of the consideration paid over the fair value of the assets acquired is represented by customer-related and trademark intangibles of £4.9m and £1.5m respectively with residual goodwill arising of £11.0m. The goodwill represents the value of the acquired workforce, cross-selling opportunities and the ability to exploit the Group's existing distribution arrangements, particularly in Asia.

The initial consideration was US$26,254,000. There are no contingent consideration payment arrangements.

The Alicat acquisition contributed £2,958,000 of revenue and £789,000 of profit after tax for the year ended 2 April 2011.

24 Acquisitions continued

(C) Remaining four acquisitions

	Book value £000	Provisional fair value adjustments £000	Total £000
Non-current assets			
Intangible assets	–	1,650	1,650
Property, plant and equipment	58	(29)	29
Current assets			
Inventories	710	(205)	505
Trade and other receivables	658	(277)	381
Cash and cash equivalents	60	–	60
Deferred tax	–	119	119
Total assets	1,486	1,258	2,744
Current liabilities			
Trade and other payables	(1,026)	(48)	(1,074)
Provisions	–	(15)	(15)
Non-current liabilities			
Deferred tax	–	(71)	(71)
Total liabilities	(1,026)	(134)	(1,160)
Net assets of businesses acquired	460	1,124	1,584
Cash consideration			3,671
Contingent purchase consideration			763
Total consideration			4,434
Goodwill arising on acquisitions			2,850

The remaining four acquisitions comprised:

On 20 May 2010, Ocean Optics, Inc., which is within the Health and Analysis sector, acquired the assets of Sandhouse Design, LLC, a designer and manufacturer of modular mid-infrared spectrometers, LEDs, light sources and other photonics products for an initial consideration of £236,000.

On 30 November 2010, Apollo (Beijing) Fire Products Company, Ltd. acquired the initial assets and registrations of Beijing Luhe Fire Fighting Equipment Ltd. (Beijing Luhe) for an initial cash consideration of £371,000, but is subject to further consideration based on net asset valuations and other conditions. Bejing Luhe is a designer and manufacturer of fire detection devices and control equipment. This acquisition further improved Apollo's access to the Chinese domestic fire market, which is within the Infrastructure Sensors sector.

On 1 March 2011, Palintest Limited acquired the assets of the Water Technology Division (provider of water and environmental testing products) of Wagtech International Limited for cash consideration of £3,033,000. The acquired business was merged with Palintest Limited, which is within the Health and Analysis sector.

On 16 March 2011, the Group acquired the issued share capital of Guromed USA, LLC (Guromed) for an initial cash consideration of £31,000, but is subject to further consideration based on net asset valuations and contingent consideration. Guromed is a distributor of diagnostic instruments. The acquired business is within the Health and Analysis sector.

The excess of the fair value of the consideration paid over the fair value of the assets acquired is represented by customer-related and trademark intangibles of £0.7m and £0.9m respectively, with residual goodwill arising of £2.9m. The goodwill represents the value of the acquired workforces, cross-selling opportunities, and the ability to exploit the Group's distribution arrangements.

Together, the above acquisitions contributed £543,000 of revenue and £7,000 of profit after tax for the year ended 2 April 2011.

The expected, minimum and maximum contingent considerations of the above acquisitions are £763,000, £nil and £1,089,000 respectively.

25 Notes to the Consolidated Cash Flow Statement

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

	2011 £000	2010 £000
Reconciliation of net cash flow to movement in net (debt)/cash		
Increase/(decrease) in cash and cash equivalents	11,872	(3,425)
Cash (inflow)/outflow from (drawdowns)/repayment of borrowings	(58,004)	58,845
Exchange adjustments	(28)	4,848
	(46,160)	60,268
Net cash/(debt) brought forward	9,082	(51,186)
Net (debt)/cash carried forward	(37,078)	9,082

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

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

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

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

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 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 17 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 £153,630,000 (2010: £130,699,000) 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.

26 Financial instruments continued

Liquidity risk
The main source of long-term funding for the Group is its unsecured revolving credit facility for £165m, which is a five-year facility to February 2013, with a small syndicate of its principal bankers.

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 £337,000 (2010: £285,000) impact on the Group's reported profit before tax; and a one per cent change in the value of the Euro relative to the Sterling would have had a £204,000 (2010: £204,000) impact on the Group's profit before tax for the year ended 2 April 2011.

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 £3,190,000 at 2 April 2011 (2010: £2,344,000). These comprised Sterling denominated deposits of £2,700,000 (2010: £1,591,000), and Euro, US Dollar and other currency deposits of £490,000 (2010: £753,000) which are placed on local money markets and earn interest at market rates. Cash balances of £39,420,000 (2010: £28,979,000) earn interest at local market rates.

The financial liabilities which are subject to interest rate fluctuations comprise bank loans, bank overdrafts and certain unsecured loans, which totalled £79,688,000 at 2 April 2011 (2010: £22,241,000). All bank loans 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.

	2011 £000	2010 £000
Analysis of interest bearing financial liabilities		
Sterling denominated bank loans	53,000	–
US Dollar denominated bank loans	–	8,081
Euro denominated bank loans	3,198	13,843
Swiss Franc denominated bank loans	23,490	–
Total bank loans	79,688	21,924
Bank overdraft	–	317
Total interest bearing financial liabilities	79,688	22,241

At 2 April 2011 it is estimated that a general increase of one percentage point in interest rates would reduce the Group's profit before tax by £478,000 (2010: £510,000).

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 includes £8,164,000 (2010: £946,000) due between one and two years, with the balance of £13,290,000 (2010: £893,000) due between two and five years. Other creditors due after more than one year include £725,000 (2010: £1,758,000) due between one and two years, £284,000 (2010: £279,000) due between two and five years, with the balance of £684,000 (2010: £678,000) due after more than five years.

26 Financial instruments continued

Borrowing facilities

The Group's principal source of long-term funding is its unsecured five-year £165 million revolving credit facility, which expires in February 2013.

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 2 April 2011 were £100,312,000 (2010: £158,762,000) of which £15,000,000 (2010: £15,686,000) mature within one year and £85,312,000 (2010: £143,076,000) between two and five years.

UK companies have cross-guaranteed £17,670,000 (2010: £20,684,000) of overdraft facilities of which £nil (2010: £169,000) was drawn.

Fair values of financial assets and financial liabilities

As at 2 April 2011 and 3 April 2010 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.

	2011		2010	
Fair value and carrying amount of financial instruments	**Carrying amount £000**	**Fair value £000**	Carrying amount £000	Fair value £000
Trade and other receivables	**102,021**	**102,021**	90,899	90,899
Trade, other payables and provisions (falling due within one year)	**(83,794)**	**(83,794)**	(63,829)	(63,829)
Trade, other payables and provisions (falling due after one year)	**(24,441)**	**(24,441)**	(6,508)	(6,508)
Cash and cash equivalents	**42,610**	**42,610**	31,323	31,323
Floating rate borrowings	**–**	**–**	(317)	(317)
Fixed rate borrowings	**(79,688)**	**(79,688)**	(21,924)	(21,924)
Derivative financial instruments (in a designated cash flow hedge)	**(475)**	**(475)**	(71)	(71)
Derivative financial instruments (not in a designated cash flow hedge)	**(56)**	**(56)**	(28)	(28)
	(43,823)	**(43,823)**	29,545	29,545

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

The fair value of the 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.

26 Financial instruments continued

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 all 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	
	2011	2010	**2011 000**	2010 000	**2011 £000**	2010 £000	**2011 £000**	2010 £000
Forward contracts not in a designated cash flow hedge								
US Dollars	**1.61**	1.55	**(5,106)**	2,342	**(3,176)**	1,516	**17**	(17)
Euros	**1.17**	1.13	**2,331**	4,653	**1,995**	4,116	**(68)**	(2)
Other currencies	**–**	–	**–**	–	**732**	233	**(5)**	(9)
					(449)	5,865	**(56)**	(28)
Forward contracts in a designated cash flow hedge								
US Dollars	**1.55**	1.64	**5,290**	4,322	**3,418**	2,643	**113**	(186)
Euros	**1.19**	1.14	**14,462**	11,288	**12,186**	9,913	**(570)**	(89)
Czech Koruna	**29.04**	29.93	**(48,300)**	(70,815)	**(1,663)**	(2,366)	**78**	121
Other currencies	**–**	–	**–**	–	**(1,424)**	(1,415)	**(96)**	83
					12,517	8,775	**(475)**	(71)
Total forward contracts								
US Dollars	**0.76**	1.60	**184**	6,664	**242**	4,159	**130**	(203)
Euros	**1.18**	1.14	**16,793**	15,940	**14,181**	14,029	**(638)**	(91)
Czech Koruna	**29.04**	29.93	**(48,300)**	(70,815)	**(1,663)**	(2,366)	**78**	121
Other currencies	**–**	–	**–**	–	**(692)**	(1,182)	**(101)**	74
					12,068	14,640	**(531)**	(99)

	2011 £000	2010 £000
Amounts recognised in the Consolidated Income Statement	**(173)**	(52)
Amounts recognised in the Consolidated Statement of Comprehensive Income and Expenditure	**(358)**	(47)
	(531)	(99)

The fair values of the forward contracts are disclosed as a £327,000 (2010: £232,000) asset and £858,000 (2010: £331,000) 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.

	2011 £000	2010 £000
Analysis of movement in hedging reserves		
Amounts removed from statement of changes in equity and included in Consolidated Income Statement during the year	**47**	–
Amounts recognised in the Consolidated Statement of Comprehensive Income and Expenditure	**(358)**	(47)
Net movement in hedging reserves in the year	**(311)**	(47)
At beginning of year	**(47)**	–
At end of year	**(358)**	(47)

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.

26 Financial instruments continued

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 Euro and US Dollar denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets		Liabilities	
	2011 £000	2010 £000	**2011 £000**	2010 £000
Euro	**66,472**	62,463	**16,308**	13,601
US Dollar	**95,572**	82,589	**23,308**	16,973

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	
	2011 £000	2010 £000	**2011 £000**	2010 £000
Profit	**3,097**	2,620	**1,871**	1,871
Other equity	**6,144**	6,951	**4,655**	13,706

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 because more of the Group's profits are earned in this currency.

27 Commitments

Capital commitments

Capital expenditure authorised and contracted at 2 April 2011 but not provided in these accounts amounts to £920,000 (2010: £740,000).

Commitments under operating leases

The Group has entered into commercial leases on properties and other equipment. The former expire between April 2011 and November 2014 and the latter between April 2011 and November 2028. 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	
	2011 £000	2010 £000	**2011 £000**	2010 £000
Within one year	**6,027**	5,303	**377**	459
Within two to five years	**14,526**	10,535	**648**	675
After five years	**4,038**	3,025	**–**	–
	24,591	18,863	**1,025**	1,134

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 have defined benefit sections with assets held in separate trustee administered funds. Both of these sections were closed to new entrants during 2002/03 and a defined contribution section was established within the Halma Group Pension Plan. Defined contribution schemes are mainly adopted in overseas subsidiaries.

Defined contribution schemes

The amount charged to the Consolidated Income Statement in respect of defined contribution schemes was £2,495,000 (2010: £2,433,000) 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 operates defined benefit schemes 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 2008 by Mr Adrian Gibbons, Fellow of the Institute of Actuaries. The present value of the defined benefit obligation, the related current service cost and past service cost were measured using the projected unit credit method. Mr Gibbons also carried out the 1 April 2009 actuarial valuation of the Apollo Pension and Life Assurance Plan on the same basis.

The projected unit credit method is an accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. The accumulated benefit obligation (ABO) is an actuarial measure of the present value for service already rendered but differs from the projected unit credit method in that it includes no assumptions for future salary increases. At the balance sheet date the gross accumulated benefit obligation was £177m.

An alternative method of valuation is 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 £268m.

	2011	2010	2009
Key assumptions used:			
Discount rate	**5.50%**	5.60%	6.40%
Expected return on scheme assets	**6.69%**	7.00%	6.80%
Expected rate of salary increases	**4.40%**	4.50%	4.45%
Future pension increases	**3.30%**	3.40%	3.20%
Inflation – RPI	**3.4%**	3.50%	3.20%
Inflation – CPI	**2.9%**	N/A	N/A

Mortality assumptions:

Investigations have been carried out within the past three years into the mortality experience of the Group's 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:

	2011 Years	2010 Years	2009 Years
Retiring today:			
Males	**22.0**	21.9	22.0
Females	**24.8**	24.7	24.9
Retiring in 20 years:			
Males	**23.9**	23.8	23.1
Females	**26.7**	26.6	25.9

28 Retirement benefits continued

The Halma Group Pension Plan baseline mortality assumption in 2011 and 2010 is derived from the SN03 tables less one year (2009: PA92 medium cohort).

The Apollo Pension and Life Assurance Plan baseline mortality assumption in 2011 is derived from the SN03 tables less one year (2010 and 2009: PA92 medium cohort tables plus one year).

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	Increase/decrease by 0.5%	Decrease/increase by 10.5%
Rate of inflation	Increase/decrease by 0.5%	Increase/decrease by 7.0%
Rate of salary growth	Increase/decrease by 0.5%	Increase/decrease by 2.6%
Rate of mortality	Increase by one year	Increase by 2.9%

Amounts recognised in income in respect of these defined benefit schemes are as follows:

	2011 £000	2010 £000
Current service cost	2,143	2,203
Interest cost	9,525	8,375
Expected return on scheme assets	(9,103)	(6,377)
	2,565	4,201

Actuarial gains and losses have been reported in the Consolidated Statement of Comprehensive Income and Expenditure.

The actual return on scheme assets was £8.2m (2010: £32.9m).

The cumulative amount of actuarial losses recognised in the Consolidated Statement of Comprehensive Income and Expenditure since the date of transition to IFRSs is £22m (2010: £23m).

The amount included in the balance sheet arising from the Group's obligations in respect of its defined benefit retirement benefit schemes is as follows:

	2011 £000	2010 £000	2009 £000
Present value of defined benefit obligations	(177,055)	(170,901)	(132,379)
Fair value of scheme assets	140,818	127,830	89,811
Deficit in scheme	(36,237)	(43,071)	(42,568)
Past service cost not yet recognised in balance sheet	–	–	–
Liability recognised in the balance sheet	(36,237)	(43,071)	(42,568)

Movements in the present value of defined benefit obligations were as follows:

	2011 £000	2010 £000
At beginning of year	(170,901)	(132,379)
Service cost	(2,143)	(2,203)
Interest cost	(9,525)	(8,375)
Actuarial gains and losses	1,799	(31,952)
Contributions from scheme members	(1,025)	(1,094)
Benefits paid	4,625	4,766
Expenses paid	–	180
Premiums paid	115	156
At end of year	(177,055)	(170,901)

28 Retirement benefits continued

Movements in the fair value of scheme assets were as follows:

	2011 £000	2010 £000
At beginning of year	127,830	89,811
Expected return on scheme assets	9,103	6,377
Actuarial gains and losses	(942)	27,308
Movement on section 75 receivable	–	(763)
Contributions from the sponsoring companies	8,542	9,105
Contributions from scheme members	1,025	1,094
Benefits paid	(4,625)	(4,766)
Expenses paid	–	(180)
Premiums paid	(115)	(156)
At end of year	140,818	127,830

The net movement on actuarial gains and losses was as follows:

	2011 £000	2010 £000
Defined benefit obligations	1,799	(31,952)
Fair value of scheme assets	(942)	27,308
Net actuarial gains/(losses)	857	(4,644)

The analysis of the scheme assets and the expected rate of return at the balance sheet date were as follows:

	Expected return			Fair value of assets		
	2011 %	2010 %	2009 %	2011 £000	2010 £000	2009 £000
Equity instruments	7.50	7.80	7.50	86,934	83,641	57,407
Debt instruments	5.20	5.20	6.00	42,419	33,604	28,880
Property	6.00	6.30	7.50	11,465	10,585	3,524
	6.69	7.00	6.80	140,818	127,830	89,811

The overall expected rate of return is a weighted average.

In July 2010, the UK government announced that CPI should be used as the basis for statutory minimum pension increases. The impact of the change to CPI (from RPI) for the UK plan, where the pension rules mandate inflation according to the deemed statutory index, was a credit to the Consolidated Statement of Comprehensive Income and Expenditure of £2.5m.

In conjunction with the trustees, the Group has recently conducted an asset-liability review for its defined benefit pension scheme. The results of this review 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 will be 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.

28 Retirement benefits continued

The five-year history of experience adjustments was as follows.

	2011 £000	2010 £000	2009 £000	2008 £000	2007 £000
Present value of defined benefit obligations	**(177,055)**	(170,901)	(132,379)	(145,992)	(145,601)
Fair value of scheme assets	**140,818**	127,830	89,811	110,035	108,341
Deficit in the scheme	**(36,237)**	(43,071)	(42,568)	(35,957)	(37,260)
Experience adjustments on scheme liabilities					
Amount	**157**	(136)	–	273	536
Percentage of scheme liabilities	**–**	–	–	–	–
Experience adjustments on scheme assets					
Amount	**(944)**	27,648	(33,696)	12,327	1,321
Percentage of scheme assets	**(1)%**	22%	(37)%	11%	1%

The estimated amounts of contributions expected to be paid to the schemes during the year ending 31 March 2012 is £8.5m.

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 19 and 25 years, respectively, for the Halma and Apollo plans.

29 Disposal of businesses

The Group did not dispose of any businesses during the year. During 2010, the Group disposed of part of its Asset Monitoring business for £520,000 with a profit on disposal of £407,000. There was an additional write down on a prior year disposal of £25,000. Due to the nature and size of these disposed operations, they were not separately disclosed as discontinued operations as defined by IFRS 5.

30 Events after the balance sheet date

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

31 Related party transactions

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

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

Independent Auditor's Report to the Members of Halma p.l.c.

We have audited the parent company financial statements of Halma p.l.c. for the 52 week period ended 2 April 2011 which comprise the parent company Balance Sheet and the related notes C1 to C12. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 auditors' 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.

Respective responsibilities of Directors and Auditors

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the parent company 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 parent company 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 (APB's) Ethical Standards for Auditors.

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 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 to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on Financial Statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the parent company's affairs as at 2 April 2011;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- 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 and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the Group financial statements of Halma p.l.c. for the 52 week period ended 2 April 2011.

Alexander Butterworth ACA (Senior Statutory Auditor)
for and on behalf of **Deloitte LLP**
Chartered Accountants and Statutory Auditor
Reading, UK
21 June 2011

Company Balance Sheet

	Notes	2 April 2011 £000	3 April 2010 £000
Fixed assets			
Tangible assets	C3	**3,925**	2,128
Investments	C4	**136,501**	90,191
		140,426	92,319
Current assets			
Debtors (amounts falling due within one year)	C5	**27,244**	23,087
Debtors (amounts falling due after more than one year)	C5	**170,417**	140,605
Short-term deposits		**2,701**	1,591
Cash at bank and in hand		**232**	12
		200,594	165,295
Creditors: amounts falling due within one year			
Borrowings	C6	**2,808**	2,334
Creditors	C7	**21,213**	25,494
Current tax payable		**5,588**	3,338
		29,609	31,166
Net current assets		**170,985**	134,129
Total assets less current liabilities		**311,411**	226,448
Creditors: amounts falling due after more than one year			
Borrowings	C6	**79,688**	21,924
Creditors	C8	**20,844**	26,538
Net assets		**210,879**	177,986
Capital and reserves			
Share capital	C10	**37,824**	37,765
Share premium account	C11	**21,744**	20,959
Treasury shares	C11	**(5,016)**	(2,581)
Capital redemption reserve	C11	**185**	185
Other reserves	C11	**94**	1,061
Profit and loss account	C11	**156,048**	120,597
Shareholders' funds	C12	**210,879**	177,986

The financial statements of Halma p.l.c., company number 40932, were approved by the Board of Directors on 21June 2011.

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 also 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 81.

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 20%

Leases

The costs of operating leases of property and other assets are charged as incurred.

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 Financial Reporting Standard 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 tax deferred 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 p.l.c. is not presented as part of these accounts. The Company has reported a profit after taxation of £68,194,000 (2010: £71,570,000).

Auditors' remuneration for audit services to the Company was £123,000 (2010: £98,000).

Total employee costs (including Directors) were:

	2011 £000	2010 £000
Wages and salaries	4,285	3,102
Social security costs	439	386
Pension costs	398	423
	5,122	3,911

	2011 Number	2010 Number
Number of employees	41	41

Details of Directors' remuneration are set out on pages 58 to 66 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 3 April 2010	1,780	1,721	3,501
Additions at cost	1,532	589	2,121
Disposals	–	(210)	(210)
At 2 April 2011	3,312	2,100	5,412
Accumulated depreciation			
At 3 April 2010	376	997	1,373
Charge for the year	36	265	301
Disposals	–	(187)	(187)
At 2 April 2011	412	1,075	1,487
Carrying amounts			
At 2 April 2011	2,900	1,025	3,925
At 3 April 2010	1,404	724	2,128

C4 Investments

Shares in Group companies

	2011 £000	2010 £000
At cost less amounts written off at beginning of year	90,191	120,317
Increase/(reduction)	46,310	(30 ,126)
At cost less amounts written off at end of year	136,501	90,191

The increase in the current year of £46,310,000 related to the Company's increased investment in one of its subsidiaries. The reduction in the prior year related to write down of investments in non-trading subsidiary companies after one company's reserves were distributed as dividends to Halma p.l.c. and three other companies' trade, assets and liabilities were transferred to fellow subsidiary companies.

Details of principal subsidiary companies are set out on pages 124 to 127. Halma p.l.c. owns 100% of the ordinary share capital of all its subsidiaries, which are incorporated in Great Britain, other than those listed below, where they principally operate. All of the companies' interests below are held by subsidiary companies.

C4 Investments continued

Name of company	Country of incorporation
Fortress Interlocks Pty Limited	Australia
Beijing Ker'Kang Instrument Limited Company	China
Hydreka S.A.S.	France
SERV Trayvou Interverrouillage S.A.S.	France
Apollo Gesellschaft für Meldetechnologie mbH	Germany
Ocean Optics Germany	Germany
Rudolf Riester GmbH	Germany
Diba Japan KK	Japan
Berson Milieutechniek B.V.	The Netherlands
Netherlocks Safety Systems B.V.	The Netherlands
Bureau D'Electronique Appliquée S.A.	Belgium
TL Jones Limited	New Zealand
E-Motive Display Pte Limited	Singapore
Medicel AG	Switzerland
Fabrication de Produits de Sécurité SaRL	Tunisia
Halma Holdings Inc.	USA
Accudynamics LLC	USA
Air Products and Controls Inc.	USA
Alicat Scientific, Inc.	USA
Aquionics Inc.	USA
B.E.A. Inc.	USA
Bio-Chem Fluidics Inc.	USA
Diba Industries, Inc.	USA
Fiberguide Industries Inc.	USA
Riester USA LLC	USA
Janus Elevator Products Inc.	USA
Labsphere, Inc.	USA
Ocean Optics, Inc.	USA
Oklahoma Safety Equipment Co. Inc.	USA
Perma Pure LLC	USA
SphereOptics Inc.	USA
Volk Optical Inc.	USA

C5 Debtors

	2011 £000	2010 £000
Amounts falling due within one year:		
Amounts due from Group companies	**24,131**	20,284
Other debtors	**8**	11
Prepayments and accrued income	**2,293**	1,987
Deferred tax asset (note C9)	**812**	805
	27,244	23,087
Amounts falling due after more than one year:		
Amounts due from Group companies	**170,417**	140,605

C6 Borrowings

	2011 £000	2010 £000
Falling due within one year:		
Overdrafts	2,808	2,334
Falling due after more than one year:		
Unsecured bank loans	79,688	21,924
Total borrowings	82,496	24,258

The facility under which the bank loans are drawn expires within two to five years (2010: within two to five years) and at 2 April 2011 £85,312,000 (2010: £143,076,000) remained committed and undrawn.

The bank overdrafts, which are unsecured, at 2 April 2011 and 3 April 2010 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 £17,670,000 (2010: £20,684,000) are cross-guaranteed. Of these facilities £598,000 (2010: £169,000) was drawn.

C7 Creditors: amounts falling due within one year

	2011 £000	2010 £000
Trade creditors	911	1,075
Amounts owing to Group companies	13,975	21,151
Other taxation and social security	1,401	1,308
Other creditors	919	694
Accruals and deferred income	4,007	1,266
	21,213	25,494

C8 Creditors: amounts falling due after more than one year

	2011 £000	2010 £000
Amounts owing to Group companies	20,451	26,158
Other creditors	393	380
	20,844	26,538
These liabilities fall due as follows:		
Within one to two years	393	309
Within two to five years	–	71
After more than five years	20,451	26,158

C9 Deferred tax

	2011 £000	2010 £000
Movement in deferred tax asset:		
At beginning of year	805	477
(Charge)/credit to profit and loss account	(141)	33
Credit to reserves	148	295
At end of year (note C5)	812	805

Deferred tax comprises short-term timing differences.

C10 Share capital

	Issued and fully paid	
	2011 £000	2010 £000
Ordinary shares of 10p each	**37,824**	37,765

The number of ordinary shares in issue at 2 April 2011 was 378,235,685 (2010: 377,654,037), including treasury shares of 1,847,368 (2010: 1,130,036). Changes during the year in the issued ordinary share capital were as follows:

	Issued and fully paid £000
At 3 April 2010	**37,765**
Share options exercised	**59**
At 2 April 2011	**37,824**

The total consideration received in cash in respect of share options exercised amounted to £844,000 (2010: £3,039,000). At the date of these accounts, the number of ordinary shares in issue was 378,247,685 (2010: 377,721,994), including treasury shares of 1,847,368 (2010: 1,523,217). 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 3 April 2010	**20,959**	**(2,581)**	**185**	**1,061**	**120,597**
Profit transferred to reserves	–	–	–	–	**68,194**
Dividends paid	–	–	–	–	**(32,891)**
Issue of shares	**785**	–	–	–	–
Movement in other reserves	–	–	–	**(967)**	–
Net movement in treasury shares	–	**(2,435)**	–	–	–
Deferred tax to equity	–	–	–	–	**148**
At 2 April 2011	**21,744**	**(5,016)**	**185**	**94**	**156,048**

The capital redemption reserve was created on 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

	2011 £000	2010 £000
At beginning of year	**177,986**	134,237
Profit after taxation	**68,194**	71,570
Dividends paid	**(32,891)**	(30,394)
Issue of shares	**844**	3,039
Net movement in treasury shares	**(2,435)**	178
Movement in other reserves	**(967)**	(939)
Deferred tax to equity	**148**	295
At end of year	**210,879**	177,986

Summary 2002 to 2011

	UK GAAP 2001/02 £000	UK GAAP 2002/03 £000
Revenue (note 2)	267,597	267,293
Overseas sales (note 2)	183,259	188,161
Profit before taxation, acquired intangibles amortisation and goodwill written off (note 3)	48,255	46,508
Net tangible assets/capital employed	117,515	86,854
Borrowings	15,047	27,667
Cash and cash equivalents	45,657	27,574
Employees (note 2)	2,859	2,793
Earnings per ordinary share (note 2)	8.58p	7.76p
Adjusted earnings per ordinary share (note 3)	9.10p	8.55p
Year on year increase/(decrease) in adjusted earnings per ordinary share	(2.6%)	(6.0%)
Return on Sales (notes 2 and 4)	18.0%	17.4%
Return on Capital Employed (note 5)	45.7%	41.7%
Year on year increase in dividends per ordinary share (paid and proposed)	15%	10%
Ordinary share price at financial year end	164p	114p
Market capitalisation at financial year end	£598.2m	£416.7m

Notes:

1. The amounts disclosed for periods up to and including 2003/04 are stated on the basis of UK GAAP, as it is not practicable to restate amounts prior to the date of transition to IFRS.
2. Continuing and discontinued operations.
3. Adjusted to remove amortisation of acquired intangible assets and, from 2010/11, acquisition costs. IFRS figures include results of discontinued operations up to the date of their sales or closure but exclude profit on sale or closure.
4. Return on Sales is defined as profit before taxation, goodwill/acquired intangible asset amortisation, acquisition costs (from 2010/11) and exceptional items expressed as a percentage of revenue.
5. Return on Capital Employed is defined in note 3 to the accounts.

UK GAAP 2003/04 £000	UK GAAP 2004/05 £000	IFRS 2004/05 £000	IFRS 2005/06 £000	IFRS 2006/07 £000	IFRS 2007/08 £000	IFRS 2008/09 £000	IFRS 2009/10 £000	**IFRS 2010/11 £000**
292,640	299,119	299,119	337,348	354,606	397,955	455,928	459,118	**518,428**
206,102	218,745	218,745	249,055	258,050	288,701	351,522	360,779	**412,297**
50,284	50,389	49,912	59,641	66,091	73,215	79,087	86,214	**104,551**
95,935	80,750	104,417	105,396	113,048	134,320	173,128	145,519	**146,964**
26,934	33,344	33,344	32,308	29,762	72,393	86,173	21,924	**79,688**
48,482	45,348	45,348	35,826	22,051	28,118	34,987	31,006	**42,610**
2,925	3,002	3,002	3,187	3,326	3,683	4,018	3,689	**3,875**
6.09p	7.97p	9.38p	11.08p	11.86p	13.49p	14.07p	16.10p	**19.23p**
9.44p	9.42p	9.45p	11.27p	12.42p	13.86p	15.30p	16.89p	**20.49p**
10.4%	(0.2%)	N/A	19.3%	10.9%	11.5%	10.4%	10.4%	**21.3%**
17.2%	16.8%	16.7%	17.7%	18.6%	18.4%	17.3%	18.8%	**20.2%**
50.5%	52.1%	48.8%	56.9%	60.1%	55.8%	47.7%	61.3%	**71.9%**
7%	5%	5%	5%	5%	5%	5%	7%	**7%**
149p	161p	161p	188p	220p	192p	156p	259p	**355p**
£546.5m	£593.8m	£593.8m	£693.4m	£821.8m	£717.7m	£583.7m	£978.1m	**£1,342.7m**

Halma Directory

Principal operating companies	Main products
Health and Analysis	
Accudynamics LLC.	Components primarily for the medical diagnostic system and device markets
Alicat Scientific, Inc.	Mass flow meters and controllers for high-precision fluid flow measurement
Aquionics Inc.	Ultraviolet light equipment for water treatment
Berson Milieutechniek B.V.	Ultraviolet light equipment for treating drinking water, waste water and water reuse applications
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
Fiberguide Industries, Inc.	Design and manufacture of optical fibre cables and assemblies
Hanovia Limited	Ultraviolet light equipment for treating water used in the manufacture of food, drinks, pharmaceuticals and electronic components
HWM-Water Limited	Instrumentation for recording data, and quantifying, detecting and controlling leakage in underground water pipelines
Hydreka S.A.S.	Equipment and software for flow analysis of water and sewerage systems and leak detection systems
Keeler Limited	Ophthalmic instruments for diagnostic assessment of eye conditions
Labsphere, Inc.	Light testing and measurement products and specialised optical coatings
Medicel AG	Instruments for ophthalmic surgery
Ocean Optics, Inc.	Miniature fibre optic spectrometers for consumer electronics, process control, environmental monitoring, life sciences and medical diagnostics
Ocean Thin Films, Inc.	Dichroic optical filters and precision optics for scientific, defence, metrology and entertainment applications
Palintest Limited	Instruments for analysing water and measuring environmental pollution
Perma Pure LLC	Gas dryers and humidifiers for fuel cell, medical, scientific and industrial use
Rudolf Riester GmbH	Diagnostic medical devices for ophthalmology, blood pressure measurement and ear, nose and throat diagnostics
Volk Optical Inc.	Ophthalmic equipment and lenses as aids to diagnosis and surgery
Volumatic Limited	Cash handling and security from point of sale to cash centre
Infrastructure Sensors	
Air Products and Controls Inc.	Duct detectors and control relays for smoke control systems
Apollo Fire Detectors Limited	Smoke and heat detectors, sounders, beacons and interfaces
Apollo Gesellschaft für Meldetechnologie mbH	Smoke and heat detectors, sounders, beacons and interfaces
Bureau D'Electronique Appliquée S.A.	Sensors for automatic doors
Fire Fighting Enterprises Limited	Beam smoke detectors and specialist fire extinguishing systems
Janus Elevator Products Inc.	Elevator safety components including fixtures, displays, door systems and emergency communications
Memco Limited	Infrared safety systems for elevator doors and elevator emergency communications
Texecom Limited	Security sensor and signalling products
TL Jones Asia Pacific Limited	Elevator infrared safety systems, emergency communications and electronic information displays for passengers

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Singapore	Chris Stoelhorst	+65 6776 4111	info@tljones.com	www.tljones.com

Principal operating companies	Main products
Industrial 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
Oklahoma Safety Equipment Co. Inc.	Pressure sensitive relief devices to protect process plant
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
Tritech International Limited	Equipment for underwater surveying, condition monitoring, ROV piloting, infrastructure maintenance, construction and security
Group	
Halma Holdings Inc.	Halma North American Head Office
Halma International Limited Shanghai Representative Office	Halma China hub
Halma Trading and Services India Pvt Ltd	Halma India hub

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Shareholder Information and Advisers

Financial calendar

2010/11 Interim results	30 November 2010
2010/11 Interim dividend paid	9 February 2011
Interim management statement	17 February 2011
2010/11 Preliminary results	21 June 2011
2010/11 Report and Accounts issued	27 June 2011
Annual General Meeting and interim management statement	28 July 2011
2010/11 Final dividend payable	24 August 2011
2011/12 Interim results	22 November 2011
2011/12 Interim dividend payable	February 2012
Interim management statement	February 2012
2011/12 Preliminary results	14 June 2012

Analysis of shareholders at 27 May 2011	Shareholders Number	%	Shares Number	%
Number of shares held				
1 – 7,500	5,219	81.6	9,729,475	2.6
7,501 – 25,000	616	9.6	8,215,558	2.2
25,001 – 100,000	304	4.8	15,364,156	4.1
100,001 – 750,000	175	2.7	51,213,681	13.5
750,001 and over	81	1.3	293,724,815	77.6
	6,395	100.0	378,247,685	100.0

Share price London Stock Exchange, pence per 10p share	**2011**	2010	2009	2008	2007
Highest	**367**	264	222	246	240
Lowest	**240**	156	143	182	172

Dividends Pence per 10p share	**2011**	2010	2009	2008	2007
Interim	**3.54**	3.31	3.15	3.00	2.85
Final	**5.56***	5.19	4.78	4.55	4.33
Total	**9.10**	8.50	7.93	7.55	7.18

* Proposed.

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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 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 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 3 August 2011.

American Depositary Receipts

The Halma p.l.c. American Depositary Receipts (ADRs) are traded on the Over The Counter market (OTC) under the symbol HLMLY. One ADR represents three Halma p.l.c. ordinary shares. JPMorgan Chase Bank, N.A. is the depositary. If you should have any queries, please contact:

JPMorgan Chase & Co, PO Box 64504, St Paul, MN 55164-0504, 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, selecting 'Electronic Shareholder Communications' and follow the registration process. 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 £15). For further information please call 0845 601 0995 and quote reference Low Co0198.

Annual General Meeting

The 117th Annual General Meeting of Halma p.l.c. will be held in the Ballroom at The Berkeley Hotel, Wilton Place, London SW1X 7RL on Thursday, 28 July 2011 at 11.30 am.

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[FSC logo to come]

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To view our Annual Report & Accounts online, please visit: www.halma.com