HALMA

PROTECTING LIFE AND IMPROVING QUALITY OF LIFE

Halma plc Annual Report and Accounts 2013

INVESTMENT PROPOSITION

Halma has an impressive record of creating sustained shareholder value through the economic cycle. We have consistently delivered record profits, high returns, strong cash flows with low levels of balance sheet gearing and have a 30+ year track record of growing dividend payments by 5% or more every year.

Our ability to achieve record profits through the recent periods of economic turbulence is derived from our strategy of having a group of businesses building strong competitive advantage in specialised safety, health and environmental technology markets with resilient growth drivers. These growth drivers, such as increasing Health and Safety regulation, mean that demand for our products is sustained, in both developed and developing regions, through periods of significant macro-economic change.

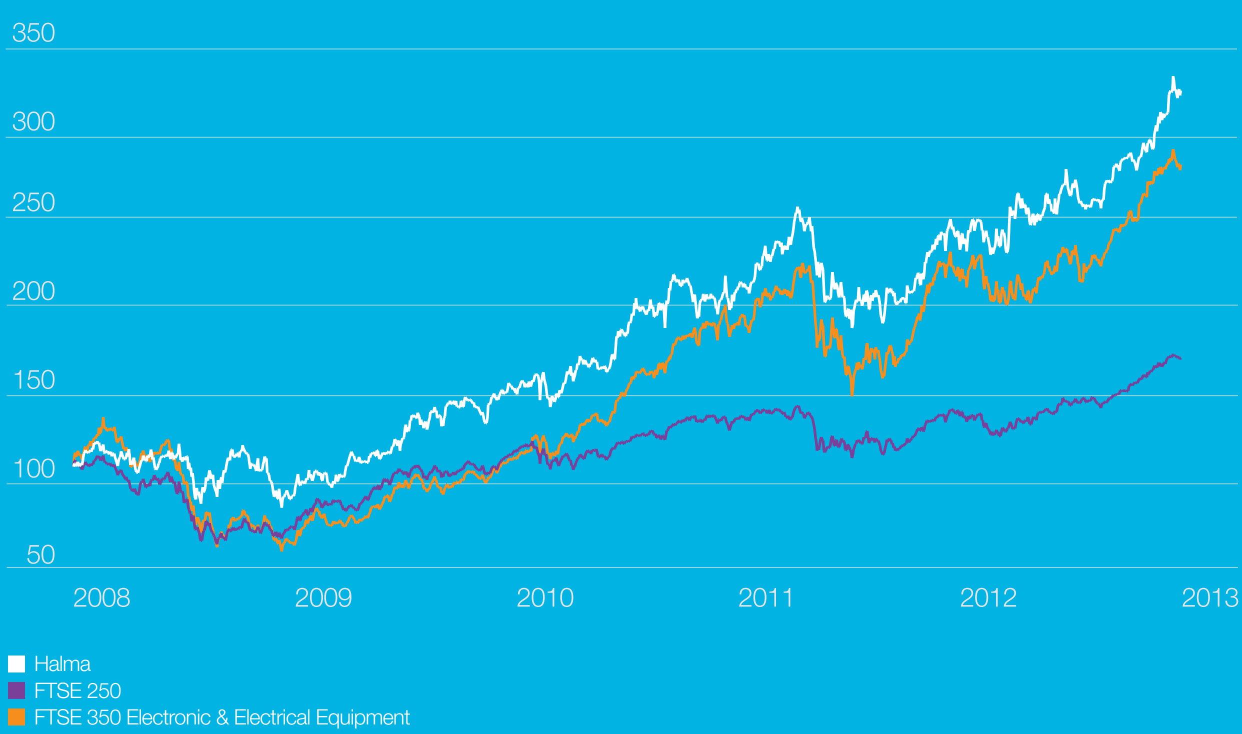
Organic growth generates the financial and business resources we need to fund acquisitions and keep increasing dividends.

We generate organic growth momentum by increasing levels of investment in people development, new product development and establishing platforms for growth in developing markets. Here, the need for improving Safety, Health and Environmental regulation is increasingly recognised by governments and demanded by the wider population.

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

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

Outperforming the market – Total Shareholder Return (five years)



OUR BUSINESS AT A GLANCE

Halma's business is about protecting life and improving quality of life for people worldwide.

We are an international manufacturing group with businesses in 23 countries and have our major operations in Europe, USA and Asia. We are highly cash generative and able to deliver world class returns on a sustainable basis.

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

Watch our introduction to Halma animated video on our website at **www.halma.com** or at: **http://goo.gl/nLxYq**

Protecting life

Sectors	**Process Safety** Products which protect assets and people at work. Specialised interlocks which safely control critical processes. Instruments which detect flammable and hazardous gases. Explosion protection devices.

Financial highlights	**£126m** Revenue	**£32m** Operating profit[1]
Primary growth drivers	• Increasing health and safety regulation • Increasing demand for life-critical resources (such as energy and water)	

Revenue by destination

- USA **31%**
- Mainland Europe **25%**
- United Kingdom **19%**
- Asia Pacific **16%**
- Other **9%**

Profit[1] by sector

- Process Safety **23%**
- Infrastructure Safety **30%**
- Medical **25%**
- Environmental & Analysis **22%**

Where we operate

1 See Note 1 to the Accounts.

Improving quality of life

Infrastructure Safety

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

£205m Revenue

£42m Operating profit[1]

- Increasing health and safety regulation

Medical

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

£136m Revenue

£36m Operating profit[1]

- Increasing demand for healthcare

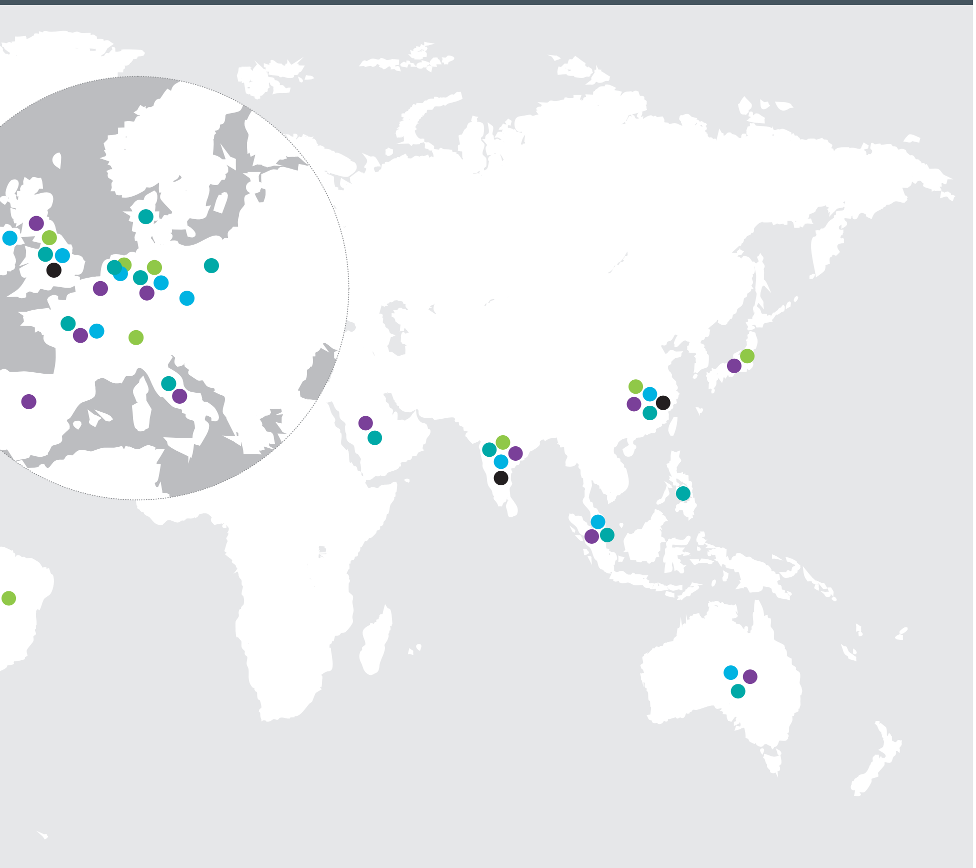
Environmental & Analysis

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

£152m Revenue

£30m Operating profit[1]

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



The map is representative of the countries in which each sector operates.

Employees by location (30 March 2013)

- USA **32%**
- Mainland Europe **16%**
- United Kingdom **34%**
- Asia Pacific **18%**
- Other **0%**

Overview

Business review

Governance

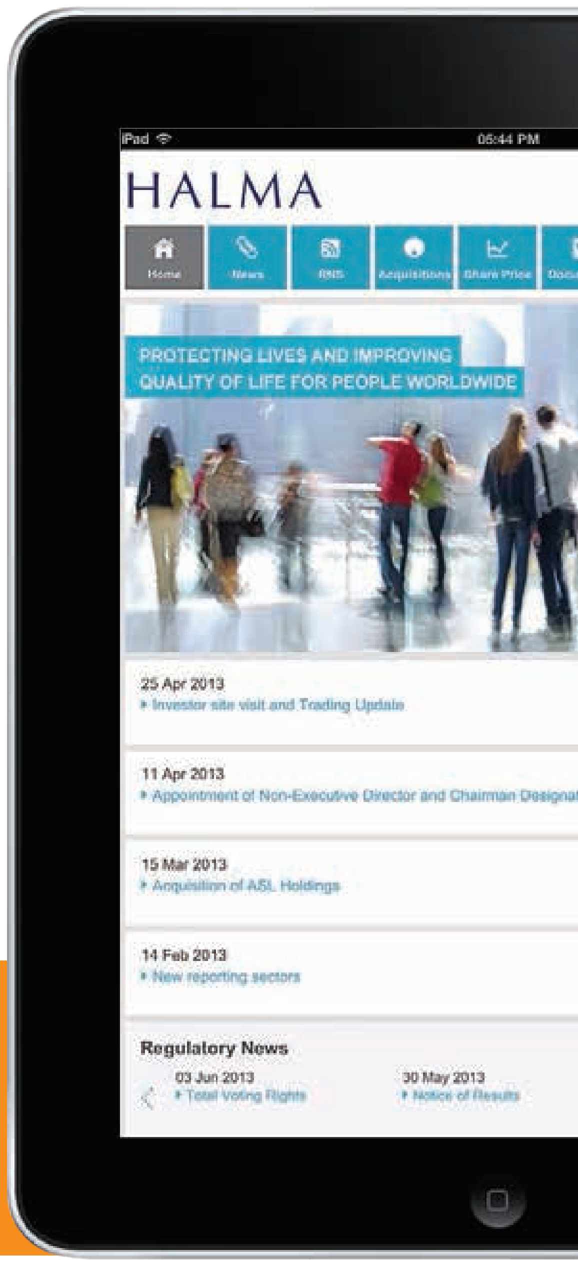
Financial statements

Download our free investor relations iPad app and you can follow Halma on the move. The app works offline so you always have our financial information at your fingertips.

Type this link into your browser to go straight to the Halma app download page on iTunes:

http://goo.gl/4W91y

or scan the QR code:

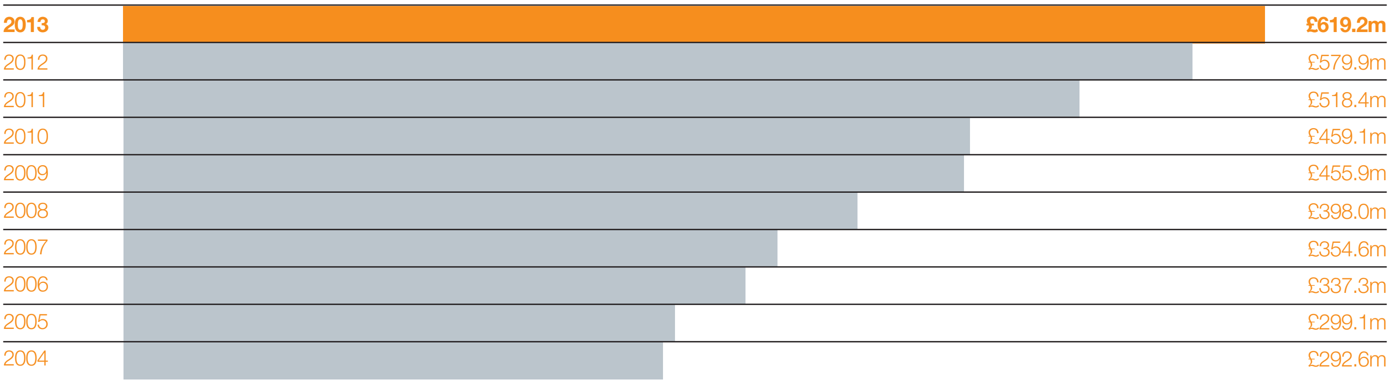


FINANCIAL HIGHLIGHTS

Revenue

£619.2m +7%

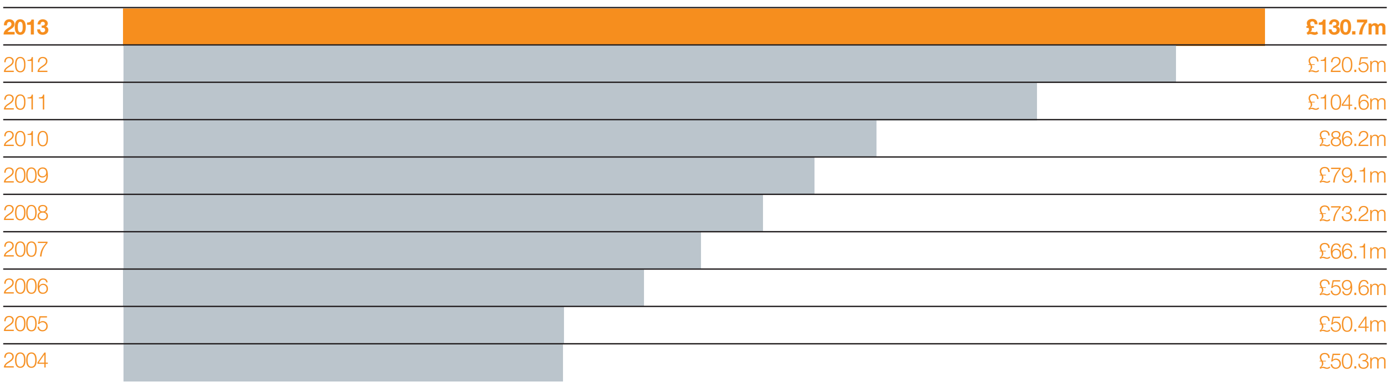
(2012: £579.9m)



Adjusted profit before taxation

£130.7m +8%

(2012: £120.5m)

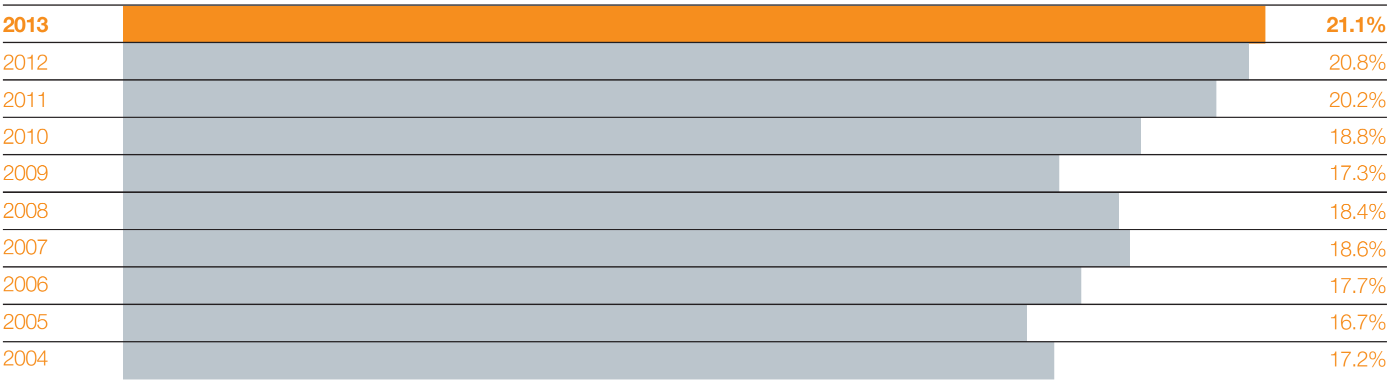


Continuing operations	2013	2012	Change
Revenue	£619.2m	£579.9m	+7%
Adjusted Profit before Taxation[1]	£130.7m	£120.5m	+8%
Statutory Profit before Taxation	£122.3m	£112.0m	+9%
Adjusted Earnings per Share[2]	26.22p	24.46p	+7%
Statutory Earnings per Share	25.22p	23.01p	+10%
Total Dividend per Share[3]	10.43p	9.74p	+7%
Return on Sales[4]	21.1%	20.8%	
Return on Total Invested Capital[5]	15.8%	16.8%	
Return on Capital Employed[5]	71.3%	74.7%	

Return on sales

21.1%

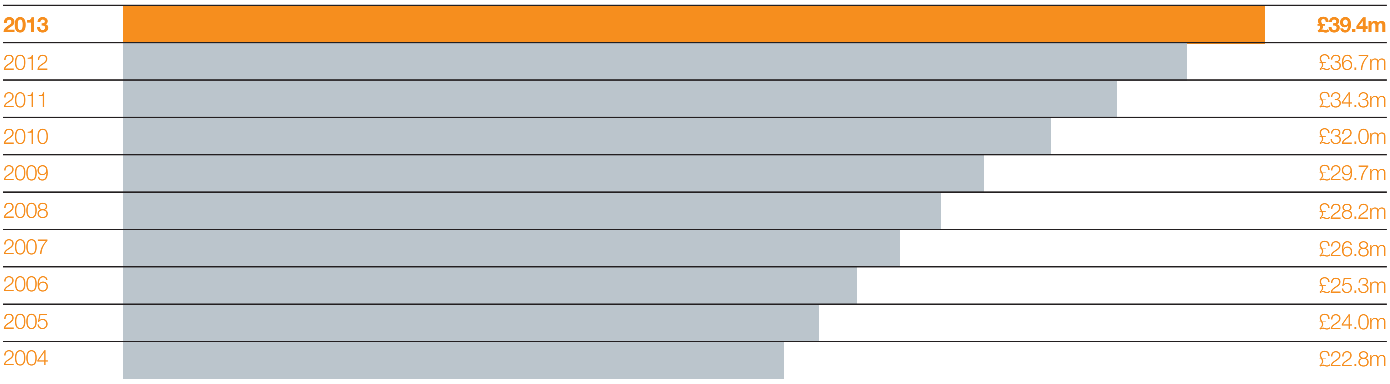
(2012: 20.8%)



Dividend paid and proposed (per share)

10.43p+7%

(2012: 9.74p)



Pro-forma information:

[1] Adjusted to remove the amortisation of acquired intangible assets, acquisition transaction costs, movement on contingent consideration and profit on disposal of operations of £8.4m (2012: £8.5m). See note 1 to the Accounts.

[2] Adjusted to remove the amortisation of acquired intangible assets, acquisition transaction costs, movement on contingent consideration, profit on disposal of operations and the associated tax. See note 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.

CHAIRMAN'S STATEMENT

"...the performance over these years is due to a truly dedicated team of people across the Group."

A glance backwards and a glimpse forwards

As previously announced, I will be stepping down from the Board immediately after the AGM on 25 July 2013. Halma has only had two Chairmen in the past 40 years, the founder, David Barber, and myself. When David stepped down in July 2003 he departed from the annual reporting format of commenting on the year's results and instead reflected on some of Halma's achievements over the years. I thought I would do the same, as the results are reported fully elsewhere in this report, save to say that 2012/13 was another record year and we are recommending a dividend increase of 7%, the 34th year of increases of 5% or more.

"Welcome to Halma Mr Unwin"

My first AGM was in July 2003 and what immediately struck me was the number of private shareholders who were there – all passionate Halma followers. One gentleman came up to me and said, "I have been a loyal shareholder for many years and thanks to the progressive dividends from Halma, have been able to educate my children. So thank you, welcome to Halma Mr Unwin". He then fixed me with a look that said "and don't mess it up" (it may have been stronger!). It then really struck home what a privileged and onerous responsibility I had taken on.

Glancing back

So what has changed over the ten years?

Firstly, what has not changed is the fundamental business model: our companies operate in niche markets where demand is underpinned by strong growth drivers. They produce high returns on sales and capital, and those returns go to pay taxes, dividends and re-investment in the business, including buying more companies with similar characteristics. All this is embraced by strong reporting and controls.

One significant change was the appointment of Andrew Williams as CEO in February 2005, only the third CEO in Halma's history. Andrew provides clear, calm, insightful leadership and the Group's performance under his tenure speaks for itself. He is a pleasure to work with.

Our strategy has been sharpened, and the framework under which we operate more clearly defined (detailed in this Annual Report).

Delegation and strong autonomy has been re-enforced at the subsidiary company level. Our Managing Directors have huge freedom to operate and to innovate in response to what their customers are telling them. This freedom also generates high job satisfaction.

The necessary financial and management resources have been put in place to support our strategy. Two examples illustrate this.

- Acquisitions: our Divisional Chief Executives (DCEs) are tasked with identifying suitable acquisitions. The pressure on their time was such that we found we were not seeing sufficient opportunities and when we decided 'to put money to work' we could not always reach our goals. So, we strengthened our acquisition sourcing efforts with a few highly experienced executives to support the DCEs. Our recent acquisition history illustrates that this is working effectively but, there will continue to be times when we decide that the economic climate or prices are not favourable and therefore we will stand aside for a while.
- Geographic expansion: we recognised that we were underweight in the faster growing economies and unless addressed, our growth would suffer. The problem was how to make it easier for our companies to enter those markets? Our solution was to create hubs in China and India (with other sector-based hubs now following) staffed by people with the remit to do whatever was necessary to make it easier for our companies to start operating there. One can see a logical progression of our business in, say, China. We start with a hub, then increase local sales through our regional offices, then local product assembly, then local R&D. As a result more MDs are resident in the region and finally we start to acquire companies, e.g. Longer Pump acquired this year in China. In 2003 under 10% of our business came from Asia Pacific, this year it is over 16% and in China our headcount has moved from 70 to 770. We have made a significant investment and the foundations are strong for growth in the future.

Incentives. At the beginning of the period, bonuses were rarely achieved and options were under-water. We refreshed the total remuneration framework based around Economic Value Added (EVA) together with introducing new long-term incentives all aligned with our strategy and adding shareholder value. Shareholders can see very clearly that in very good years bonuses will hit their maximum and in poor years may well be zero. They correlate. No surprises there, they are based on EVA. It was also flattering to hear that one of our major shareholders cites the Halma remuneration scheme as a model for others!

Much emphasis has also been placed on the quality of our company boards, particularly against the ever-increasing demands of global markets. Formal management training has been introduced tailored to our needs. This started with the Halma Executive Development Programme and now runs right through to our own graduate development programme. This has also encouraged our companies to develop training programmes of their own.

We have taken steps on gender diversity at the Board level, although at the company level it is much more difficult unless more female talent is encouraged throughout our operations. Pleasingly, in 2013, the majority of our graduate programme recruits are female.

A number of promotions have come from within so that people can see career opportunities across the Group – not just their own company.

There has been a major shift in sharing and co-operation, helped by our training programmes and using technology (intranets and social media) to enable it. We introduced a Halma Innovation and Technology Exposition four years ago, which is now held every two years to enable all the companies to share their innovation and technology with other Halma companies. This event has become more and more powerful and effective; there is a palpable buzz in the air.

In the period since March 2003 we have increased our dividend per share by 79% declaring £300m of dividends for shareholders. Halma's market capitalisation has increased nearly five-fold and we have become one of the top 150 companies on the London Stock Exchange.

A glimpse forwards

- The basic model is sound and our strategy, which is kept under challenging review, will evolve, just as it has done over the years.
- More and more of our subsidiary boards will have to deal with the challenge of moving from domestic, single continent operations to global, multi-continent operations. As we know, this is not a trivial matter and the model that works best for each company will largely be dictated by the structure of their customers.
- To compete we have to have the best teams, so training, development and talent spotting will continue to increase in importance.
- 2016 or thereabouts will be a key year; the year when China is forecast to overtake the USA as the world's biggest economy (according to the OECD after accounting for price differences). This will have a profound effect. For Halma, it means that the centre of gravity of R&D will change, and that's only three years ahead!
- These changes will test our structures, but I know Halma will rise to these challenges.
- Progress up the FTSE also brings new pressures. More and more people will be aware of Halma.
- Finally, for sure, the pace of business and innovation will not get any slower. I used to say in a previous life, that what used to take us nine months to achieve would shortly be required in nine weeks and then, who knows, nine days!

I hope this gives some insight into the way Halma has evolved over the last ten years and gives a glimpse to the future.

What is certain is that these changes, and the performance over these years is due to a truly dedicated team of people across the Group. It is their focus on our customers and the markets they serve that make the difference. To everyone in Halma, I say a sincere thank you for all that you have achieved, you have made my role a pleasure.

I should also like to thank my predecessor, David Barber, for making my induction into the Company he founded so smooth; to all my colleagues on the Board, they have been terrific, both challenging and supportive as needed.

Finally, in Paul Walker, we have a highly successful international businessman with the relevant experience and the right personal attributes to chair Halma to even greater heights. I look forward to you welcoming him at the AGM.

It has been a privilege.

Geoff Unwin
Chairman

Process safety
We make products which protect assets and people at work.

20%
of Group revenue

PROTECTING LIFE

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

33%
of Group revenue

Medical
We make products used to improve personal and public health.

22%
of Group revenue

IMPROVING QUALITY OF LIFE

Environmental & Analysis
We make products and technologies for analysis in safety, life sciences and environmental markets.

25%
of Group revenue

STRATEGIC REVIEW

"Halma made good progress during the year delivering a strong trading performance, significant M&A activity and further increases in investment in geographic expansion, innovation and people development."

How we run our business

Business model
What is Halma's growth objective?

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

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

Read more p20

Strategy
How do we grow?

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

We place our operational resources close to our customers through autonomous locally managed businesses.

We reinvest cash into acquiring high performance businesses in, or close to, our existing markets.

Read more p20

Key Performance Indicators (KPIs):

Financial

Strategic focus

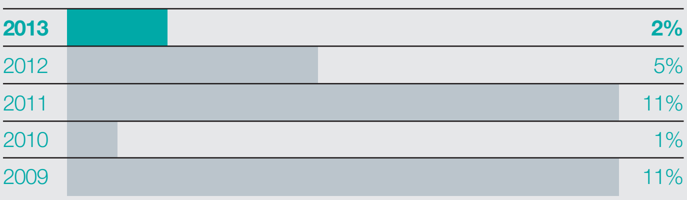
Through strategic investment in people development, international expansion and innovation we aim to achieve organic growth in excess of our blended market growth rate of 5%.

Organic revenue growth

2%
Performance

>5%
Target

Organic revenue growth



KPI definition

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

Comment

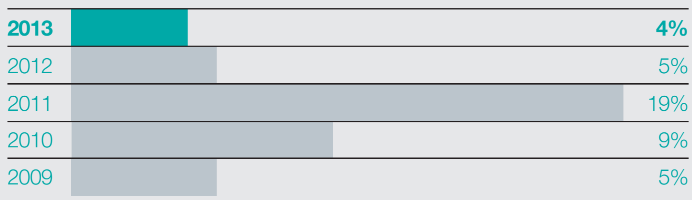
Organic growth in revenue but below our minimum target. At constant currency organic revenue growth of 3% was achieved. Over the last five years our average rate of annual organic revenue growth has been 6% p.a. which is 1% in excess of our minimum target.

Organic profit growth

4%
Performance

>5%
Target

Organic profit growth



KPI definition

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

Comment

Organic profit growth achieved with a strong performance in the Medical and Process Safety sectors. Organic profit growth at constant currency was 5%. Over the last five years our average rate of annual organic profit growth has been 8% p.a.

2014 target

The Board has established a long-term minimum organic growth target of 5% p.a. representing the blended long-term average growth rate of our markets. This target remains appropriate given the Group's 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 must maintain its focus on investment in innovation, people development and geographic expansion in order to ensure the momentum developed over recent years is continued.

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

See also

- Chief Executive's Strategic Review p10
- Financial Review p46
- Principal Risks and Uncertainties p53
- Note 3 to the Accounts p101

Financial

Strategic focus

The safety, health and environmental markets in Asia and other developing regions are evolving quickly 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

25%
Performance

30% (by 2015)
Target

Revenue outside the UK, USA and Mainland Europe

2013	**25%**
2012	24%
2011	24%
2010	21%
2009	22%

KPI definition

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

Comment

Revenue outside the UK, USA and Mainland Europe increased to 25.4% of the Group total (2012: 23.8%) with revenue from Asia Pacific up by 15%. Revenue from China grew by 25% to £37m which is now 5.6 times the level in 2006 when we established our first Halma hubs.

2014 target

Our aim is for revenue outside the UK, USA and Mainland Europe to be 30% of the Group total by 2015. Halma corporate hubs were established in China and India to assist companies in setting up local operations. More operating companies have established a presence in South America during 2012/13 and this trend should deliver benefits in 2013/14 and beyond.

See also

- Chief Executive's Strategic Review p10
- Financial Review p46
- Note 1 to the Accounts p98

Financial

Strategic focus

We choose to operate in markets which are capable of delivering high returns. The ability to sustain these returns is a result of maintaining strong market and product positions together with excellent management of our operations and assets.

Return on Sales

21.1%
Performance

>18%
Target

Return on Sales

2013	**21.1%**
2012	20.8%
2011	20.2%
2010	18.8%
2009	17.3%

KPI definition

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

Comment

High returns achieved representing a further improvement in performance against the previous year. The increased rate of profitability of three of our four sectors drove this result.

2014 target

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

See also

- Chief Executive's Strategic Review p10
- Financial Review p46
- Note 3 to the Accounts p101

Key Performance Indicators (KPIs):

Financial

Strategic focus
We choose to operate in markets which are capable of delivering high returns. The ability to sustain these returns is a result of maintaining strong market and product positions together with excellent management of our operations and assets.

ROTIC (Return on Total Invested Capital)

15.8%
Performance

>12%
Target

ROTIC

2013	**15.8%**
2012	16.8%
2011	15.5%
2010	13.6%
2009	13.1%

KPI definition
ROTIC is defined as the post-tax return from continuing operations before amortisation of acquired intangible assets, acquisition transaction costs, movement on contingent consideration and profit on disposal of operations, as a percentage of adjusted shareholders' funds.

Comment
Consistently high returns are in excess of our long-term Weighted Average Cost of Capital (WACC) of 8.4% (2012: 8.0%).

Earnings increased but not as fast as our asset base with a high level of retained earnings despite the increased dividend.

2014 target
The target of 12% was set in 2005 when the Group's ROTIC was 12.1% and WACC was 7.9%. A range of 12% to 17% is considered representative of the Board's expectations over the long term.

See also

- Chief Executive's Strategic Review p10
- Financial Review p46
- Note 3 to the Accounts p101

ROCE (Return on Capital Employed)

71.3%
Performance

>45%
Target

ROCE

2013	**71%**
2012	75%
2011	72%
2010	61%
2009	48%

KPI definition
ROCE is defined as the operating profit from continuing operations before amortisation of acquired intangible assets, acquisition transaction costs, movement on contingent consideration and profit on disposal of operations, as a percentage of capital employed.

Comment
Very high returns maintained above the target level. Growth achieved with increased investment in operating assets and a continual drive to sustain high levels of efficiency in our operations, and acquire high ROCE businesses.

2014 target
The target of >45% is set in order to ensure the efficient generation of cash at all levels to fund our target level of organic growth, acquisitions and dividend growth without Halma becoming a highly-leveraged group.

See also

- Chief Executive's Strategic Review p10
- Financial Review p46
- Note 3 to the Accounts p101

Financial

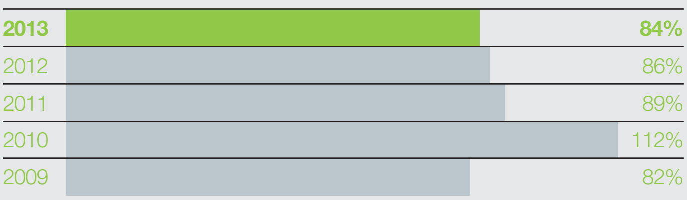
Strategic focus
Generating sufficiently high levels of cash provides the Group with freedom to pursue its strategic goals of organic growth, acquisitions and progressive dividends without becoming highly-leveraged.

Cash generation

84%
Performance

>85%
Target

Operating cash to profit



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

Comment
Cash generation of 84% (2012: 86%) is very close to the 85% target in the current year with good cash performances across the Group but work to do in maintaining appropriate debtor and inventory levels.

The methodology used to calculate this KPI has been revised from the prior period as part of the Group's continuous appraisal of its financial reporting, to ensure comparability with industry best practice, and to give the most useful measure of the Group's cash performance.

The main change to the method of calculation is to include capital expenditure as an operating cash flow whereas previously the KPI followed the accounting treatment, which includes this expenditure as a cash flow from investing activities.

2014 target
The goal of Group cash inflow exceeding 85% of profit is a metric that has relevance at all levels of the organisation and aligns management action with Group needs. We will ensure that strong internal cash flow and availability of external funding underpin our strategic goals of organic growth, acquisitions and progressive dividends.

See also

- Chief Executive's Strategic Review p10
- Financial Review p46
- Note 3 to the Accounts p101

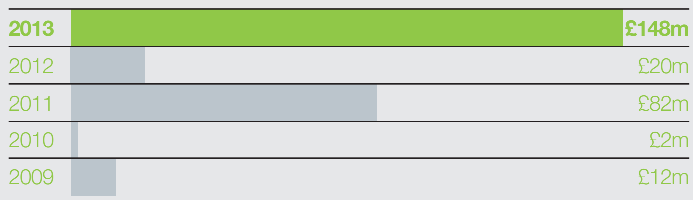
Financial

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

Acquisition spend

£148m
Performance

Acquisitions £m spent



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

Comment
We succeeded in buying six excellent companies during the year. We have substantial financial capacity and facilities in place to finance more value-enhancing acquisitions.

2014 target
2013 ended with sufficient financial capacity to finance further acquisitions, and one additional business has been acquired early in the new year. Acquisition targets must meet our demanding criteria.

We have a strong pipeline of opportunities and have added further resources to our search activities.

See also

- Chief Executive's Strategic Review p10
- Financial Review p46
- Principal Risks and Uncertainties p53

Key Performance Indicators (KPIs):

Financial

Strategic focus

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

R&D investment

5.0%
Performance

>4%
Target

R&D as a % of revenue

Year	R&D as a % of revenue
2013	5.0%
2012	4.7%
2011	5.0%
2010	4.7%
2009	5.0%

KPI definition

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

Comment

Total spend in the year was £31.1m (2012: £27.4m) exceeding the 4% of revenue target. All four sectors increased both the amount of R&D expenditure as well as the R&D percentage of sector revenue.

2014 target

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.

See also

- Chief Executive's Strategic Review p10
- Corporate Responsibility p56

Non-financial

Strategic focus

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

Development programmes

56%
Performance

>50%
Target

Management development

Year	Management development
2013	56%
2012	54%
2011	71%
2010	67%
2009	55%

KPI definition

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

Comment

Recognising the vital role that our people play in delivering organic growth, our training courses have been designed to enhance the skills of the next generation of directors, managers and innovators. With the introduction of HCAT's participation into the metric in 2012, the reported performance reduced but has increased in 2013 and our target has been achieved once again.

2014 target

The introduction of the Halma Graduate Development Programme in 2012 with its second intake later in 2013 is an important expansion of the Group's development programmes and is targeted to bring further new talent into the Group.

See also

- Chief Executive's Strategic Review p10
- Corporate Responsibility p56

Non-financial

Strategic focus
Halma conducts an annual survey of its employees to assess how well the Group's values are aligned with its employees' current experiences and future aspirations.

Values alignment

5
Performance

≥5
Target

Values alignment (out of 10)

2012	**5**
2011	6
2010	5
2009	5
2008	6

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

Comment
The survey invitation was extended to a greater number of Group employees this year, so achieving five matching values is an excellent result.

2014 target
The minimum target of five matching values remains relevant; the goal for 2014 will be to improve the Group's communication of its values and to maintain a high rate of employee participation in the survey.

See also

- Chief Executive's Strategic Review p10
- Corporate Responsibility p56

Non-financial

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

CO_2 emission reduction

10% reduction since 2010
Performance

>10% reduction over 3 years to 2013
Target

CO_2 emissions (tonnes/£m of revenue)

2013	**42**
2012	43
2011	46
2010	47
2009	44

KPI definition
The percentage change in the Group CO_2 emissions from electricity, oil, gas, vehicle business mileage and air miles travel.

Comment
The Group's efforts to minimise its carbon footprint have ensured that CO_2 emissions related to our businesses are reviewed and controlled with businesses being held accountable for achieving their targets. We will need to make further efforts to achieve another 10% relative reduction in emissions over the three years to 2016 and believe that our Group Carbon Policy increases the focus on the CO_2 emissions.

2014 target
The importance of managing our operations to target a 10% relative reduction in CO_2 emissions over a three-year period to 2016 is a metric endorsed by the Board.

See also

- Chief Executive's Strategic Review p10
- Corporate Responsibility p56

2014 STRATEGIC PRIORITIES

1

Innovation

In early May 2013, we held our third HITE event in Florida, USA which included a two-day Halma ‘trade-show’ where all the Group’s companies showcased their innovation and technologies to one another. HITE is a catalyst for collaboration between our businesses and is a visible example of how Halma’s culture has changed, and continues to evolve. Collaboration and learning from each other is increasing the rate of innovation and, consequently, building competitive advantage in our chosen markets. We anticipate that our M&A activity will continue to support increased R&D investment.

2

People Development

Subsidiary company strategic objectives, annual performance goals and management incentives are aligned with Halma’s and are underpinned with a relentless commitment to attract and develop high quality talent. We will continue to invest in our HEDP, HMDP and HCAT programmes as well as the new HGDP. Through HGDP, we aim to increase the depth of talent coming through our management ranks and also expect it to contribute to an increase in management diversity in the medium term.

3

International Expansion

We choose to operate in niches within markets with robust, long-term growth drivers on a global scale. This gives our businesses the opportunity to sustain growth in all regions of the world. Our strategic objective is for at least 30% of revenue to come from outside the UK, Mainland Europe and the USA by 2015.

4

Portfolio Management

We actively manage our business portfolio through acquiring in (or adjacent to) our existing markets, merging companies as market needs change and selling businesses where we do not see the medium-term prospects for sustaining high returns or growth.

We are continuing to add new opportunities to our acquisition pipeline process in all four of our new reporting sectors. Although the past year has been productive, we are working to both integrate these newly acquired businesses and progress further opportunities into the later stages of our acquisition process. We remain confident in our ability to find and acquire high quality businesses within our chosen markets over the medium term.

Halma made good progress during the year delivering a strong trading performance, significant M&A activity and further increases in investment in geographic expansion, innovation and people development. Our four new reporting sectors, announced earlier this year, are clearly aligned with our long-term market growth drivers yet offer the potential for Halma to enter new, adjacent market niches within each sector. Halma's record of sustaining short-term financial success while investing to develop opportunities for the longer term gives us confidence for the future.

Record revenue and profit for the tenth consecutive year

Full year revenue increased by 7% to £619.2m (2012: £579.9m). Organic growth was 2% and 3% at constant currency. Full year adjusted[1] profit increased by 8% to £130.7m (2012: £120.5m) with organic growth of 4% which was 5% at constant currency.

Excluding businesses sold during the current and prior years, revenue grew by 9% and profit was up by 10%.

We maintained steady growth momentum throughout the year. Order intake in the second half remained slightly ahead of revenue enabling us to make a positive start to the 2013/14 financial year.

Excellent returns and cash generation

We continued to achieve high returns with Return on Sales improving further to 21.1% (2012: 20.8%). Return on Capital Employed at the operating level remained high at 71.3% (2012: 74.7%) while our post-tax Return on Total Invested Capital was 15.8% (2012: 16.8%).

Cash generation was in line with expectations and we ended the period with net debt of £110m (2012: £19m) having spent £148m (2012: £20m) on acquisitions, £15.5m on capital expenditure (2012: £16.5m) and paid out £37.8m and £25.5m on dividends and tax respectively.

Strong growth in Asia, steady progress in USA and Europe

The relative trading patterns across the major global regions were consistent through the year. Growth from Asia Pacific of 15% was strong, with revenue exceeding £100m for the first time (2012: £87m). In aggregate, revenue from outside our traditional 'home' markets of the UK, Mainland Europe and USA grew by 14% to £157m (2012: £138m), now representing 25% of the Group and maintaining progress towards our target of 30% by 2015.

In total, revenue from the UK, Mainland Europe and USA increased by 5%. Revenue from the USA increased 20% to £195m (2012: £162m) boosted by recent acquisitions and organic growth (constant currency) of 4%. Trading conditions were tougher in the UK and Mainland Europe. In the UK, revenue decreased by 8% to £116m (2012: £126m) although excluding the impact of disposals, the organic decline at constant currency was only 3%. Revenue from Mainland Europe was 2% lower at £152m (2012: £154m) although, here again, the organic decline in constant currency terms was lower, at just 0.5%.

"Our four new reporting sectors... are clearly aligned with our long-term market growth drivers yet offer the potential for Halma to enter new, adjacent market niches within each sector."

New reporting sectors

For the first time Halma's results are reported under four sectors which are clearly aligned with our core markets of safety, health and environmental. Full details of the background to this change were released in our announcement on 14 February 2013 and can be seen on our website www.halma.com.

Process Safety performed strongly with revenue up by 3% to £125.7m (2012: £122.2m) and profit[2] increasing by 11% to £32.3m (2012: £29.2m). Excluding the contribution of Tritech, which was sold in August 2012, continuing operations revenue grew by 10% and profit by 16%. Organic revenue growth at constant currency was 10% with continued strong demand from energy and resources markets. Together with process industries these markets contribute around 60% of sector revenue and benefit from increasing Health and Safety regulation.

Return on Sales increased from 23.9% to 25.7% through a combination of strong revenue growth and gross margins supported by continuous improvement in new product innovation.

Organic revenue growth at constant currency for markets outside the UK, Mainland Europe and USA was an impressive 29% resulting in these fast developing markets now representing 28% of the sector. Encouragingly, the performance in our traditional 'home' markets was robust with mid-single digit organic revenue growth at constant currency in Mainland Europe and USA and flat UK organic growth.

Infrastructure Safety delivered another solid year. Revenue increased 1% to £205.3m (2012: £204.3m) and profit[2] grew by 7% to £41.8m (2012: £39.1m). Return on Sales improved from 19.1% to 20.3% with a significant factor being the improved profitability following the reorganisation of our companies selling elevator products. Organic revenue growth at constant currency was 1% which, following a flat first half, reflected a slight improvement during the second half. This resilience in demand comes from our focus on safety-critical product niches for regulated non-residential applications. Approximately two-thirds of sector revenue is installed in existing infrastructure rather than new construction.

New product introductions and increased investment in sales resources contributed to strong growth in the USA where organic revenue growth (constant currency) was 18%. Elsewhere we saw modest rates of growth in the UK and Asia Pacific while, unsurprisingly, almost every business in this sector experienced difficult conditions in Mainland Europe, resulting in organic revenue decline there of 8%.

Medical had an outstanding year, increasing revenue by 36% to £136.1m (2012: £100.4m) and profit[2] by 37% to £35.9m (2012: £26.3m). Return on Sales increased further from 26.2% to 26.4%. The underlying organic revenue growth (constant currency) was 12%. As expected, slowly improving demand for fluid control components from major medical OEM customers, steady growth in ophthalmology markets and our increased product innovation were the significant contributory factors to this excellent result.

Our strategic focus on small medical devices and components rather than high value capital equipment, enabled us to mitigate the negative impact from government austerity spending cuts in certain markets. The fundamental market drivers of an ageing population in the West and a growing and wealthier population in the East, give us continued confidence for the future.

Both the USA and Mainland Europe performed well with organic revenue growth (constant currency) of 12% and 17% respectively, whilst the UK saw organic revenue decline of 3%. Revenue from outside these three major territories increased organically by 12%, to now represent 25% of the sector. Our real exposure to these faster growing markets is greater, as a sizeable proportion of our revenue from the USA and Mainland Europe is to global OEMs who subsequently export their finished systems to other global regions.

Environmental & Analysis had a relatively disappointing year as revenue declined by 1% to £152.4m (2012: £153.4m) and profit[2] reduced by 4% to £30.4m (2012: £31.6m). Return on Sales was 19.9% (2012: 20.6%). Organic revenue at constant currency was down 6%. Reduced government research spending in the USA and lower investment by water utilities in the UK were the two major adverse market factors.

These market factors are clearly reflected in the regional trends with organic revenue (constant currency) declines of 14% in the UK and 10% in the USA. Organic revenue from Mainland Europe fell by 4%. Our companies continue to invest in growth in markets outside the UK, Mainland Europe and USA with revenue from these developing markets being 27% of the total sector, contributing organic growth of 6%.

Despite the challenges faced by Environmental & Analysis in the past year, we are confident that the management and organisational changes currently being made will improve performance in the future. These include simplifying global sales channels and manufacturing operations together with increasing senior management resources to focus on accelerating growth in Asia and from recent new technology innovation. It is expected that the total cost of this reorganisation will be around £1m in 2013/14.

Six acquisitions and one disposal completed

During the year we spent £136.8m (2012: £13.3m) on acquisitions plus £15.8m (2012: £5.4m) contingent consideration on acquisitions made in previous years but excluding £4.6m (2012: (£1.1m)) of net cash/(debt) acquired.

We acquired Accutome, Sensorex and SunTech Medical Group in the first quarter of the financial year for a total initial consideration of US$108.6m (£68.7m). Full details of these transactions were included in our Annual Report and Accounts 2012. Since acquisition, these companies have continued to trade in line with our expectations with the vendors of SunTech receiving an earn-out payment of US$6m and Accutome's vendors expected to receive an estimated earn-out of US$5m for profit growth since joining Halma.

In December 2012, we acquired MicroSurgical Technologies (MST) for US$57.4m (£35.5m) plus an earn-out of up to US$43m (£26.6m) based on future profit growth. Based in Redmond, Washington, USA, the company designs and manufactures ophthalmic surgical products with a focus on single-use devices used in cataract surgery. MST's results are reported as part of Halma's Medical sector.

In January 2013, we acquired Baoding Longer Precision Pump Co (Longer Pump) for RMB242m (£24.3m). Longer Pump designs and manufactures its own range of precision pumps which are used in medical, laboratory and industrial applications, and is also part of Halma's Medical sector. The business is based in Baoding, close to Beijing and is Halma's largest ever stand-alone acquisition in China.

In March 2013, we acquired ASL Holdings for £6.4m and contingent consideration of up to £3.5m based on growth over the next two years. ASL designs and manufactures remote data monitoring solutions for a range of markets including utilities. It has become part of HWM-Water which is a global leader in datalogging and leak detection products for the water industry within Halma's Environmental & Analysis sector.

Following the year end, in April 2013, we acquired a small technology bolt-on for one of our Infrastructure Safety businesses, Fire Fighting Enterprises (FFE). Talentum, based in Oldham, UK was acquired for £2.6m and adds new flame detection products to FFE's existing range of fire optical beam smoke detectors.

We made one disposal during the year. In August 2012, we sold our single Asset Monitoring business, Tritech International, for £22m to Moog Components Group (Moog). We concluded that, despite the attractive aspects of Tritech's end markets, we could create greater shareholder value by reallocating resources to other Halma sector niches and that Moog's presence in the marine energy markets would enable Tritech to make stronger progress under their ownership. This disposal, along with the sale of Volumatic in March 2012, demonstrates the importance of Halma's ability to manage our portfolio in order to sustain financial success over the long term.

We are continuing to add new opportunities to our acquisition pipeline process in all four of our new reporting sectors. Although the past year has been productive, we are working to both integrate these newly acquired businesses and progress further opportunities into the later stages of our acquisition process. We remain confident in our ability to find and acquire high quality businesses within our chosen markets over the medium term.

Strategic growth priorities

We have a clear strategy to generate sustained organic growth, actively manage our portfolio and deliver increased dividends. The average medium-term rate of organic growth determines the rate at which we can acquire companies and increase dividends. Our management reward structures are clearly aligned with this objective of delivering sustained growth and high returns. We actively manage our business portfolio through acquiring in (or adjacent to) our existing markets, merging companies as market needs change and selling businesses where we do not see the medium-term prospects for sustaining high returns or growth.

We drive organic growth through a focus on investing in the three areas of: Innovation, People Development and International Expansion.

"We have a clear strategy to generate sustained organic growth, actively manage our portfolio and deliver increased dividends."

Innovation

Our businesses build market leadership, gain market share or create new market opportunities through innovation in products and processes. Within Halma, companies have great opportunities to collaborate and share know-how with their sister companies. We have created a culture and environment to encourage this behaviour in a variety of ways including ensuring a diverse mix of representation at Halma training programmes and holding a biennial Halma Innovation and Technology Exposition (HITE). Network groups and forums focused on specific functional areas such as manufacturing and IT have also been established to foster regular benchmarking and continuous improvement.

In early May 2013, we held our third HITE event in Florida, USA which included a two-day Halma 'trade-show' where all the Group's companies showcased their innovation and technologies to one another. HITE is a catalyst for collaboration between our businesses and is a visible example of how Halma's culture has changed, and continues to evolve. Collaboration and learning from each other is increasing the rate of innovation and, consequently, building competitive advantage in our chosen markets. We invited institutional investors and analysts to join us at HITE 2013 and, following their positive feedback, it is something that we will be keen to repeat at HITE 2015.

Innovation is formally recognised in Halma through the annual Halma Innovation Awards where the first prize for the winning employee(s) is £20,000.

The Halma Innovation Award 2013, was won by a team from Hanovia in Slough, UK who developed a new UV treatment system for ensuring water in the ballast tanks of ships can be discharged without the risk of invasive species contamination, in compliance with impending global regulations. The runners up were a team from Oseco in Oklahoma, USA who developed a bursting disk which gives market-leading performance for both gas and liquid applications. In third place was a team from BEA who developed the new IXIO dual technology door sensor which combines BEA's usual market-leading sensor performance with a multilingual LED graphical display, making it the 'easiest to install' product on the market.

Increased innovation in Halma is reflected in the greater investment which our companies are making in R&D. This year, R&D expenditure grew by over 13% to £31.1m (2012: £27.4m) with all four Halma sectors increasing R&D spend as a proportion of revenue. Our M&A activity over the past year has been supportive of this trend as has been our ability to increase R&D spend in those businesses we acquired in 2011/12.

People development

Halma's decentralised operating structure is successful on a sustainable basis because we continue to improve the quality of management across our business. We build and develop local management teams who thrive on the opportunity to make timely decisions for their business as customer needs dictate. R&D, manufacturing, sales and marketing, and financial control resources are managed by our subsidiary boards who have an intimate knowledge of their markets and are, therefore, best placed to make local resource allocation decisions quickly. Subsidiary company strategic objectives, annual performance goals and management incentives are aligned with Halma's and are underpinned with a relentless commitment to attract and develop high quality talent.

In support of local employee development initiatives, Halma offers a range of training for employees including the Halma Executive Development Programmes (HEDP and HEDP+), Halma Management Development Programmes (HMDP and HMDP+) and Halma Certificate in Applied Technology (HCAT) programmes. During 2012/13, 179 employees attended these Halma run programmes. In addition, senior executives are encouraged to attend external training programmes at top international business schools. In the last year, one of our Divisional Chief Executives completed the Global CEO Programme run by IESE Business School whilst another has just completed the Advanced Management Program at Harvard.

A highlight of the year was the successful launch of the first ever Halma Graduate Development Programme (HGDP). The initial group of nine graduates came from a mix of technical and geographic backgrounds and have done a fantastic job of making the most of the opportunities given to them as well as teaching us new ways to innovate and grow our business. The 2013 intake is another impressive group from top universities. Through HGDP, we aim to increase the depth of talent coming through our management ranks and also expect it to contribute to an increase in management diversity in the medium term. During HGDP, graduates work at Group companies in different global regions and attend residential training modules. Halma is an attractive employer for new graduates offering them the chance to work in diverse markets and to gain international experience in an organisation which is able to offer opportunities for significant early career progression.

International expansion

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

Our strategic objective is for at least 30% of revenue to come from outside the UK, Mainland Europe and the USA by 2015 and this year we increased this proportion from 23.8% to 25.4%. The significant growth we have achieved since setting up the first Halma hubs in China (2006) and in India (2008) has almost all been organic so the recent acquisition of Longer Pump in China will add further momentum during 2013/14.

Progress in China was excellent with revenue up 25% to £37m (2012: £29.5m) compared with just £6.6m when our Halma hubs were established in 2006. Today, almost 800 of our 4,995 employees are based in China.

Although revenue of £12.7m from South America was in line with the prior year, it was very encouraging to see two separate groups of Halma companies from our Medical and Process Safety sectors creating shared trading companies in Brazil. This is a great example of how Halma companies are now collaborating to accelerate their expansion into new territories where, in this case, the local healthcare and energy markets offer exciting opportunities for growth.

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

Macro-economics, regulatory and competitive environment

With our focus on the supply of safety, health and environmental related products, Halma businesses are positioned in relatively non-cyclical markets that have clear, long-term growth prospects. Most of our markets are underpinned by regulatory drivers where most customer spending is non-discretionary. Our businesses benefit from strong market positions providing upgrade and replacement sales opportunities. These factors combine to create genuine resilience in tough economic conditions and enable us to achieve organic growth above prevailing market growth rates.

Against this backdrop, we can invest for the longer term with confidence. Our competitive environment is heavily influenced by global, regional and national product approvals or technical validations. Compliance with product regulations is a steadily increasing cost and technical challenge but our focus on this area enables us to build competitive advantage.

We are exposed to a very diverse range of niche markets, each with its own unique market dynamic. Our approach is to empower local management to respond to changing market conditions by developing their own strategy. More details are given in the sector reviews on pages 30 to 45.

In the current macro-economic environment each of our businesses is experiencing very different challenges and opportunities according to their particular market and geographic exposure. In 2013/14, we expect the macro-economic and political circumstances in Europe to remain challenging whilst we expect the US economy to maintain a relatively low rate of steady growth. We believe that the broader socio-economic development of developing regions such as Asia and South America will continue to increase demand for a safer environment and greater access to healthcare and energy/water resources.

Our primary market growth drivers

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

The markets we select must have robust growth drivers with potential for organic growth above the underlying market or GDP growth.

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

Increasing health and safety regulation

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 regulation, many multinational employers based in the developed world are extending health and safety practice to developing regions. This combination of increasing safety regulation and globalisation drives demand for our Process Safety and Infrastructure Safety products.

The human cost of workplace accidents is enormous. The economic impact of poor occupational safety and health practice is lost working time, compensation, interruption of production and medical expenses. These costs are estimated to be about 4% of annual world Gross Domestic Product.

The International Labour Organisation estimates that every day around 6,300 people die as a result of occupational accidents or work-related diseases – more than 2.3 million deaths per year. 317 million work accidents occur annually; many of these resulting in extended absences from work.

Occupational deaths and injuries occur disproportionately in developing countries, where a large proportion of the population work in hazardous industries. However, significant advances have been made in occupational safety over the past decade and the number of fatal accidents has fallen.

Increasing demand for healthcare

Three demographic trends support increasing worldwide demand for healthcare:

- global population ageing
- global population growth
- rising incomes in the developing world.

Demand for healthcare services and health-related products drives growth in our Medical markets. An increase in focus on preventive medicine and rising rates of chronic diseases such as cancer, diabetes and hypertension are key trends. Advances in medical technology and new medical procedures also stimulate demand for new equipment.

The number of people aged 60 and over is increasing dramatically. In 2010 there were 759 million people in the world aged 60 and over; this is projected to rise to 2 billion by 2050. While the older population is growing worldwide, most of the increase is in the developing regions. The proportion of the world’s older population living in less developed regions is forecast to rise from 65% in 2010 to about 80% by 2050.

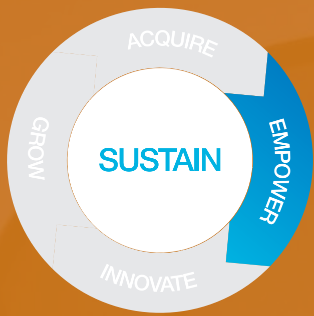
The global healthcare market is estimated to be over 10% of global GDP and rose by 43% over the period 2005 to 2010. Spending on healthcare continues to grow rapidly throughout the developed world, particularly in the USA (which accounts for 40% of total global medical expenditure) where spending is projected to rise by over a third between 2011 and 2016. Population growth and rising incomes in the developing world are also strong drivers of healthcare demand. China’s healthcare spending, for example, is forecast to grow from $357 billion in 2011 to $1 trillion in 2020.

ACQUIRE
EMPOWER
INNOVATE
GROW
SUSTAIN

STRATEGY IN ACTION

This year we acquired SIX businesses including MicroSurgical Technology (MST), expanding our product offering in ophthalmology. MST designs, manufactures and markets ophthalmic surgical products, focusing on single-use devices used in cataract surgery.

ACQUIRE



Subsidiary companies have considerable freedom for entrepreneurial action. This year HWM-Water acquired a manufacturer of complementary machine-to-machine communication products for remote data collection including the monitoring of electricity generation and consumption.

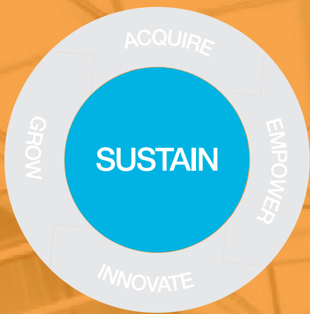
EMPOWER

The winner of the Halma Innovation Award 2013 is a ballast water disinfection system for ships which prevents the spread of marine organisms around the world's oceans. Regulation could require 30,000 existing ships and over 1,000 new ships per year to treat ballast water before discharging.

INNOVATE

Through organic growth and acquisition our former Health & Analysis sector has been our fastest growing sector over the last few years. This year we have split it into two new reporting sectors – Medical and Environmental & Analysis – reflecting our growing presence in the medical devices market.

GROW



The award-nominated Halma Graduate Development Programme (see page 59) is just one of the ways we sustain our business by investing for the future. We find and develop graduates with the potential to become future leaders of our companies or our next generation of technology innovators.

SUSTAIN

Increasing demand for life critical resources

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

- population growth
- rising living standards
- changing patterns of food consumption and agriculture.

Several of our Environmental & 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 industries and economic sectors, and between national governments. The increasing value placed on water resources drives demand for our water conservation, treatment, monitoring and testing products.

Global water demand rises relentlessly, predicted to increase by 50% by 2025 in developing countries, and by 18% in developed countries. Both the quality and availability of clean water continues to decline. Eighty per cent of the world's population lives in areas with high levels of threat to water security.

Water is essential to oil, gas and coal production but, increasingly, also in irrigation of biofuel crops. Water needs for energy production are forecast to grow at twice the rate of energy demand. Global energy demand is expected to grow by more than one-third over the period to 2035; China, India and the Middle East will account for 60% of this increase.

Continued increases in global oil and gas capital expenditure, predicted to rise by about 16% from 2012 to 2013, drives demand for our Process Safety 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. Legislative changes, particularly concerning the environment and bribery and corruption, have provided an opportunity to review and ensure that our procedures in these important areas are accessible, compliant and firmly embedded within our business.

We review our responsibility and sustainability reporting in accordance with best practice. A detailed report on Corporate Responsibility is on pages 56 to 59.

Change of Chairman

In July 2013, Geoff Unwin will step down as Chairman of Halma and I would like to take this opportunity to thank Geoff for the tremendous contribution he has made to Halma's success over the past decade. Geoff had the unenviable task of taking over from Halma's founder, David Barber, who had created a business with an impressive 30-year track record. Under Geoff's chairmanship, the Group has not only maintained that track record but, as a result of sustained focused investment, is now better placed to continue that success in the future. Thanks Geoff.

During the year, we welcomed Paul Walker to Halma's Board. HITE 2013 provided a great chance for Paul to see the whole Group and start to appreciate some of the opportunities and challenges ahead. I look forward to working closely with Paul when he takes up the Chairman's role after this year's AGM. Welcome, Paul.

Outlook

During the past year, we have continued to strengthen our business by further increasing investment in our drivers of organic growth – innovation, people development and international expansion. We have significantly improved the fundamental quality of our portfolio through six acquisitions and one disposal.

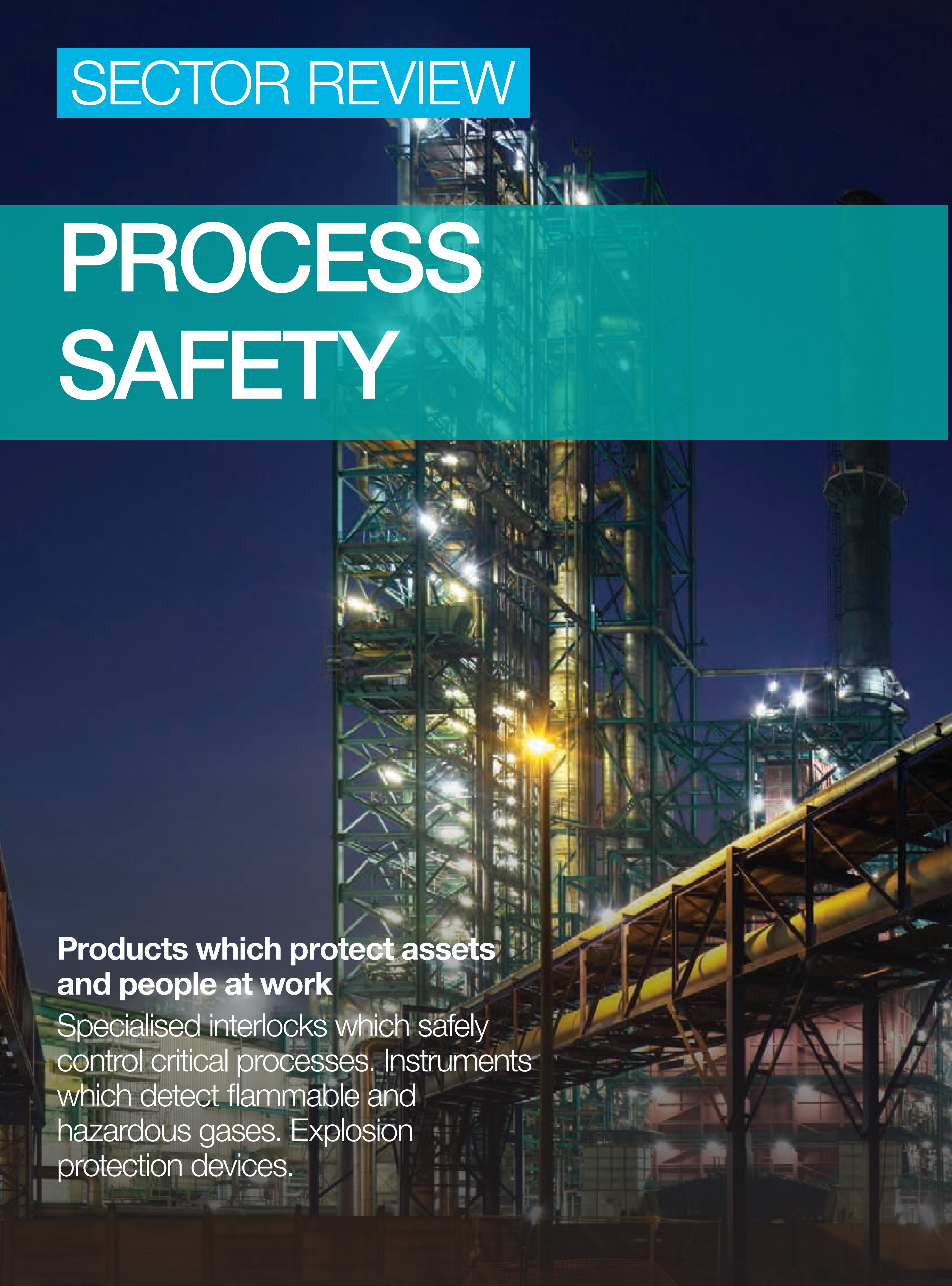
Order intake since the start of 2013 has been consistent with our expectations of sustaining year-on-year organic growth and high returns. We remain confident that Halma will make further progress in the year ahead.

Andrew Williams
Chief Executive

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

SECTOR REVIEW

PROCESS SAFETY



Products which protect assets and people at work

Specialised interlocks which safely control critical processes. Instruments which detect flammable and hazardous gases. Explosion protection devices.

SECTOR REVIEW CONTINUED
PROCESS SAFETY

Sector revenue

£126m+3%

Sector profit

£32m+11%

Products which protect assets and people at work.

Performance

KPIs	Sector performance	Group target
Revenue growth[1]	2.8%	>5%
Profit growth[1]	10.6%	>5%
Return on Sales[2]	25.7%	>18%
ROCE[3]	103.4%	>45%
R&D % of Revenue[4]	3.9%	>4%

Contribution to Group

£m	2013	2012	2011	2010	2009
Revenue	**126**	122	103	98	103
Profit[5]	**32**	29	24	20	22

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.

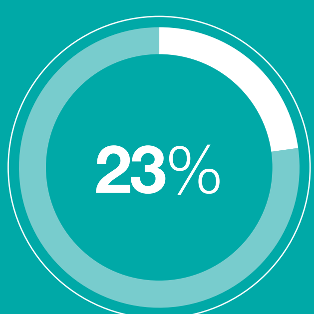
3 Adjusted[5] sector profit before finance expense expressed as a percentage of sector operating net assets.

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

5 Adjusted to remove the amortisation of acquired intangible assets, acquisition transaction costs and movement on contingent consideration (see Note 1 to the Accounts).

Revenue % of Group

Profit % of Group



Market trends

Rising expectations of workplace safety and increasingly stringent environmental and safety legislation continue to be strong demand drivers in both developed and developing Process Safety markets. We are also benefiting from improving enforcement of safety regulations. These positive market pressures ensure that our investment in quality, customer service, and enhanced-technology products maintains competitive advantage and underpins our significant growth in this sector.

Increased investment in new methods of oil and gas exploration has been a major boost to sales, particularly in hydraulic fracturing in shale oil and gas exploration, deep sea drilling, and LNG production and storage.

Geographic trends

Despite a challenging political and macro-economic environment, worldwide growth in demand for energy, food, chemicals and metals is set to continue. In particular, Asia Pacific and the Middle East are seeing increasing economic growth ahead of developed western economies. North American conditions continue to improve while Western Europe, due to recessionary pressures, is relatively flat.

Driving innovation

At our gas detection business, products launched in the last three years accounted for 77% of revenue during 2012/13.

The Crowcon Clip is a new personal detector which senses a single gas and has a fixed life. Very simple to use, it was designed with one thing in mind: compliance with health and safety regulations in the oil and gas industry. Reliable protection for workers in hazardous areas, this safeguard against toxic or explosive gases is compact, lightweight and needs no maintenance.

Strategy

Our strategy focuses on driving organic growth through geographic diversification and investment in new product development to meet local market needs. Our companies in this sector now have 18 manufacturing sites across four continents. These are backed by 22 regional sales and service centres together with localised R&D to ensure that our products meet the diverse requirements of our customers.

We continue to develop strategic alliances between companies in this sector to optimise customer service. Internal collaboration delivers consistent product performance, service and applications advice worldwide. More partnerships with customers remain a key strategic goal.

Performance

Process Safety performed strongly with revenue up by 3% to £125.7m (2012: £122.2m) and profit[1] increasing by 11% to £32.3m (2012: £29.2m). Excluding the contribution of Tritech, which was sold in August 2012, continuing operations revenue grew by 10% and profit by 16%. Organic revenue growth at constant currency was 10% with continued strong demand from energy and resources markets. Together with process industries these markets contribute around 60% of sector revenue and benefit from increasing Health and Safety regulation.

Return on Sales increased from 23.9% to 25.7% through a combination of strong revenue growth and gross margins supported by continuous improvement in new product innovation.

Organic revenue growth at constant currency for markets outside the UK, Mainland Europe and the USA was an impressive 29% resulting in these fast developing markets now representing 28% of the sector. Encouragingly, the performance in our traditional 'home' markets was robust with mid-single digit organic revenue growth in Mainland Europe and the USA and flat UK organic growth.

R&D investment rose to 4% of revenue. New products accounted for 34% of total sales reflecting an increased emphasis on new product development.

Outlook

Prospects for continued growth in the Process Safety sector are positive supported by forecasts of rising investment in oil, gas and energy markets. Food and pharmaceutical markets have regained resilience in the last year and planned safety legislation will continue to drive demand.

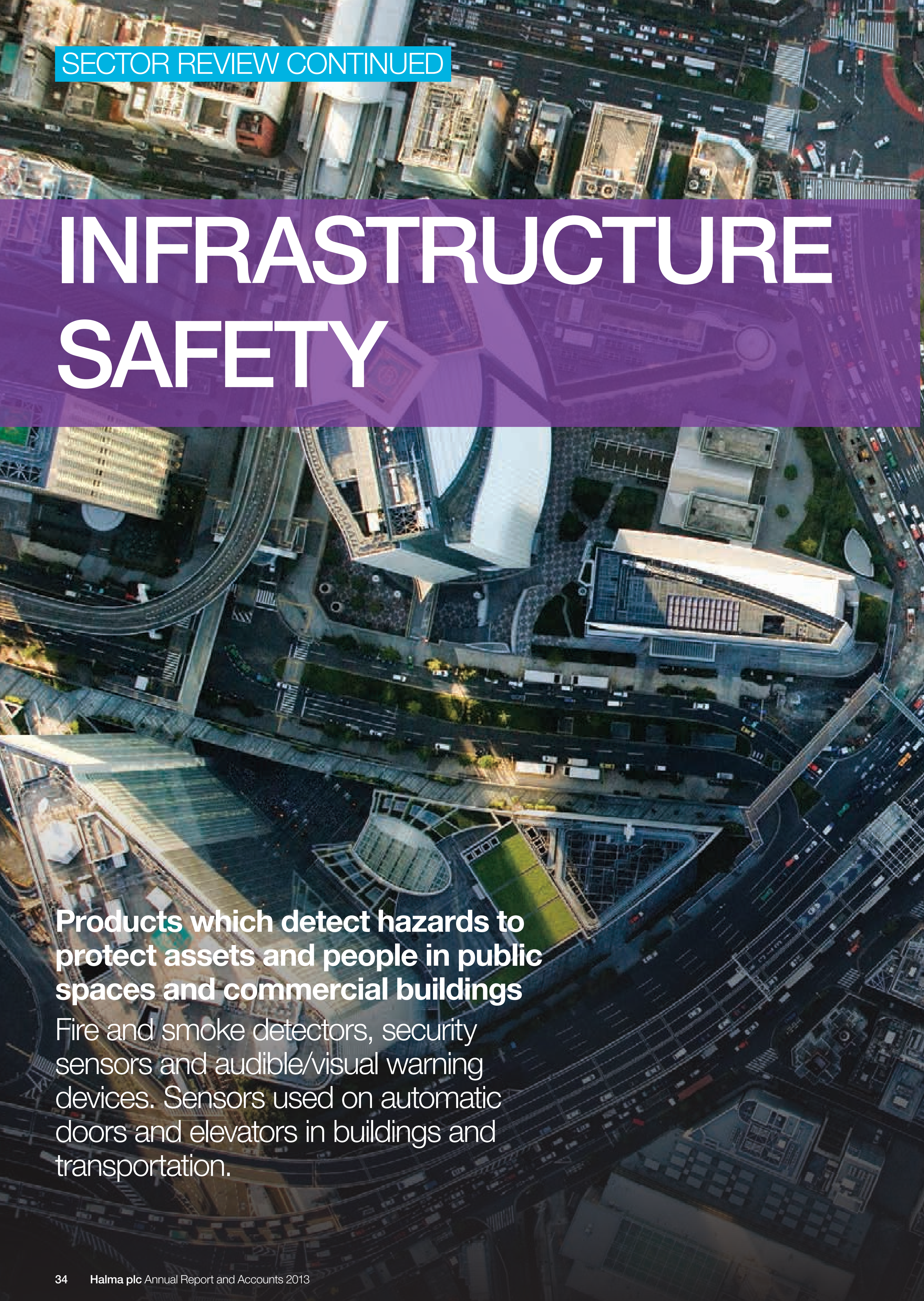
Automotive manufacturing has been flat or declining in the last two years but, based on industry sources, we anticipate increased investment, particularly in emerging markets.

We expect the strong growth trend in the Process Safety sector to continue, supported by rising R&D spend and expansion of regional operations.

We continue to search for Process Safety acquisition prospects, particularly in complementary markets to expand our product portfolio.

[1] See Note 1 to the Accounts.

INFRASTRUCTURE SAFETY



Products which detect hazards to protect assets and people in public spaces and commercial buildings

Fire and smoke detectors, security sensors and audible/visual warning devices. Sensors used on automatic doors and elevators in buildings and transportation.

SECTOR REVIEW CONTINUED
INFRASTRUCTURE SAFETY

Sector revenue

£205m +1%

Sector profit

£42m +7%

Products which detect hazards to protect assets and people in public spaces and commercial buildings.

Performance

KPIs	Sector performance	Group target
Revenue growth[1]	0.5%	>5%
Profit growth[1]	6.8%	>5%
Return on Sales[2]	20.3%	>18%
ROCE[3]	72.2%	>45%
R&D % of Revenue[4]	5.2%	>4%

Contribution to Group

£m	2013	2012	2011	2010	2009
Revenue	**205**	204	197	183	186
Profit	**42**	39	39	36	33

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

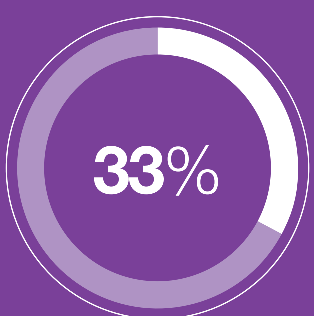
2 Return on Sales is defined as adjusted[5] profit before finance expense and taxation expressed as a percentage of sector revenue.

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 intangible assets, acquisition transaction costs and movement on contingent consideration (see Note 1 to the Accounts).

Revenue % of Group



Profit % of Group

Market trends

Increasing health and safety legislation is the main growth driver in our Infrastructure Safety sector. Fire regulations are being tightened up throughout Asia and in Europe new Construction Products Regulations (CPR) come into force in 2013.

The principal technology trend in fire detection is the packaging of multiple sensor technologies within a single detector to provide greater life safety protection and lower installation costs.

Fire detection system complexity is increasing and demand for voice alarms is growing faster than traditional audio-visual devices. Customers increasingly specify products with internationally recognised, rather than local, approvals.

In 2013 new European standards for visual alarm devices for fire systems will take effect. New harmonised European construction products regulations will also be implemented during 2013. We have developed new visual signalling products that meet the new regulations.

Competitive pressure is rising in our traditional pedestrian door markets; we continue to diversify into industrial and transportation automatic door control niches. New regulations are driving growth. In China, door sensor demand has stabilised, due to the construction slow down, but demand is strong in the Asia Pacific region.

New UK and European intruder detection system standards have created rising demand for our security sensors certified to meet the new regulations.

Driving innovation

In April 2013 we extended the technology portfolio of our wide area smoke detector manufacturer with the acquisition of Talentum, a specialist in flame detection. This acquisition brings two of the UK's leading specialist fire protection businesses together.

This Talentum multi-spectrum flame detector senses both infrared and ultraviolet light. It is sensitive to low frequency, flickering radiation emitted during combustion. It detects almost all flames, including those invisible to the naked eye, and can recognise other sources of benign radiation such as sunlight, welding and lightning.

Geographic trends

In our largest regional sector, EMEA, we are seeing tough trading conditions continuing. Trading in Southern Europe has required enhanced credit risk control. Middle East demand remains strong but competitive pressure is increasing. Sales in China, SE Asia and Australia continued to grow. Opportunities exist across ASEAN countries which have a strong preference for 'branded systems' with UL or EN approvals, although there is also demand for lower cost products approved to less well-known standards.

In the USA the fast-growing 'home automation' market is providing opportunities. This market, which is the bundling of security, life safety, internet services, healthcare monitoring, energy management etc., is focused on existing homeowners and does not depend on 'new build' for growth.

Strategy

We are developing our presence in higher growth areas such as Russia and Eastern Europe, ASEAN nations and Brazil. We have also entered adjacent markets, such as life-safety carbon monoxide detectors and home automation. We are achieving cost savings in our Chinese plants which feed our European and American operations. In some undeveloped territories, we are forging new partnerships by offering IP-protected, UL-approved technology to enable fire market entry by building management and security companies.

Our door sensor business is focused on new product development for targeted industrial and transport niches to diversify our customer base and reduce dependence on the pedestrian doors sector. In keeping with other Halma sectors, R&D has also been decentralised from headquarters with increased spending on product development at our US and Chinese facilities. New sensors developed in China and in the USA will contribute significantly to sales revenues in the future.

Our technology strategy is to maintain competitive advantage in wireless security products designed for commercial environments. We are positioning our security business to offer more integrated building monitoring solutions via technology partnerships with other manufacturers, including those within Halma.

Performance

Infrastructure Safety delivered another solid year. Revenue increased 1% to £205.3m (2012: £204.3m) and profit[1] grew by 7% to £41.8m (2012: £39.1m). Return on Sales improved from 19.1% to 20.3% with a significant factor being the improved profitability following the reorganisation of our companies selling elevator products. Organic revenue growth at constant currency was 1% which, following a flat first half, reflected a slight improvement during the second half. This resilience in demand comes from our focus on safety-critical product niches for regulated non-residential applications. Approximately two-thirds of sector revenue is installed in existing infrastructure rather than new construction.

New product introductions and increased investment in sales resources contributed to strong growth in the USA where organic revenue growth (constant currency) was 18%. Elsewhere we saw modest rates of growth in the UK and Asia Pacific while, unsurprisingly, almost every business in this sector experienced difficult conditions in Mainland Europe, resulting in organic revenue decline there of 8%.

Outlook

We anticipate continued Infrastructure Safety growth due to technology advances, regulatory pressure and new localised products. European demand for certified products will be a principal driver and we are well-placed to benefit from wider adoption of integrated building monitoring systems and intruder alarms based on wireless communication.

Growth in mature markets will be modest, while developing economies will grow strongly. Russia, Eastern Europe, Middle East, Latin America, ASEAN nations and China all offer good growth potential. In the USA and Western Europe legislation-driven adjacent markets offer good growth prospects.

[1] See Note 1 to the Accounts.

MEDICAL

Products used to improve personal and public health

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

SECTOR REVIEW CONTINUED
MEDICAL

Sector revenue

£136m +36%

Sector profit

£36m +37%

Products used to improve personal and public health.

Performance

KPIs	Sector performance	Group target
Revenue growth[1]	35.5%	>5%
Profit growth[1]	36.9%	>5%
Return on Sales[2]	26.4%	>18%
ROCE[3]	97.0%	>45%
R&D % of Revenue[4]	3.8%	>4%

Contribution to Group

£m	2013	2012	2011	2010	2009
Revenue	**136**	100	82	69	66
Profit	**36**	26	20	17	14

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

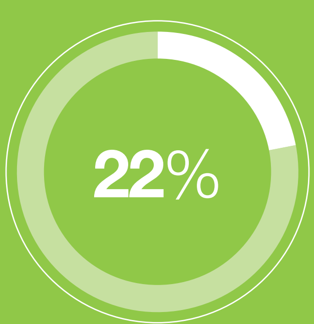
2 Return on Sales is defined as adjusted[5] profit before finance expense and taxation expressed as a percentage of sector revenue.

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

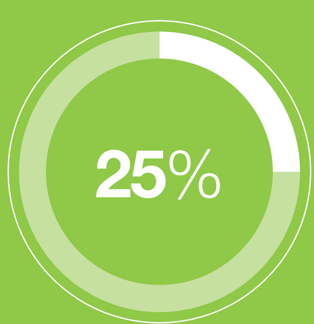
4 Sector research and development expenditure expressed as a percentage of sector revenue.

5 Adjusted to remove the amortisation of acquired intangible assets, acquisition transaction costs and movement on contingent consideration (see Note 1 to the Accounts).

Revenue % of Group



Profit % of Group



Market trends

Medical market growth drivers are principally worldwide population ageing, increasing life expectancy, increasing access to healthcare in developing economies, new technologies and improved or new surgical or pharmaceutical therapies.

The proportion of people aged over 60 continues to rise and drives demand for healthcare both in developed and developing geographies. Population ageing is a key driver for our ophthalmology and hypertension management businesses since these health issues are age-related.

A key medical niche, the ophthalmic diagnostic equipment market, will grow at 2.5% from 2009 to 2016 as new technologies, population ageing and rising healthcare expectations and affordability in developing economies continue to underpin demand.

The global market for cataract surgery devices is forecast to grow at a compound annual growth rate of 3% between 2010 and 2017. Growth drivers include rising demand for surgery due to population ageing and technological advances such as micro-incision eye surgery.

Regulatory compliance and medical product approvals, particularly in China and Brazil, continue to get tougher and more costly. This delays returns from new products, increases development costs and puts pressures on margins. On the plus side, rigorous regulatory regimes create higher barriers to entry for new competitors.

The in-vitro medical diagnostic market, our largest fluidic components niche, is largely concentrated in the USA. In recent years uncertainty over healthcare reforms has dampened demand. The US healthcare market has returned to growth with rising sales for existing platforms and higher activity in customers' new product development pipelines. Growth in Asia is expected to outpace other geographies, with a forecast market growth rate to 2016 of 11.8% for the region, and 18.8% in China.

Geographical trends

The US Government is seeking healthcare budget cuts but the Patient Protection and Affordable Care Act (PPACA) will increase spending. In 2013 US health costs are projected to rise by 3.8%. The situation changes dramatically in 2014 when twenty-two million more Americans gain healthcare insurance and spending is predicted to rise by 7.4%. The PPACA also introduces a 2.3% Medical Device Tax on medical products.

Financial austerity in Europe continued to depress demand. Despite recessionary pressure, a return to growth is forecast in the medium term. Industry analysts predict average European medical device market growth of 1.6% per year between 2014 and 2018.

Driving innovation

We acquired SunTech Medical, one of the world's leading suppliers of clinical grade non-invasive blood pressure monitoring products, in May 2012. This business complements our subsidiary Riester, which also sells blood pressure and vital signs monitors.

This ambulatory blood pressure system monitors, records and analyses a patient's blood pressure at regular intervals 24 hours a day. It is clinically validated by all three international standards bodies.

We continued to invest in sales resources and new medical distribution channels in Asia and South America. Brazil, with a population of over 190 million and a well-developed, expanding healthcare system, is the largest South American medical equipment market and forecast to grow by 12.6% CAGR between 2011 and 2015. Our São Paulo facility has now achieved ANVISA[2] registration from the Brazilian government which lets us gain approvals for healthcare products in our own name.

Economic development across Asia is rapidly increasing access to healthcare. In China, where healthcare is a key social priority, medical spending is forecast to rise by almost three times between 2011 and 2020. Demographic drivers are producing a rapid increase in chronic conditions like diabetes and hypertension (high blood pressure) as populations age, people move to cities and lifestyles change. About 130 million Chinese between the ages of 35 and 74 suffer from hypertension. Increased awareness of this health issue, and programmes to combat it, will increase demand for hypertension diagnosis devices.

In China we established an R&D unit to drive localised product development. Our recently acquired US-headquartered blood pressure monitoring business adds an 80 person manufacturing and R&D centre in Shenzhen.

Strategy

Our Medical sector strategy is to increase organic growth through:

- innovative new products
- penetration of new geographical markets
- expansion into adjacent market niches.

Acquisition of additional value-enhancing healthcare businesses will also add significant further growth. We aim to increase R&D investment, particularly in ophthalmology and hypertension management. Focusing on Asia and South America, market extension will be achieved through additional sales resources, sales intelligence sharing and cooperative marketing between Group companies, and new channel partnerships.

Our focus on relatively low-cost medical devices avoided the impact of government austerity budget cutbacks which mainly affected capital equipment.

Local manufacture in emerging markets, to better satisfy local customer needs and strengthen competitiveness by avoiding import tariffs, is a key strategic medical sector goal. From 2013, we plan to assemble health optics products in Brazil.

Our fluidic components businesses aim for increased customer diversification, focusing on laboratory and health-care markets. They now have joint product development teams and sell into the Chinese medical diagnostics sector jointly via a new Halma Fluid Technology business unit.

Performance

Medical had an outstanding year, increasing revenue by 36% to £136.1m (2012: £100.4m) and profit[1] by 37% to £35.9m (2012: £26.3m). Return on Sales increased further from 26.2% to 26.4%. The underlying organic revenue growth (constant currency) was 12%. As expected, slowly improving demand for fluid control components from major medical OEM customers, steady growth in ophthalmology markets and our increased product innovation were the significant contributory factors to this excellent result.

Our strategic focus on small medical devices and components rather than high value capital equipment, enabled us to mitigate the negative impact from government austerity spending cuts in certain markets. The fundamental market drivers of an ageing population in the West and a growing and wealthier population in the East, give us continued confidence for the future.

Both the USA and Mainland Europe performed well with organic revenue growth (constant currency) of 12% and 17% respectively, whilst the UK saw organic revenue decline of 3%. Revenue from outside these three major territories increased organically by 12%, to now represent 25% of the sector. Our real exposure to these faster growing markets is greater, as a sizeable proportion of our revenue from the USA and Mainland Europe is to global OEMs who subsequently export their finished systems to other global regions.

Three new US-based businesses acquired in 2012 expanded our healthcare technology portfolio and extended our geographic reach. We added ultrasound technology to our ophthalmic diagnostic instrumentation, new hypertension management technology and new single-use surgical devices.

Outlook

Ageing populations in developed economies and rising populations with access to affordable healthcare in the developing world should create continued favourable conditions for growth. We anticipate consistently rising sales into the healthcare and medical diagnostics markets driven by enhanced distribution in export markets, new products and further acquisitions.

Growth in South East Asia should remain strong as governments continue to improve their healthcare systems. China will build thousands of new hospitals in the next few years. Investment in Chinese product registrations should deliver rising sales. Growth in Brazil should accelerate based on our new regulatory status.

[1] See Note 1 to the Accounts.

[2] ANVISA – Brazilian National Health Surveillance Agency responsible for regulation of medical devices.

ENVIRONMENTAL & ANALYSIS

Products and technologies for analysis in safety, life sciences and environmental markets

Market-leading opto-electronic technology and gas conditioning products. Products to monitor water networks; UV technology for disinfecting water; and water quality testing products.

SECTOR REVIEW CONTINUED
ENVIRONMENTAL & ANALYSIS

Sector revenue

£152m (1)%

Sector profit

£30m (4)%

Products and technologies for analysis in safety, life sciences and environmental markets.

Performance

KPIs	Sector performance	Group target
Revenue growth[1]	(0.5)%	>5%
Profit growth[1]	(3.8)%	>5%
Return on Sales[2]	19.9%	>18%
ROCE[3]	69.8%	>45%
R&D % of Revenue[4]	6.8%	>4%

Contribution to Group

£m	2013	2012	2011	2010	2009
Revenue	**152**	154	136	109	101
Profit	**30**	32	26	18	15

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

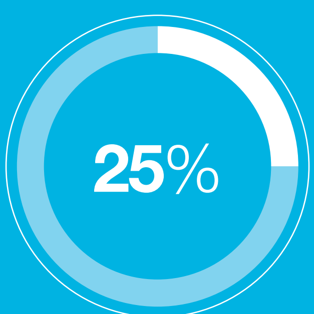
2 Return on Sales is defined as adjusted[5] profit before finance expense and taxation expressed as a percentage of sector revenue.

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

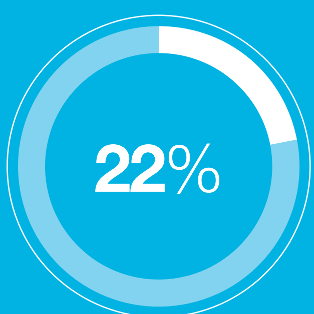
4 Sector research and development expenditure expressed as a percentage of sector revenue.

5 Adjusted to remove the amortisation of acquired intangible assets, acquisition transaction costs and movement on contingent consideration (see Note 1 to the Accounts).

Revenue % of Group



Profit % of Group



Market trends

In the Environmental & Analysis sector our businesses serve a very diverse range of end-user markets. The underlying growth drivers are rising demand for basic resources such as energy and water, increasing environmental monitoring and regulation and demand for healthcare.

Water quality, water scarcity and the need to reduce water treatment energy costs are the key drivers behind increasingly strict regulation and growth in demand for our water analysis and water and wastewater treatment systems. These drivers are assuming ever greater importance due to population growth, urbanisation and climate change. The market for water disinfection systems is estimated to be growing annually by 10% to 12% and water monitoring demand is growing by 5% per year.

Independent product validations are becoming increasingly important in water treatment. We expect continued investment by industrial customers, driven by legislation, but difficult market conditions in the municipal segment. We anticipate significant sales growth in the marine Ballast Water Treatment (BWT) market. The BWT market is forecast to grow by over 50% a year between 2009 and 2020.

We anticipate continued steady growth from three core end-user markets: environmental monitoring, biotechnology and chemical analysis. Worldwide growth in these markets is driven by increasing environmental legislation and healthcare initiatives. Rising concern over food safety, adulteration and contamination is creating growing sales opportunities in both developed and developing economies.

The global environmental monitoring market is predicted to grow by 6.5% per year between 2011 and 2016. Strong annual growth of 6% is also forecast for the laboratory analytical market over the same period.

Concern over climate change is another driver of demand for our analytical instruments, water conservation and energy management technology. Throughout the world governments are continually introducing new legislation and initiatives designed to improve energy efficiency and reduce carbon dioxide output.

Driving innovation

We acquired Sensorex, a manufacturer of electrochemical water analysis sensors, in April 2012. The company supplies the growing environmental, drinking water, wastewater, life sciences and pharmaceutical markets. Its products are used by OEMs making systems for water quality monitoring and control.

This transmitter/analyser monitors industrial process fluid parameters like pH, oxidation reduction potential and temperature and connects with process control or data logging systems.

Geographic trends

With such diverse end-markets, the geographic trends are diverse too. However, we see opportunities for growth in all global regions although the ratio of growth in Asia, and China in particular, is expected to be higher.

For example, China now has over 30 laws and 1,000 separate regulations to prevent pollution and protect natural resources. China recently introduced stricter air pollution monitoring standards which should increase demand for our products that monitor sources of pollution and measure air quality.

Like many countries, China faces the challenge of rising water demand while available water resources are actually falling. The market for water treatment products in China is forecast to grow at 10% annually to 2015 with the industrial market offering the largest growth opportunities.

Strategy

We will maintain world leadership in systems which reduce loss of treated water in distribution networks via technological leadership. This will be supported by newly acquired 'machine-to-machine' communication technology which is in increasing demand for environmental data collection and is built into smart meters for remote data recording.

Our strategy for opto-electronic analytical products is to grow organic profit by extending our offering in the life sciences and environmental monitoring sectors. To reduce the cyclical impact of US federal spending programmes, we are repositioning these businesses to service a higher proportion of end users in non-government funded markets.

We work closely with both academic and commercial researchers to develop innovative new technologies and solutions. In China, for example, we are involved with 12 university science labs. This basic science strategy reveals new product niches and revenue streams when research is commercialised.

Performance

Environmental & Analysis had a relatively disappointing year as revenue declined by 1% to £152.4m (2012: £153.4m) and profit[1] reduced by 4% to £30.4m (2012: £31.6m). Return on Sales was 19.9% (2012: 20.6%). Organic revenue at constant currency was down 6%. Reduced government research spending in the USA and lower investment by water utilities in the UK were the two major adverse market factors.

These market factors are clearly reflected in the regional trends with organic revenue (constant currency) declines of 14% in the UK and 10% in the USA. Organic revenue from Mainland Europe fell by 4%. Our companies continue to invest in growth in markets outside the UK, Mainland Europe and the USA with revenue from these developing markets being 27% of the total sector, contributing organic growth of 6%.

Outlook

Despite the challenges faced by Environmental & Analysis in the past year, we are confident that the management and organisational changes currently being made will improve performance in future.

These include simplifying global sales channels and manufacturing operations together with increasing senior management resources to focus on accelerating growth in Asia and from recent new technology innovation. It is expected that the total cost of this reorganisation will be around £1m in 2013/14.

[1] See Note 1 to the Accounts.

FINANCIAL REVIEW

Halma's financial model sustaining success

Once again Halma delivered record results, achieving growth coupled with high returns. Strong cash generation funded the continuation of our long-term record of dividend increases. International expansion continues to be a key part of our story as does M&A, with considerable success in the year in making six acquisitions and one disposal. Our financial position remains strong.

Record revenue and profit

Revenue increased by 6.8% to £619.2m (2012: £579.9m), up £39.3m. Of this increase, acquisitions in 2012/13 and the prior year, net of disposals, contributed £26.5m so organic revenue was up 2.2%. There was a small adverse impact from currency translation and consequently organic revenue growth at constant currency was 2.9%.

[1] In addition to those figures reported under IFRS Halma uses adjusted figures as key performance indicators. The Directors believe the adjusted figures give a more representative view of underlying performance. Adjusted profit figures exclude the amortisation of acquired intangible assets, acquisition and disposal costs, fair value adjustments on acquisition contingent consideration and profit on disposal of operations, all of which are included in statutory figures. More details are given in Note 3 to the Accounts.

[2] See Financial Highlights.

Revenue and profit growth				Percentage change		
	2013 £m	2012 £m	Increase £m	Total	Organic growth*	Organic growth* at constant currency
Revenue	**619.2**	579.9	39.3	6.8%	2.2%	2.9%
Adjusted[1] profit	**130.7**	120.5	10.2	8.5%	4.1%	5.3%

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

This is the tenth consecutive year of record results with adjusted[1] profit before taxation growing by 8.5% to £130.7m (2012: £120.5m). Organic profit growth was 4.1% and adjusting for adverse currency translation impacts, organic profit growth at constant currency was 5.3%.

Statutory profit before taxation grew by 9.2% to £122.3m. Statutory profit is after charging the amortisation of acquired intangible assets of £14.2m (2012: £10.4m), acquisition transaction costs and movements on acquisition contingent consideration including related foreign exchange movements of £2.3m (2012: £1.6m) and after crediting the profit on disposal of Tritech of £8.1m.

Revenue growth was 7% in the second half of the year following a 6% increase in the first half. Adjusted[1] profit grew by 11% in the second half, following a 6% increase in the first half, so the first half/second half split of profit was 47%/53%, with the revenue split at 48%/52%. This is consistent with previous years, with higher revenue and profitability in the second half of the year.

Sector reporting changes

As announced on 14 February 2013 we are reporting Group performance under four market based sectors. This evolution in our reporting follows significant growth in the former Health & Analysis sector. Comparative figures have been restated (see Note 1 to the Accounts).

We saw the highest growth this year in the Medical sector. There was a small decline in the Environmental & Analysis sector where we anticipate reorganisation costs of approximately £1m in the first half of 2013/14 to underpin improved future performance. In 2012/13 costs of £0.8m were charged in the Group Income Statement, mainly in the first half of the year, in relation to the successful reorganisation of certain Infrastructure Safety businesses.

Central administration costs increased in the year predominantly to finance continued global expansion and people development activity including our new Halma Graduate Development Programme.

Strong growth in USA and Asia Pacific

The geographic revenue growth pattern was very consistent between the first and second half. The USA continues to be our largest sales destination growing by 20% this year and accounting for 31% (2012: 28%) of Group revenue. Acquisitions boosted the US growth and there was 4% organic growth at constant currency. Mainland Europe revenue was only 2% below the prior year despite the tough economic environment, with the Medical sector achieving more than 20% growth there. UK revenue declined by 8%, although excluding the impact of disposals in the current and prior year the revenue decline was only 3%. Asia Pacific grew strongly at 15% with all four sectors growing in this region. China revenue was up 25% and is now almost 6% of Group revenue.

We are targeting to have 30% of Group revenue coming from outside the UK/Mainland Europe/USA by 2015 and this percentage increased from 23.8% last year to 25.4% this year. This shows good progress and compares with a figure of 19% five years ago. Half of our revenue growth this year came from outside the UK/Mainland Europe/USA.

Increased Return on Sales

Group Return on Sales has been above 16% for the last 28 consecutive years. Our current target is to operate in the 18% to 22% range. We believe that a consistently high Return on Sales is a key indicator of the value our customers place on our products and of good cost management. In 2012/13 Return on Sales increased once again to 21.1% (2012: 20.8%) due to M&A activity and the mix of strong business performances. In the second half of the year Return on Sales was 21.8%.

A high Gross Margin (revenue less direct material and direct labour costs) remains a stable element of our profitability and this year increased to 64.0% (2012: 63.5%), a good achievement against the background of cost and price pressures, reflecting the value of our increasing investment in customer-led innovation.

Currency impacts

Halma reports its results in Sterling. The most important other trading currencies are the US Dollar, Euro, and to a lesser extent the Swiss Franc. Approximately 40% of Group revenue is denominated in US Dollars and 14% in Euros.

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

Geographic revenue growth	**2013**		2012			
	£m	**% of total**	£m	% of total	Change £m	% growth
United States of America	**195.0**	**31%**	162.0	28%	33.0	20%
Mainland Europe	**151.6**	**25%**	154.4	27%	(2.8)	(2%)
United Kingdom	**115.6**	**19%**	125.6	21%	(10.0)	(8%)
Asia Pacific	**100.5**	**16%**	87.3	15%	13.2	15%
Other Countries	**56.5**	**9%**	50.6	9%	5.9	12%
	619.2	**100%**	579.9	100%	39.3	7%

Currency rates	Weighted average rates used in Income Statement		Year end exchange rates used to translate Balance Sheet	
	2013	2012	**2013**	2012
US Dollar	**1.58**	1.60	**1.52**	1.60
Euro	**1.23**	1.16	**1.19**	1.20

We take a neutral view of the future movements of currencies. After matching currency of revenue with currency costs wherever practical, forward exchange contracts are used to hedge a proportion (up to 75%) of the remaining forecast net transaction flows where there is a reasonable certainty of an exposure. We hedge up to 12 months and in certain specific circumstances 24 months, forward. At 30 March 2013 over 50% of our next 12 months currency trading transactions were hedged. There is a good degree of natural hedging within the Group in US Dollars but we typically buy fewer products in Euros than we sell and so have a net exposure of approximately €30m at any time.

There was a small negative net currency translational impact on the 2012/13 results. Relative to Sterling the US Dollar strengthened by 1% and the Euro weakened by 6% on average in the year and the net currency translation impact was 0.7% adverse on revenue and 1.2% adverse on profit.

Based on the current mix of currency denominated revenue and profit, a 1% movement in the US Dollar relative to Sterling changes revenue by £2.4m and profit by £0.5m. Similarly, a 1% movement in the Euro changes revenue by £0.9m and profit by £0.2m.

Increased finance cost

Net financing cost in the Income Statement increased to £3.8m (2012: £1.4m). Net bank interest and funding costs increased due to higher average levels of debt and slightly higher average interest rates (see table 'Average debt and interest rates' on page 49) as well as the higher costs of funding our increased bank facility from October 2011.

The net pension financing charge is also part of our financing cost and this year it increased from £0.2m to £0.5m. This charge is dependent on the level of pension scheme liabilities and assets at the start of the year as well as the discount rate/rates of return applied to them. In 2012/13 the cost of higher liabilities exceeded the return on increased assets. In 2013/14 the pension accounting rules under IAS19 (Employee benefits) will change and this change will affect the Group Income Statement. The principal change relates to the requirement to use the schemes' discount rate to calculate the return on assets rather than using a rate of return appropriate to the various asset classes. At current discount rates, the change is expected to reduce the adjusted profit by approximately £2m for 2013/14 onwards. Comparative figures will be similarly restated, so overall Group reported growth rates will be largely unaffected.

Higher Group tax rate

The Group has its main operating subsidiaries in 14 countries so the Group's effective tax rate is a blend of these different national rates applied to locally generated profits. Our approach to taxation is to manage the tax burden in a responsible manner, keeping good relationships with tax authorities based on legal compliance, transparency and cooperation. Intercompany trading is set on a commercial arm's length basis.

The effective tax rate on adjusted[1] profit increased to 24.2% (2012: 23.5%). Approximately one-third of Group profit is generated and taxed in the UK and the UK Corporation Tax rate fell from 26% to 24% this year, with it forecast to fall to 20% in 2016. Offsetting this was the tax on increased profits generated in higher tax rate jurisdictions, in particular the USA.

We anticipate that the effective tax rate in 2013/14 will be similar to that in 2012/13.

Increasing earnings per share and dividends

We have consistently delivered value to shareholders through growth in earnings per share and dividend increases. Adjusted[2] earnings per share increased by 7.2% to 26.22p below the rate of increase in adjusted[2] profit due to the higher effective tax rate compared with the prior year. Statutory earnings per share increased by 9.6% with the higher acquisition related expense being more than offset by the £8.1m profit on disposal of Tritech.

An increase in the final dividend of 7.1% to 6.37p per share (2012: 5.95p) is recommended which, together with the 7.1% increase in the interim dividend, gives a total dividend of 10.43p per share (2012: 9.74p). Halma has a long record of growing its dividend, and with this latest rise, will have increased the dividend by 5% or more for every one of the last 34 years, paying out £300m to shareholders in the last decade. The final dividend for 2012/13 is subject to approval by shareholders at the AGM on 25 July 2013 and will be paid on 21 August 2013 to shareholders on the register at 19 July 2013.

We have maintained a progressive dividend policy that balances dividend increases with organic growth rates achieved, taking into account current and potential acquisition spend and the maintenance of moderate debt levels. Dividend cover (the ratio of adjusted profit after tax to dividends paid and proposed) remains the same as 2012 at 2.5 times. Our policy is to maintain dividend cover, based on adjusted profit, above two times and we will continue to monitor dividend payout each year as dividend cover rises.

Good cash generation

Strong cash generation is critical to the long-term health of the Group. Our cash performance in 2012/13 was good. Adjusted operating cash flow was £113.7m (2012: £105.4m) and represents 84% (2012: 86%) of adjusted operating profit. This new cash conversion KPI is in keeping with best practice amongst our peers and this year's result is in line with our newly revised KPI target of 85% cash conversion.

Operating cash flow summary	2013 £m	2012 £m
Operating profit	**118.4**	109.9
Net acquisition costs and contingent consideration fair value adjustments	**2.2**	1.7
Amortisation of acquisition-related acquired intangibles	**14.2**	10.4
Adjusted operating profit	**134.8**	122.0
Depreciation and other amortisation	**17.7**	17.3
Working capital movements	**(10.9)**	(7.6)
Capital expenditure net of disposal proceeds	**(14.6)**	(15.3)
Additional payments to pension schemes	**(8.3)**	(6.4)
Other adjustments	**(5.0)**	(4.6)
Adjusted operating cash flow	**113.7**	105.4
Cash conversion %	**84%**	86%

Non-operating cash flow and reconciliation to net debt	2013 £m	2012 £m
Adjusted operating cash flow	**113.7**	105.4
Tax paid	**(25.5)**	(27.8)
Acquisition of businesses and shares of associates including cash/debt acquired	**(153.7)**	(19.8)
Net finance costs and arrangement fees	**(2.3)**	(3.2)
Dividends paid	**(37.8)**	(35.2)
Issue of shares/treasury shares purchased	**(5.1)**	(3.5)
Disposal of businesses	**19.6**	3.6
Effects of foreign exchange	**(0.5)**	(1.1)
Movement in net debt	**(91.6)**	18.4
Opening net debt	**(18.7)**	(37.1)
Closing net debt	**(110.3)**	(18.7)

Net debt to EBITDA	2013 £m	2012 £m
Operating profit	**118.4**	109.9
Depreciation and amortisation	**31.9**	27.7
EBITDA	**150.3**	137.6
Net Debt to EBITDA %	**73%**	14%

A summary of the year's cash flow is shown in the table above. Working capital movements, comprising changes in inventory, debtors and creditors, totalled £10.9m (2012: £7.6m). Working capital management is the responsibility of each individual subsidiary board and therefore receives close attention. This year's increase in debtors reflects the growth in our business and receives continued focus to ensure cash generation remains strong.

Expenditure on property, plant and computer software this year was £15.5m (2012: £16.5m) slightly below the prior year when there were some larger capital investment projects. This year's spend represents 110% of depreciation, falling within the 100% to 125% range we expect.

Taxation paid was £25.5m (2012: £27.8m) a little below the relatively high prior year figure with a lower UK Corporation Tax rate and higher pension contributions contributing to the change.

Strong financial position

Halma is highly cash generative and has substantial bank facilities. We have access to competitively priced finance at short notice and spread our risks to provide good liquidity for the Group. Group treasury policy is conservative and no speculative transactions are allowed.

In October 2011 we refinanced our revolving credit facility. We have in place a £260m facility for five years to 2016 with five international banks. The Group continues to operate well within its banking covenants. We use debt to accelerate the Group's development and review our funding needs regularly to ensure we have ample headroom.

At the year end net debt was £110.3m (2012: £18.7m), a combination of £160.0m of debt and £49.7m of cash held around the world to finance local operations. The increased net debt is a result of our success in securing high quality acquisitions during the year offset by good cash generation and disposal proceeds. The ratio of net debt to EBITDA was 0.73 times (2012: 0.14 times), well below the level of 1.25 times within which we feel comfortable operating. Net debt represents 5.6% (2012: 1.3%) of the Group's year-end market capitalisation.

Average debt and interest rates	2013	2012
Average gross debt (£m)	**133.7**	88.4
Weighted average interest rate on gross debt	**1.34%**	1.16%
Average cash balances (£m)	**45.2**	37.3
Weighted average interest rate on cash	**0.43%**	0.57%
Average net debt (£m)	**88.5**	51.1
Weighted average interest rate on net debt	**1.80%**	1.59%

Record acquisition spend

Acquisitions and disposals are an important part of our growth model. We buy already successful businesses in, or adjacent to, niches in our chosen areas of operation.

During the year we spent £137m on six acquisitions (excluding net cash/(debt) acquired of £5m) plus £16m in payment of contingent consideration on acquisitions made in previous years. A provision has been made for £23m of contingent consideration on current year acquisitions, being our best estimate of the amounts likely to be payable. Goodwill of £82m and intangible assets of £69m were recognised on the acquisitions made in the year and the weighted average acquisition multiple was 9.2x EBIT, based on the initial acquisition consideration.

In August 2012 we sold Tritech for £22m. A gain of £8.1m has been recognised in the Group Income Statement after accounting for the assets sold, including the associated goodwill. In April 2013 we made a further small acquisition for an initial consideration of £2.6m.

The businesses acquired in 2012/13 and in early 2013/14, together with the one disposal in 2012/13, are expected to add a net amount of £21.7m to revenue and £4.9m (after financing costs) to profit in 2013/14 based on their run rates at the time of acquisition/disposal.

Pension commitments

The Group primarily provides either defined benefit (DB) or defined contribution pension arrangements for its employees. The DB sections of the Group's pension plans were closed to new entrants in January 2003. There are now fewer than 400 employees retaining access to future accrual under the DB plans so our key focus is on mitigating the impact of the past service deficit.

On an IAS 19 basis the deficit on the DB plans at March 2013 was £47.2m (2012: £33.0m) before the related deferred tax asset. Plan assets increased to £176.3m (2012: £153.0m) with some further recovery in equity values and our additional cash contributions. In total, 57% of plan assets are invested in return-seeking assets; 35% in equities and 22% in diversified growth funds providing a higher expected level of return over the longer term. Plan liabilities increased to £223.5m (2012: £186.0m) mainly due to the reduction in the discount rate used to value these liabilities.

> "Halma has a long record of growing its dividend and with this latest increase will have increased the dividend by 5% or more for every one of the last 34 years, paying out £300m to shareholders in the last decade."

We continue to make extra contributions to the plans at a rate agreed with the trustees and expect this to be at the rate of £7m per year for the immediate future with the objective of eliminating the deficit over the next six years. We continue to develop and implement plans to reduce the risk in the future cost of our DB pension plans.

R&D investment

Expenditure on R&D increased to £31.1m (2012: £27.4m) an increase of 13% and representing 5.0% (2012: 4.7%) of revenue. All four sectors increased both the absolute spend and their percentage of revenue spent on R&D in the year. Environmental & Analysis has the highest spend per £ of revenue at 6.8%.

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 2012/13 we capitalised £5.4m (2012: £4.7m) and amortised £3.5m (2012: £3.7m). This results in an asset carried on the Consolidated Balance Sheet, after £0.4m of foreign exchange movements and disposals, of £12.0m (2012: £10.5m).

Managing risks and going concern considerations and the year ahead

The main risks facing the Group and how we address them are reviewed on pages 53 to 55. The key operating risks are covered in the Chief Executive's Strategic Review and Sector Reviews.

A key risk mitigation is that we spread risk across the Group via well-resourced independent operating units. There are extensive and regular reviews of operations at local and Divisional levels. These reviews are supplemented by Internal Audit. As we expand our business internationally, we continue to focus on maintaining the quality of people and the controls operating across each country.

Our policies and processes to mitigate Bribery & Corruption together with our Code of Conduct have been rolled out across the Group including newly acquired businesses. This supports our long-standing ethical approach to business. In 2013/14 we will be supporting increased growth in subsidiary companies by further developing the strategic use of Information Technology having this year rolled out a centralised IT disaster recovery solution.

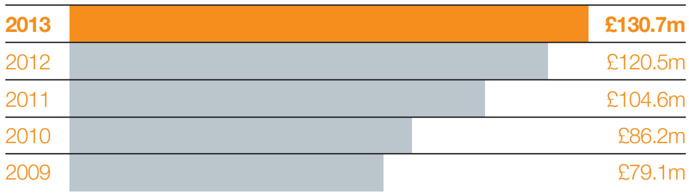
The Board considers all of the above factors in its review of 'Going Concern' as described on page 69 and has been able to conclude its review satisfactorily.

Halma takes a disciplined approach to managing risk, to sustain high returns and deliver growth over the long term. In the year ahead we will continue to focus on strong cash generation to enable investment in existing and new businesses, finance dividends and deliver significant value to shareholders.

Kevin Thompson
Finance Director

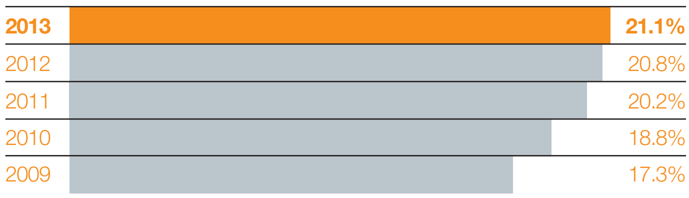
Adjusted[1] profit before tax

£130.7m



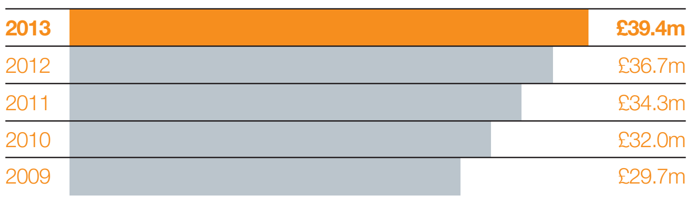
Return on sales

21.1%



Dividend paid and proposed

7% increase



Internal control

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

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

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

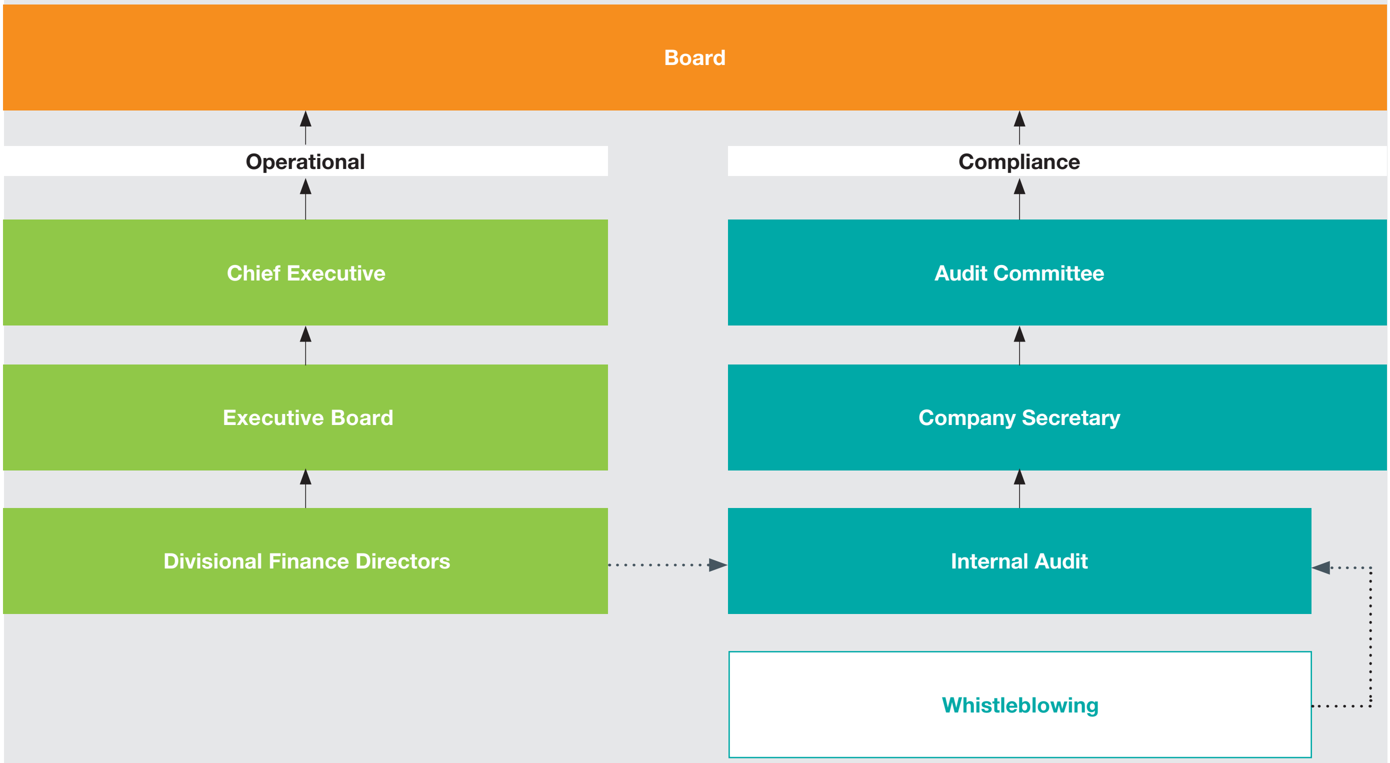
The internal audit function has operated independently since 2004, reporting to the Audit Committee. In 2008/09, a dedicated Internal Audit manager was added to support the function and during 2010/11 an internal auditor based in China was recruited. Each year we implement further improvements to our Internal Audit procedures to enhance effectiveness.

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

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

RISK MANAGEMENT AND INTERNAL CONTROL CONTINUED

Group risk management



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

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

- a defined organisational structure with an appropriate delegation of authority to operational management which ensures appropriate segregation of key duties;
- the identification and appraisal of risks both formally, through the annual process of preparing business plans and budgets, through an annual detailed risk assessment carried out at local level and informally through close monitoring of operations;
- a comprehensive financial reporting system, regularly enhanced, within which actual and forecast results are compared with approved budgets and the previous year's figures on a monthly basis. Weekly cash/sales/orders reporting including details of financial institutions are also maintained within the financial reporting system, all of which is reviewed at both local and Group level;
- an investment evaluation procedure to ensure an appropriate level of approval for all capital expenditure and other capitalised costs;
- self-certification by operating company management of compliance and control issues;
- a robust structure for electronic communication and conducting e-commerce to ensure that the Group is not negatively impacted by threats to its information technology infrastructure and to minimise potential for business disruptions. The Group has a wide range of measures, policies and framework in place which includes a virtual private network covering over 80 sites worldwide, secure firewalls, information management audits, disaster recovery and a mobile devices management system; and
- an acquisitions and disposals framework which governs the due diligence, negotiation, approval and integration processes to ensure that value enhancing, quality investments are made in order to meet our strategic objectives.

PRINCIPAL RISKS AND UNCERTAINTIES

Risk description	Trend*	Potential impact	Mitigation
Operational Risk **Remoteness of operations and globalisation** A key operational risk emanates from remoteness of operations from Head Office and the increasing global spread of our businesses.	▲	• Weakening of financial control and divergence from overall Group strategy in remote operations, leading to unexpected financial outcomes • Failure to comply with local laws and regulations in unfamiliar territories, leading to legal or regulatory disputes	• Control is exercised locally in accordance with the Group's policy of autonomous management. We seek to employ local high quality experts. • The Group's acquisition model ensures retention of management and staff in acquired businesses meaning that local expertise is maintained. • Divisional Chief Executives (DCEs) ensure that overall Group strategy is fulfilled through on-going review of the businesses. The right balance between autonomy and adherence to the overall objectives of the Group is a key function of the DCEs and Divisional Finance Directors. • Regular visits by senior management, finance staff and Internal Audit support local control. **Key KPIs: International expansion; Values alignment; Development programmes**
Operational Risk **Staff quality** The actions and quality of our employees affect the growth of, and level of innovation in, the business.	▼	• Failure to retain key staff could lead to reduced innovation and progress in the business • Unethical actions of staff could cause reputational damage to the Group	• Group Development Programmes enhance the skills of executives and middle managers needed in their current and future roles. • Comprehensive recruitment and ongoing evaluation processes assist high quality hiring and development. • The Group regularly surveys staff to assess the alignment of individuals with Group values. **Key KPIs: Development programmes; R&D investment; Values alignment; Organic revenue growth**
Operational Risk **Competition** The Group faces competition in the form of pricing, service, reliability and substitution.	▲	• Loss of market share due to price pressure and changing markets • Reduced financial performance arising from competitive threats	• By empowering and resourcing innovation in local operations to respond to changing market needs, the potential adverse impact of downward price pressure and competition can be mitigated and growth maintained. • We recognise the competitive threat coming from emerging economies and by operating within these economies, typically using local staff, we are better placed to make fast progress ourselves. • The Group operates in specialised global niche markets offering high barriers to entry. **Key KPIs: R&D investment; Return on Sales; Organic revenue growth; Development programmes**
Operational Risk **Pressure-point Exposures** including: **Large customer risk** – individual operating companies are at some risk of over-reliance on larger customers **Key supplier risk** – we rely on high quality service from our supply partners.	▼	• Loss of market share and reduced financial performance due to loss or failure of a major customer • Disruption of service to customers through supply chain interruption	• We do not place undue reliance on any one Group company nor does the Group rely heavily on one customer, supplier or transaction. • We address customer concentration at Company level through active diversification of the customer base. No customer represents more than 2% of Group revenue. • We aim to manage the risk of timing and quality of component supply by dual sourcing and through longstanding working relationships. **Key KPIs: Organic revenue growth**
Operational Risk **Research & Development** New products are critical to our organic growth and underpin our ability to earn high margins and high returns over the long term.	▶	• Loss of market share resulting from product obsolescence and failure to innovate to meet customer needs	• By devolving control of product development into the autonomous operating businesses, we both spread risk and ensure that the people best placed to service the customer's needs are driving innovation. • New product development 'best practice' is shared between Group companies and return on investment of past and future innovation projects is tracked monthly. This ensures that the collective experience and expertise of the Group can be utilised to maximum effect. • Large R&D projects, especially those which are capitalised, require Head Office approval, ensuring that the Group's significant projects are aligned to overall strategy. **Key KPIs: R&D investment; Development programmes**

* Trend indicates management's perception of how the pre-mitigation risk has moved year on year.

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

Risk description	Trend*	Potential impact	Mitigation
Operational Risk **Intangible resources** Protection of our intellectual property builds competitive advantage by strengthening barriers to entry. Our intangible resources include patents, product approvals, technological know-how, branding and our workforce.	▶	• Loss of market share resulting from a failure to protect key intellectual property	• Workforce quality and retention is a central objective. This focus ensures that intangible resources stay and grow within the business. • Operating businesses are actively encouraged to develop and protect know-how in local jurisdictions. • Innovation is encouraged and fostered throughout the Group via the Halma Innovation Awards. **Key KPIs: Organic revenue growth; R&D investment; Development programmes**
Operational Risk **Information Technology/ Business Interruption** Group and operational management depend on timely and reliable information from our software systems. We seek to ensure continuous availability, security and operation of those systems.	▶	• Delay or impact on decision making through lack of availability of sound data • Reduced service to customers due to poor information handling or interruption of business	• There is substantial redundancy and back up built into Groupwide systems and the spread of business offers good protection from individual events. • We have a small central resource, Halma IT Services, to assist Group companies with strategic IT needs and to ensure adequate IT security policies are used across the Group. • We carry out regular IT audits. • We utilise external penetration testing and have completed the rollout of a centralised IT disaster recovery solution to supplement local processes. Business Continuity plans are well advanced in each business unit.
Strategic Risk **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.	▲	• Failure to deliver expected results resulting from poor acquisition selection • Reduced financial performance arising from failure to integrate acquisitions into the Group • Unforeseen liabilities arising from a failure to understand acquisition targets fully	• We acquire 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 supported by central resources to search for opportunities. We employ detailed post-acquisition integration plans. • Thorough due diligence is performed by a combination of in-house and external experts to ensure that a comprehensive appraisal of the financial position of every target is obtained. • Incentives are aligned to encourage acquisitions which are value-enhancing from day one. **Key KPIs: Acquisition spend; ROTIC**
Legal Risk **Laws and regulations** Group operations are subject to wide-ranging laws and regulations including business conduct, employment, environmental and health and safety legislation. There is also exposure to product litigation and contractual risk. The laws and regulations we are exposed to as our businesses expand around the world increase each year.	▶	• Reputational damage leading to customer loss and brand damage • Diversion of management resources creating opportunity costs • Penalties arising from breach of laws and regulations	• The Group's emphasis on excellent financial control, high ethical standards, the deployment of high quality management resource and the strong focus on quality control over products and processes in each operating business help to protect us from product failure, litigation and contractual issues. • Each operating company has a health and safety manager responsible for compliance and our performance in this area is good. Updated Health and Safety policies and guidance were issued recently, with enhanced monthly reporting. Our well established policies on bribery and corruption have been maintained during the year to ensure continued compliance with best practice internally, via the Group Code of Conduct and externally, via appropriate clauses included in third party agreements. • We carry comprehensive insurance against all standard categories of insurable risk. Contract review and approval processes mitigate exposure to contractual liability. **Key KPIs: Values alignment**

Risk description	Trend*	Potential impact	Mitigation
Financial Risk **Cash** A key risk is that the Group may run out of cash or not have access to adequate cash. In addition, cash deposits need to be held in a secure form and location.		• Constraints on, or inability to, trade • Inability to deliver on growth strategies • Permanent loss of shareholder funds	• The strong cash flow generated by the Group provides financial flexibility. • Cash needs are monitored regularly. In addition to short-term overdraft facilities the Group renewed and increased to £260m its five-year revolving credit facility during the prior year providing security of funding and sufficient headroom for its needs. Debt levels increased this year but the Group has adequate funding available to it. • Cash deposits are monitored centrally and spread amongst a number of high credit rated banks. Subsidiaries report their cash status to Head Office every week. **Key KPIs: Cash generation**
Financial Risk **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 Group is exposed to a lesser extent to other treasury risks such as interest rate risk and liquidity risk.		• Reduced or volatile financial performance arising from translation of profit from overseas operations or poorly managed foreign exchange exposures • Deviation from core strategy through the use of speculative or overly complex financial instruments • Financial penalties and reputational damage arising from breach of banking covenants	• The risk has increased because more of the Group's profits are derived from non-Sterling currencies. Currency profits are not hedged. Currency hedging must fit with the commercial needs of the business and we have in place a hedging strategy to manage Group exposures. This requires the hedging of a substantial proportion of expected future transactions up to 12 months (and in exceptional cases 24 months) ahead. Longer term currency trends can only be covered through a wide geographic spread of operations. • The Group does not use overly complex derivative financial instruments and no speculative treasury transactions are undertaken. • We closely monitor performance against the financial covenants on our revolving credit facility and are operating well within these covenants.
Financial Risk **Pension Deficit** Monitoring the funding needs of the Group's pension plans is essential to meeting our pension obligations effectively. Our UK defined benefit pension plans are closed to new members.		• Excessive consumption of cash, limiting investment • Unexpected variability in company results	• There is regular dialogue with pension fund trustees and pension strategy is a regular Halma Board agenda item. The Group's strong cash flows and access to adequate borrowing facilities mean that the pensions risk can be adequately managed. • The Group has maintained additional pension contributions with the overall objective of paying off the deficit in line with the Actuary's recommendations. We monitor and consider alternative means of reducing our pension risk in light of the best long-term interest of shareholders.
Economic Risk **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. Uncertainty in the Eurozone in particular adds to current uncertainty.		• Reduced financial performance • Loss of market share • Unforeseen liabilities • Disruption of service to customers	• Risks are primarily managed at the operating company level where local knowledge is situated. The financial strength and availability of pooled finance within the Group mitigates local risks faced by operating companies as does the robust credit management processes in place across the Group. • The Halma Executive Board identifies any wider trends which require action. Other than potential exposure to the current macro-economic uncertainty in the Eurozone, none have been noted. • The Group's diversity limits its exposure to economic risk arising in any one territory. Group sales to Mainland Europe represent 25% of overall sales and sales to southern Eurozone economies and Ireland represent fewer than 5% of total Group sales. The Group does not have significant operations, cash deposits or sources of funding in these areas. **Key KPIs: International expansion; Cash generation; Development programmes**

CORPORATE RESPONSIBILITY

Governance and commitment to Corporate Responsibility

Halma companies are involved in the manufacture of a wide range of products that protect and improve the quality of life for people worldwide. Therefore, safety is critical to the Group and is a major priority for management. Reduction of the Group's carbon footprint has received increased attention since 2007 with the initial objective of a 10% reduction in relative carbon usage in the three years to March 2010, renewed for the subsequent three years to March 2013 and again for the three years to March 2016.

Our core values are Achievement, Innovation, Empowerment and Customer Satisfaction. These core values have been selected following extensive surveying of employees across the Group. Our culture is one of openness, integrity and accountability. We encourage our employees to act fairly in their dealings with fellow employees, customers, suppliers and business partners. We recognise that our employees determine our success and therefore continue to invest in and encourage their development more and more each year, not only with a suite of Halma development programmes, but also through clear leadership and decisive action. By ensuring that our team has the approach and skills required to succeed we are better placed to meet the challenges of the future.

We recognise the necessity of safeguarding the health and safety of our own employees while at work and operate so as to provide a safe and comfortable working environment for employees, visitors and the public. Our policy is to manage our activities to avoid causing any unnecessary or unacceptable risks to health and safety and the environment.

Halma has an excellent health and safety record and a culture of safety is deeply embedded within the Group. We have continued to actively promote our safety culture throughout the year through a series of independent Health and Safety reviews covering each operating company.

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

Halma has been a member of the FTSE4Good UK index since its establishment in July 2001.

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. Details are given on pages 16 and 17.

The environment

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

Our products

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

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

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 36% of Group production facilities in terms of external turnover.

All Group companies are encouraged to undertake ISO 14001, the international environmental accreditation, where warranted. The requirement to implement an EMS will be extended to the rest of the Group in the medium term. In terms of revenue, currently 20% (2012: 22%) 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 while meeting the Group's ethical standards.

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 have extended an equivalent requirement to the USA and Europe. This limit is reduced each year so as to consistently reduce our vehicles' environmental impact.

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. We have worked hard to reduce the energy impact of our facilities and maintained that target for 2010 to 2013.

We are pleased to report that consistently over three years we reduced our carbon emissions resulting in an overall reduction of 10% in three years. We continue to support a number of carbon reduction initiatives, 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 administered by the Environment Agency. We are in full compliance with the CRC requirements. Already we have rolled out Automatic Meter Reading (AMR) technology to the majority of UK sites. All major UK sites have 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. The Group's environmental performance will continue to be reported both in the Annual Report and on our website.

We have plans to step up our activities internationally to comply with the incoming mandatory carbon reporting requirements which UK public listed companies are subject to under the UK Government's forthcoming Greenhouse Gas Emissions (Directors' Report) Regulations 2013. We are in the process of reviewing service providers who will assist us in establishing the next stage approach for monitoring our environmental performance and future external reporting requirements.

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

Health and safety

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

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

To ensure each Group company has appropriately embedded the updated Health and Safety procedures in their business, we required independent Health and Safety reviews to be performed and these will be completed by July 2013. These reviews are conducted with a view to ensuring a consistent approach in quality of reporting, internal processes, integration in operations, appropriateness of company policies, culture of Health and Safety and also as a means of identifying any patterns or underlying causes of reported incidents. As a result, reporting of Health and Safety incidents and corrective action where needed has been given 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 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 can monitor each company's compliance with this policy.

Injuries recorded	**2013**	2012	2011
Days lost due to reportable* work-related injuries	**382**	301	455
Total recorded injuries to all employees	**320**	362	505

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

The Group collects details of its worldwide reported Health and Safety incidents, and these are available on our website at www.halma.com. We are also pleased to report that there were no fatalities in 2012/13 or prior years.

CORPORATE RESPONSIBILITY CONTINUED

Our 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 our efforts.

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

In 2006, our survey of senior managers showed that five (50%) of the values they wanted to see in our business were actually present. In 2012, our survey of senior managers showed that six (60%) desired values were present in our business. This indicated that there was a healthy level of alignment between the culture we aspire to have and the culture we actually have. For 2013, we increased the participation in the survey by 76% by making it available in paper format as well as online. This year's survey still showed a good level of alignment with five (50%) matches.

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

Diversity

Gender diversity

The Board of Directors responded to the consultation document that the UK's Financial Reporting Council issued in respect of 'Gender Diversity on Boards'.

Our experience is that throughout Halma, women are under-represented at manager and executive levels and we aim to increase the proportion of women in senior roles and on the Board of Directors by refreshing our policies and behaviours from both a 'top down' and 'bottom up' approach. To that end, we issued a Diversity Policy during the prior year which is available on our website. We appreciate the task ahead of us in sectors where relevant graduates are more than 80% male, so part of our strategy will involve ensuring that Halma has a culture and working practices that make it more attractive to women. The diversity of the current year intake of graduates into the HGDP is already demonstrating our success in attracting women to Halma.

Racial and geographical diversity

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

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

DIVERSITY POLICY

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

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

Our policy's objectives are:

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

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

Disabled employees

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

Employee consultation

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

People development

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

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

Training	2013	2012	2011
Cumulative number of candidates that have completed HEDP	**221**	194	166
Cumulative number of candidates that have completed HMDP	**471**	392	319
Cumulative number of candidates that have completed HCAT	**51**	36	19

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

There are approximately 272 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.

Sixteen programmes have been successfully completed.

Once a significant proportion of executives completed HEDP, a follow up programme, HEDP+, was introduced to provide updated training and to reinforce the original course contents, and four such courses were held in the year.

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

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

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

The programme lasts 18 to 24 months and is based on placements in our various operating companies. Through project work participants quickly assume responsibility and learn in detail how businesses operate. We support participants through residential training modules to help develop communication and teamwork skills alongside a mentoring programme for personal development.

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 their approach to their particular needs.

Ethics

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

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

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

BOARD OF DIRECTORS

Geoff Unwin

Non-executive Chairman of Halma
Location UK
Geoff was appointed non-executive Chairman of Halma in 2003, having been appointed to the Board in 2002. He is Chairman of Xchanging plc and OpenCloud Ltd. Geoff is also a member of the Advisory Board of Palamon Capital Partners and chairs one of their investments, RD Card Holdings Ltd. Previously he was Chairman of Taptu Limited from 2007 to 2012, a non-voting Board Director of Capgemini Group, Chairman of Liberata plc from 2003 to 2011, Alliance Medical Group until December 2010, United Business Media plc from 2002 to 2007 and Chief Executive of Cap Gemini Ernst & Young until 2002.

Andrew Williams

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

Kevin Thompson

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

Neil Quinn

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

Steve Marshall

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

Stephen Pettit

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

Paul Walker

Non-executive Director and Chairman Designate of Halma
Location UK
Paul was appointed non-executive Director and Chairman Designate of Halma in April 2013. He will be appointed Chairman following the proposed retirement of Geoff Unwin, Halma's current Chairman, after the Halma Annual General Meeting on 25 July 2013. Paul is non-executive Chairman of Perform Group plc, a non-executive director of Experian plc and a non-executive director of WANdisco plc. He was CEO at The Sage Group plc from 1994 to 2010 and has previously served on the boards of Diageo plc and MyTravel Group plc. Paul qualified as a Chartered Accountant with Ernst & Young, having graduated from York University with an economics degree.

Carol Chesney

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

Adam Meyers

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

Jane Aikman

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

Daniela Barone Soares

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

Norman Blackwell

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

Make-up of our Board (as at 30 March 2013)

Board tenure (number of years)

0-1	10%
2-3	20%
4-5	20%
6-10	30%
>10	20%

Board composition

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

Gender

Male	80%
Female	20%

Nationality

UK	80%
USA	10%
Brazil	10%

Committee membership

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

● Chairman • Member

[1] Nomination
[2] Remuneration
[3] Appointed in April 2013

EXECUTIVE BOARD

Charles Dubois

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

Philippe Felten

Chief Executive, Security and Door Sensors Division
Location Belgium
Philippe was appointed to the Executive Board in April 2012 and is Chief Executive of the Security and Door Sensors Division. He is Chief Executive of BEA Group where he joined in 1998 as Sales Director for Europe. Philippe completed the Programme for Executive Development at IMD Lausanne, holds a Bachelor degree in marketing and management (ICHEC – Brussels) and is an Electro-Mechanical Engineer (ECAM – Brussels).

Mark Lavelle

Chief Executive – Corporate Development
Location UK
Mark joined the Executive Board as a Divisional Chief Executive in 2007 after having joined Halma as Managing Director of Keeler Instruments in November 2001. Mark has an MBA from INSEAD and a chemistry degree from Cambridge University.

Rob Randelman

Chief Executive, Photonics Division
Location USA
Rob became a member of the Executive Board in April 2011 and is Chief Executive of the Photonics Division. He joined the Group in 2006 as Vice President of Sales at Ocean Optics, where he became President in 2007. Rob gained his PhD and MSE in chemical engineering from Lehigh University and is a chemistry and physics graduate of Ursinus College.

Allan Stamper

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

Nigel Trodd

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

Martin Zhang

Director – Halma China
Location China
Martin was appointed as Adviser to the Halma Executive Board in February 2008. He joined the Group in June 2006 as Director of Halma China and successfully established Halma China offices in Beijing and Shanghai. Martin holds an Executive MBA from the University of Texas at Arlington (Tongji University Shanghai) and a Bachelor's degree in chemical engineering from Chengdu University of Science and Technology.

Executive Board
Andrew Williams
Kevin Thompson
Charles Dubois
Phillipe Felten
Mark Lavelle
Adam Meyers
Neil Quinn
Rob Randelman
Allan Stamper
Nigel Trodd
Martin Zhang

CHAIRMAN'S INTRODUCTION TO GOVERNANCE

Contents

Dear Shareholders,

I am pleased to present Halma's Corporate Governance report on behalf of our Board. The report deals with how the Board and its committees discharged their governance duties which I hope provides you with a clear and meaningful explanation of how we apply the principles of good governance enshrined in the UK Corporate Governance Code (the Code). There have been several reviews and consultations on governance matters in the past year. Although Halma will report in accordance to the revised September 2012 Code in its 2013/14 Annual Report, the Board has considered the revised provisions when preparing this report.

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

As I indicated in last year's Annual Report, we strengthened and refreshed the composition of our Board with the appointment of Daniela Barone Soares in November 2011. I am now delighted to welcome Paul Walker as our newest non-executive Director and Chairman Designate. He will be appointed Chairman upon my retirement immediately following the Annual General Meeting (AGM) on 25 July 2013. He is a member of the Nomination and Remuneration Committees and he will succeed me as Chairman of the Nomination Committee upon my retirement. Paul was part of the original team at The Sage Group plc, a leading worldwide provider of business software which has a global footprint, a devolved management structure and an entrepreneurial culture. Paul also has wide-ranging non-executive director experience. He is a valuable addition to the Board and I am sure will be an excellent leader and Chairman to our Board and team. I am proud to have served as Chairman over the past ten years and am honoured to have worked with a team of such high calibre.

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

I have always maintained that a chairman's role involves ensuring that there is a sufficient cadre of individuals being nurtured throughout the Group to enable effective succession planning. The promotion of several MDs to the Executive Board during my tenure, demonstrates the importance the Group places on developing in-house talent. Reviews of management capabilities and potential are performed on a routine basis and I am satisfied that sufficient resources exist within the Group, and that talent continues to be developed through programmes such as the Halma Executive Development Programme which itself evolves to meet the changing needs of the Group. Whenever we identify a need for improvement to management resources we take action to ensure full strength is attained as soon as practicable.

Lastly, I would like to encourage all shareholders to find the time to attend our AGM on 25 July 2013. It is an excellent opportunity to meet the Board, the Executive Board and a selection of the Managing Directors from our operating companies.

Geoff Unwin
Chairman
13 June 2013

CORPORATE GOVERNANCE

Compliance with the Code of best practice

As required by the Listing Rules of the Financial Services Authority this Report explains how the Company applies the principles and complies with the provisions of the Financial Reporting Council UK Corporate Governance Code (the Code) published in June 2010 which applied to the Company throughout the year ended 30 March 2013.

Throughout the year, the Company has fully complied with the provisions as set out in section 1 of the Code.

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

Therefore, with the exception of Geoff Unwin, in accordance with the Code each of the Directors, being eligible, will offer themselves for election or re-election at the AGM.

The Board

The Board considered the independence of the Chairman, Chairman Designate and each of the non-executive Directors and subjected Stephen Pettit's term as a non-executive Director to particular rigorous review. Details are given on pages 67 and 72. The Board continues to regard Stephen Pettit as independent and considers the Chairman, Chairman Designate and all non-executive Directors to be independent of management and free from business and other relationships which could interfere with the exercise of independent judgment now and in the future. The Board believes that any shareholdings of the Chairman and non-executive Directors serve to align their interests with those of shareholders.

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

Details of Directors' biographies appear on pages 60 and 61 and in the Notice of Meeting.

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

Board meeting attendance

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

		Committees			
Board attendance	**Board**	**Audit**	**Remuneration**	**Nomination**[2]	**Overall attendance %**
Total meetings	**6**	**3**	**5**	**2**	
Geoff Unwin	6	–	5	1	100%
Andrew Williams	6	–	–	1	100%
Kevin Thompson[1]	5	–	–	–	83%
Stephen Pettit	6	3	5	2	100%
Neil Quinn	6	–	–	–	100%
Jane Aikman	6	3	–	1	100%
Adam Meyers	6	–	–	–	100%
Lord Blackwell	6	3	5	1	100%
Steve Marshall	6	3	5	2	100%
Daniela Barone Soares	6	3	–	1	100%

[1] Kevin Thompson attended all meetings except the November 2012 meeting due to familial medical circumstances.

[2] There was an ordinary June Nomination Committee meeting constituted by the usual members Geoff Unwin, Andrew Williams, Stephen Pettit and Steve Marshall. The second Nomination Committee meeting consisted of the reformulated Nomination Committee appointed for the Chairman succession search compromised of four non-executive Directors, led by Stephen Pettit, the Senior Independent Director.

Chairman's responsibilities

Governance

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

Strategy

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

People

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

Chief Executive's responsibilities

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

Board constitution
Halma made further progress in refreshing the composition and diversity of our Board with the appointment of Daniela Barone Soares in November 2011 and the recent appointment of Paul Walker as our new non-executive Director and Chairman Designate. The Nomination Committee appointed for the Chairman succession search comprised four non-executive Directors, led by the Senior Independent Director, Stephen Pettit. A global search firm, Korn Ferry Whitehead Mann, which has no other connection to Halma was appointed. A wide range of high calibre candidates was considered for the role and each Director had the opportunity to meet Paul Walker ahead of his appointment. The Board confirmed Paul Walker's independence upon appointment and was unanimous in its decision to appoint Paul Walker.

Board induction
Newly appointed non-executive Directors follow an induction programme which include scheduled trips to a variety of companies in each of the four sectors. All new Directors appointed to the Board have a comprehensive induction programme tailored to their individual needs. Paul Walker met with the Company Secretary to review an induction pack which included Halma's governance and risk management structure, Board evaluations, Board and Committee meetings minutes, strategy papers, recent analyst and broker reports on Halma, and access to Halma's policies and procedural notes was also provided. As well as providing a schedule of meetings with executives and company visits, Paul Walker also attended the biennial Halma Innovation and Technology Exposition (HITE) to gain a better understanding of the Halma group, our strategy, our operating companies, their management teams and their products.

Board induction

Jane Aikman and Daniela Barone Soares, non-executive Directors, extended their understanding of the Group's activities when attending HITE in May 2013.

Board diversity
The Board reviewed the report of Lord Davies published in February 2011 on Boardroom Diversity and contributed to the FRC review of Gender Diversity on Boards noting its support for the benefits of greater diversity, which is not just gender specific, but relates also to other factors such as market and international experience and diversity of thought. It was agreed by the Board that a manufacturing and technology company such as Halma would have to adopt policies to attract a greater number of females into management roles. The Board hopes to support these aims through the adoption and implementation of Halma's Diversity Policy (detailed on page 58) rather than set quotas. Halma aims to improve the representation of women in senior roles and on the Board of Directors by refreshing our policies and reviewing implementation to ensure that they create and maintain a diverse and inclusive culture.

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

Halma has the ambition to increase the number of executives based outside Europe and the USA to better reflect the proportion of our revenue generated outside those markets.

Board activity throughout the year 2012/13
During the year the Board received training and briefing updates on our sectors, market assessments and changes, acquisition opportunities and geographical priorities, succession planning, changes in corporate governance, risk management and compliance, audits, bribery and corruption, health and safety, environmental matters, city and shareholders matters, doing business in Russia, China profitability and other relevant legislative and accounting changes.

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

Board activity throughout the year

February	April	June
• Budget (initial)	• Budget	• Preliminary Results
• Remuneration Committee proposals	• Chairman and NED salaries	• Evaluation of prior year objectives
• Results of Board effectiveness survey and meetings	• HITE and CEO conference objectives	• Set annual objectives for Group/Board
• Interim Management Statement	• Pensions strategy update	• Dividend proposal/planning
• Update on FTSE position	• 2015 Board Calendar	• Pension fund accounts
		• Assessment of upper quartile performance
		• Special Guarantees guidelines update
		• Matters Reserved for the Board

Board performance and evaluation

The Board considers the evaluation of its performance and that of the Audit, Nomination and Remuneration Committees annually, with each Committee also evaluating its own performance. Last year, the Board engaged an external facilitator, Dr Tracy Long of Boardroom Review, for full Board and Committee evaluations. This year, the Company Secretary facilitated an internal evaluation of its performance and that of the Audit, Nomination and Remuneration Committees.

The key conclusions of the 2012/13 evaluation were first discussed with the Chairman and subsequently presented to the full Board. The evaluation results were discussed by the Board at the February 2013 Board meeting.

The 2013 internal review supported the 2012 external evaluation conclusion that the Board was effective, methodical and thorough in the way it approaches its work. There continues to be an open and transparent debate and an even contribution from all members of the Board and an active and collaborative approach to performance management reflected in the constructive debates in the Remuneration Committee. The Board spent a significant amount of time considering risks and controls and was assisted by strong financial information, effective internal and external audit processes and a strong Audit Committee. Overall, the process confirmed the right blend of behaviours and skills around the Halma Board table. The Board freely and openly expresses any concerns which results in more considered outcomes emphasising collective responsibility, transparency, clarity and integrity.

The most significant issue arising from the 2013 review surrounded the importance of Chairman and Senior Independent Director succession planning and the preservation of the Group's positive culture during such a transition in these roles. In addition, the Board recognises the importance of the non-executive Directors investing sufficient time to enable them to operate with a sound knowledge of both the Company and to establish relationships with the executive Directors.

To address the above points, the appointment of Paul Walker and the extension of Stephen Pettit's appointment serve to ensure continuity and that an appropriate transition process is undergone with the aim of preserving the Group's culture while permitting healthy reflection on our current structure and processes. Stephen Pettit will remain on the Board until such time as his experience of Halma's culture is embodied in his colleagues. The Board and Executive Board have also introduced more opportunities for interaction around topics of strategic and operational importance.

As in prior years, the Board also met in February 2013 before the scheduled Board meeting. There was a meeting of the Chairman and non-executive Directors with the Chief Executive. This was followed by a meeting of the Chairman and non-executive Directors only. The Senior Independent Director also led a meeting with the non-executive Directors without the Chairman present. The Executives were also given the opportunity to meet with the Chairman and/or the Senior Independent Director separately. The outcome of these meetings was then fed back to individuals by the Chairman, Senior Independent Director or Chief Executive, as appropriate.

Performance evaluation cycle

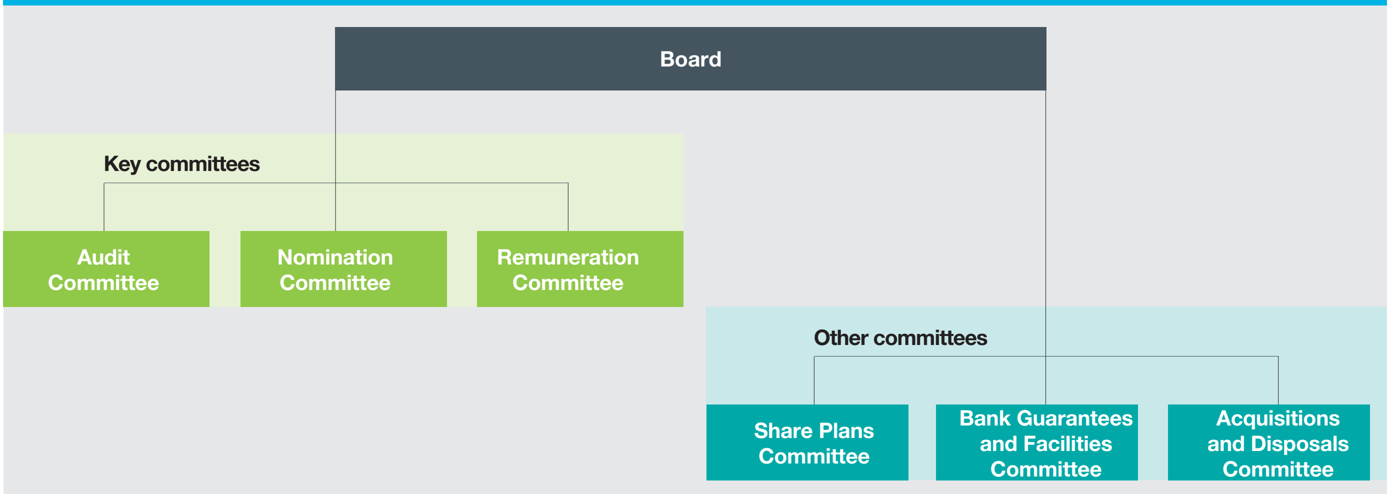
Year 1
External evaluation facilitation

Year 2
Internal review

Year 3
Internal review

July	October	November
• AGM • AGM trading update/IMS • Environmental policy annual approval and target setting • PSP awards • SIP award consideration	• Strategy/3-year plan • Relative attractions of different sectors • Candidates for acquisition/disposal • Review progress towards annual objectives • External sum of the parts valuation • Debt/capital structure considerations • Update on FTSE position • Succession planning update/ management bench	• Half-yearly results • PSP vesting update • Consideration of Board Evaluation process – Internal/External review

Board governance structure



Committees of the Board

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

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

Minutes of Committee meetings are made available to all Directors and the Chairmen of each of the three key Board Committees, the Audit, Nomination and Remuneration Committees, provide regular updates to the Board.

A chart setting out the Company's Board and Committees' structure is given above with the Board and Committee memberships and Directors' biographical details shown separately on pages 60 and 61. The responsibilities of the key Board Committees and the key issues and activities during 2012/13 are set out in the following Committee reports on pages 70 to 82.

Investor relations

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

All shareholders are encouraged to attend the annual general meeting where they can gain a better understanding of the Company. Shareholders are able to pose questions to the Board on the matters put to the meeting, including the Annual Report and the management of the Company. Major shareholders are also invited to briefings following the half-year and annual results. In February 2013, the Chief Executive, Finance Director and a Divisional Chief Executive held a Capital Markets Day at which an update on the Group's strategy and the new reporting sectors was detailed and the Group's mergers and acquisitions performance was reviewed. In April 2013, approximately 40 of Halma's major shareholders were also invited to HITE so they could better understand Halma's culture, strategy and our operating companies' products and markets. The occasion also afforded both members of the Board and major shareholders the opportunity to develop a better mutual understanding of one another's views. The content of presentations to shareholders and analysts at results announcements and all announcements are available on the Group website: www.halma.com.

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

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

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

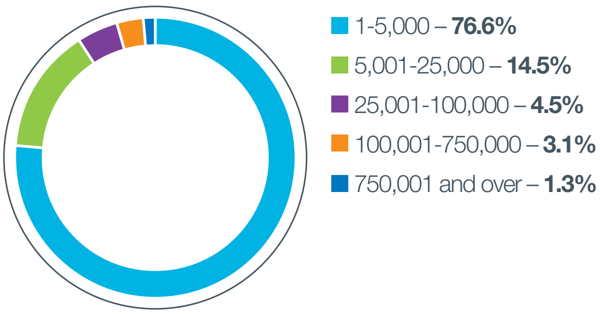
Type this link into your browser to go to the Halma Investor Relations app download page on iTunes:

http://goo.gl/4W91y

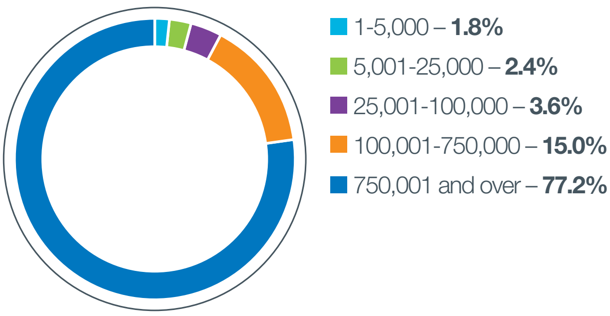
or scan this QR code:

The Financial calendar is set out on page 146.

Shareholders (number) at 16 May 2013



Analysis of shares (number) at 16 May 2013



Results of our 2012 AGM

		Total votes for %	Total votes against %	Votes withheld %
1	Report and Accounts	99.7	0.0	0.3
2	Dividend	99.7	0.0	0.3
3	Remuneration Report	98.2	0.3	1.5
4–13	Directors	96.3 to 99.6	0.13 to 3.39	0.8
14	Reappointment of Auditors	99.7	0.0	0.3
13	Auditors' remuneration	99.6	0.1	0.3
16	Authority to allot shares	99.2	0.5	0.3
17	Disapplication of pre-emption rights	99.6	0.1	0.3
18	Authority to purchase own shares	99.6	0.1	0.3
19	Notice of general meetings	94.7	5.0	0.3

Internal control

The Board has overall responsibility to the shareholders for the Group's system of internal control and risk management, and the review of the system's effectiveness has been delegated to the Audit Committee. Whilst not providing absolute assurance against material misstatements or loss, this system is designed to identify and manage those risks that could adversely impact the achievement of the Group's objectives. The Group's risk management structure and process is detailed on pages 51 and 52. The Group's principal risks and uncertainties are detailed on pages 53 to 55.

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

The Group's external 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.

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 £260m five-year revolving credit facility, of which £105m was undrawn at 30 March 2013) together with contracts with a diverse range of customers and suppliers across different geographic areas and industries. No one customer accounts for more than 2% of Group turnover. The Directors have considered the Group's potential exposure to the Eurozone crisis and have concluded that this is minimal due to the fact that less than 5% of sales arise in areas experiencing macro-economic uncertainty and the Group does not maintain significant banking or other business relationships in these areas. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully.

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

AUDIT COMMITTEE REPORT

Audit Committee Report

Audit Committee members

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

Allocation of time %

Responsibilities

The Audit Committee is appointed by the Board from the non-executive Directors of the Group. The Audit Committee's terms of reference include all matters indicated by Disclosure and Transparency Rule 7.1 and the Code. The terms of reference are considered annually by the Audit Committee and are then referred to the Board for approval. The full terms of reference were updated in April 2013 in line with the revised recommendations of the September 2012 Code and can be found on the Company's website or can be obtained from the Company Secretary.

The primary responsibilities of the Audit Committee are to:

- monitor the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance and review significant financial reporting judgments contained therein;
- have oversight of risk management, including the review of the Group's financial, operational and compliance internal controls, as well as whistleblowing and fraud prevention procedures;
- monitor and review the effectiveness of the Group's Internal Audit function;
- make recommendations to the Board, for a resolution to be put to the shareholders for their approval at the general meeting, on the appointment of the external auditors and the approval of the remuneration and terms of engagement of the external auditors;
- review and monitor 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
- develop and implement 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.

Key issues and activities

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

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

Audit Committee activities

Financial statements and reports

- reviewed the 30 March 2013 Annual Report and Accounts, the 29 September 2012 Half Year report and the IMSs issued in July 2012 and February 2013. As part of these reviews the Committee received a report from the external auditors on their audit of the Annual Report and Accounts;
- reviewed the effectiveness of the Group's internal controls and disclosures made in the Annual Report and financial statements;
- considered acquisition valuation methodology;
- review of pension fund accounts; and
- review of taxation provisions.

Risk management

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

Internal audit

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

External auditors and non-audit work

- reviewed, considered and agreed the scope and methodology of the audit work to be undertaken by the external auditors;
- evaluated the independence and objectivity of the external auditors; and
- agreed the terms of engagement and fees to be paid to the external auditors for their audit of the 30 March 2013 financial statements.

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

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

Auditor independence
Deloitte LLP has been the external Auditor of the Group since 2003 and an annual review of the independence of Deloitte LLP is undertaken each year. At the year-end the Auditors formally confirmed their independence and that objectivity has been maintained. The Committee concluded that the relevant independence continues to be met. In addition, the Auditors are required to rotate the audit partner responsible for the Group audit every five years. Following a rigorous evaluation of the audit service and a change in audit partner in 2010/11, the Audit Committee agreed that a full tender was not required for the 2011/12 audit. The Committee reconsidered its review during 2012/13 and concluded that a full tender is not currently required. The Committee has noted the revisions to the UK Corporate Governance Code introduced by the Financial Reporting Council (FRC) in September 2012 and effective for Halma's 2013/14 financial year and in particular the recommendation to put the external audit out to tender at least every 10 years. The Committee noted the proposed transitional arrangements with respect to audit tendering to fit the five yearly cycle of partner rotation. Consequently the Committee will consider its external tendering arrangements in anticipation of the next audit partner rotation, and provide an update in the 2013/14 Annual Report. The Committee will continue to focus on the effectiveness, objectivity and independence of the Auditor in its reviews.

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

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

The audit fees payable to Deloitte LLP during 2012/13 were £740,000 (2012: £660,000) and non-audit service fees were £307,000 (2012: £210,000). The principal non-audit service is tax-advisory related. A summary of fees paid to the external auditors is set out in note 6 to the Accounts on page 103.

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

Accordingly, the Committee unanimously recommended to the Board that a resolution for the reappointment of Deloitte LLP as the Company's independent Auditors be proposed to shareholders at the AGM in July 2013 and the Board has accepted and endorsed this recommendation.

On behalf of the Audit Committee

Jane Aikman
Chairman
13 June 2013

Policy of auditor independence and services

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

Audit-related services not subject to separate tender if fees <£100,000
- audits of businesses acquired or to be sold and due diligence services;
- opinions/audit reports on information provided by the company upon request from a third party;
- advice on accounting policies;
- electronic data processing audits; and
- tax services including local tax compliance.

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

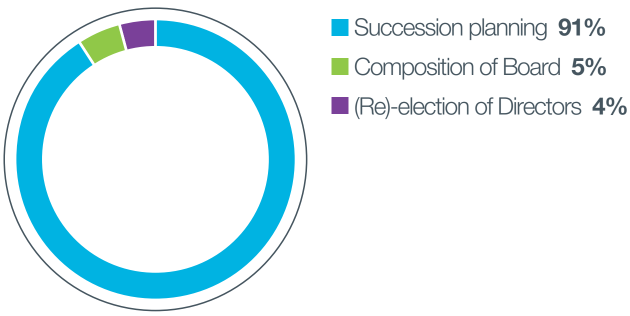
NOMINATION COMMITTEE REPORT

Nomination Committee Report

Nomination Committee members

- Geoff Unwin (Chairman)
- Andrew Williams
- Stephen Pettit
- Steve Marshall
- Norman Blackwell (appointed 24 July 2012)
- Paul Walker (appointed 12 April 2013)

Allocation of time %



Responsibilities

The Nomination Committee is appointed by the Board from the non-executive Directors of the Group and the Chief Executive. The Nomination Committee's terms of reference include all matters indicated by the UK Corporate Governance Code. The terms of reference are considered annually by the Nomination Committee and are then referred to the Board for approval. The full terms of reference were reviewed during the year, but remain unchanged and can be found on the Company's website or can be obtained from the Company Secretary.

The primary responsibilities of the Nomination Committee are to:

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

Governance

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

Key issues and activities

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

- the re-election of all Directors at the July 2012 AGM;
- succession planning;
- external board evaluation;
- Geoff Unwin's proposed retirement;
- Stephen Pettit's re-election to the Board and its Committees; and
- the nomination and post year-end appointment of Paul Walker as a non-executive Director and Chairman Designate and his membership of the Nomination and Remuneration Committees.

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

As disclosed on pages 64 and 66, the Nomination sub-committee appointed for the Chairman succession search comprised four non-executive Directors, led by the Senior Independent Director. A global search
firm with no other connection to Halma was appointed. A wide range of high calibre candidates was considered for the role. The Board confirmed Paul Walker's independence upon appointment and was unanimous in its decision to appoint Paul Walker.

As noted on pages 64, 66 and 67, the process of appointments to the Board is paramount in ensuring the Company's performance is maintained and continually improved upon.

On behalf of the Nomination Committee

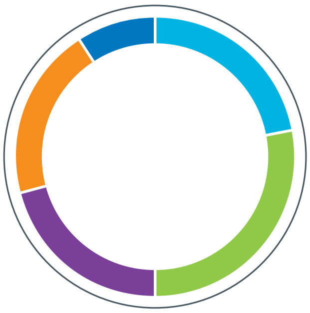
Geoff Unwin
Chairman
13 June 2013

Remuneration Committee Report

Remuneration Committee members

- Steve Marshall (Chairman)
- Geoff Unwin
- Stephen Pettit
- Norman Blackwell
- Paul Walker (appointed 12 April 2013)

Allocation of time %



Responsibilities

The primary responsibilities of the Committee are:

- 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;
- determining and agreeing with the Board the policy and framework for the remuneration of the Chairman, Chief Executive, the executive Directors, the Company Secretary and members of the Executive Board;
- 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 reviewed during the year and updated in April 2013, 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 C.3.1 of the UK Corporate Governance 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 reviews Andrew Williams' (Chief Executive) proposals and relates the proposals to remuneration packages at comparable listed companies. The Committee consults Kepler Associates, who was appointed during the previous financial year, 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. Neither Kepler Associates nor Lane, Clark & Peacock LLP are connected parties.

Activities

During 2012/13, the Committee continued to review the Company's remuneration strategy such that executives remain appropriately incentivised to meet the Group's objectives. Our prudent remuneration arrangements seek to support the demands of our business model and take into account principles of sound risk management and the social climate in which we operate. The Company's strategy is that a substantial proportion of the Remuneration of executive Directors should be performance related. The strategy relies upon three key components which produce an appropriate balance between fixed and variable pay over the short and long term:

- setting salaries below median market rate levels;
- a performance related bonus scheme, rewarding growth in economic value added; and
- a performance-granted long-term equity-based incentive rewarding relative TSR performance and ROTIC.

Having reviewed the salary trend over the past few years, the Committee noted a drift towards and below lower quartile salary levels amongst the executives and sought to address an element of this trend with salary increases marginally higher than inflation. The Committee does not expect to make such adjustments each year, but periodically as appropriate. Accordingly the Committee agreed that:

- executive Director base salaries for 2013/14 should be increased by an average of 5.9% (2012: 3.6%);
- the annual targets for the granting of performance shares were set appropriately; and
- the award of bonuses in respect of 2012/13 should only be based on objective measures and be related to the Company's performance.

The Committee has reviewed the Remuneration Report for 2012/13 and the Company's remuneration strategy, policy and details of executive remuneration follow.

On behalf of the Remuneration Committee

Steve Marshall
Chairman
13 June 2013

Contents

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 Conduct Authority and describes how the Board has applied the principles relating to directors' remuneration in the UK Corporate Governance Code. As required by the Act, 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 unaudited and audited information.

UNAUDITED INFORMATION

Remuneration policy

Executive remuneration packages are designed to attract, retain and motivate the high calibre executives needed to manage the Group successfully and align their interests with those of the shareholders by rewarding them for enhancing value to shareholders.

The packages also seek to reward achievement of stretching performance targets without driving unacceptable behaviours or encouraging excessive risk taking.

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 Remuneration Committee.

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

Element of remuneration	How this supports the strategy	Opportunity 2012/13	Performance measures/structure	Changes for 2013/14
Salary	Provides fixed remuneration that will attract and retain key employees and reflect their experience and personal contribution to Group strategy.	CEO – £450,000 CFO – £290,000 UK DCE – £231,000 US DCE – $394,000	Reviewed annually from 1 April. Benchmarked against appropriate market comparators. Linked to individual performance and contribution.	CEO – £482,000 CFO – £310,000 UK DCE – £241,000 US DCE – $415,000
Annual incentive	Incentivises the achievement of an objective annual target which supports the short – to medium-term strategy of the Group.	100% of salary paid in cash.	Bonus is based on both growth in the Economic Value Added (EVA) compared with a target based on a weighted average of the previous three financial years (cap set at 90% of salary), and on revenue growth outside the UK, USA and Europe (cap set at 25% of salary); there is an overall cap on annual incentives of 100% of salary. There are no individual objectives.	None.
Equity incentive	Incentivises executives to achieve superior returns to shareholders over a three-year period. Retains key individuals and aligns interests with shareholders reflecting the sustainability of the business model over the long term.	All executive Directors – up to 140% of salary delivered in Halma plc shares plus dividend equivalents settled in cash on full-term vestings.	50% based on TSR relative to a comparator group of the FTSE 250 excluding financial companies; full vesting requires upper quartile performance. 50% based on ROTIC exceeding 9.5%; full vesting requires ROTIC to be 17% (2011/12 and prior: 14%) or greater.	None.
Pension	Provides competitive post-retirement benefits.	CEO – pensionable salary* of £146,423 plus cash supplement paid CFO – deferred member of pension plan; cash supplement paid UK DCE – retired member of pension plan US DCE – 401k participant	Executives 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.	CEO – pensionable salary* of £149,644 plus cash supplement.

* The maximum pensionable salary on which future pensions are based is capped. The cap is increased each April by CPI. Final pensions are a proportion of the final pensionable salary based on the number of years of service.

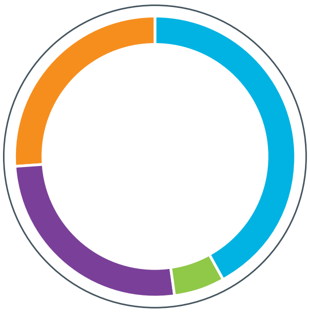
As described above and below, executive Directors may earn annual bonus payments of up to 100% of their basic salary together with the benefits of participation in share plans which are subject to a maximum value, in the year of grant, of 140% of basic salary.

Each executive Director currently holds shares in the Company in excess of the guideline of one year's salary (see page 80).

Executive Director pay mix (2012/13)

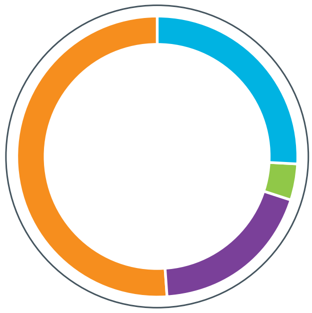
The split of the actual package in the year under review reflects modest outcomes (of between threshold and target) under the annual bonus plan and the full vesting of the 2009 PSP awards in relation to the achievement of top quartile TSR performance and ROTIC of more than 14% p.a. over the past three years. The Committee is satisfied that this outcome is closely aligned with, and reflective of, Halma's strong underlying performance over this period.

Split of package (expected) %



- Salary (base) **42%**
- Pension (employer contributions) **6%**
- Annual incentive (expected) **26%**
- Equity incentive (expected value at grant) **26%**

Split of package (actual) %



- Salary (base) **26%**
- Pension (employer contributions) **4%**
- Annual incentive (paid) **19%**
- Equity incentive (vested) **51%**

Basic salary

Prior to the beginning of each year, each executive Director's basic salary is reviewed by the Committee against the market, Company performance and future strategy 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. As noted earlier, having reviewed the salary trend over the past few years, the Committee noted a drift towards and below lower quartile salary levels amongst the executives and sought to address an element of this trend with salary increases marginally higher than inflation. The Committee does not expect to make such adjustments each year, but periodically as appropriate.

Basic salaries are reviewed in February of each year with increases, as 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 established 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 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.

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.

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

Executive Director bonus payments for 2013 totalled £834,000 versus £725,000 in the prior year reflecting the Group's performance in terms of reported profit, EVA and the relative contributions of organic and acquisition growth.

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.

EVA calculation

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

The elements of the EVA calculation performed for bonus purposes reinforce the Group's business model as outlined on page 11. The profit for the year is a function of the extent to which the Company has achieved both its organic growth target and its success in identifying appropriate acquisition targets in current and past years. Ensuring that the cost of funding acquisitions is reflected in the bonus model means that executives share the benefit of an acquisition that outperforms expectations, but equally bears the cost of overpaying for an acquisition – all in their bonus. Equally, good or poor management of working capital is reflected in the final EVA and impacts on the bonus earned in a year. As the EVA for each year is utilised for a further three years in the comparator calculations, executives cannot ignore the medium-term interests of the Group without the potential for an adverse impact on their capacity to earn a bonus.

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 provide motivation and align the longer-term interests of senior management with those of shareholders. 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 PSP replaced the existing share option plans in respect of future share awards. The Committee has responsibility for supervising the PSP and the grants under its terms.

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 criteria	Award assessment	Vesting criteria	Final shares vested
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 in the PSP vesting table below.
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	Opportunity to receive Maximum Award.	% attainment of individual objectives.	% attainment of Group performance conditions.	Final shares vested.

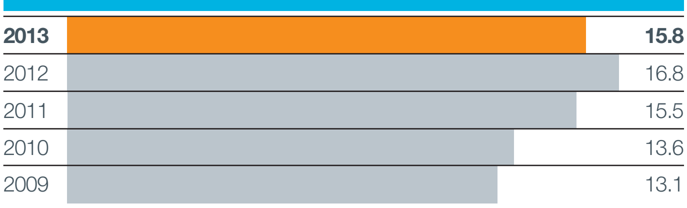
The Committee believes that any incentive compensation awarded should be tied to the interests of the Company's shareholders. It therefore decided that the principal measures of those interests should be Relative Total Shareholder Return (TSR) and Return on Total Invested Capital (ROTIC).

PSP vesting table %

2012 and after awards		TSR (percentile)			
Percentage of award which vests		<50%	50%	75%	100%
ROTIC (post-tax)	≤9.5%	0.0	16.7	50.0	50.0
	12.0%	16.7	33.3	66.7	66.7
	14.5%	33.3	50.0	83.3	83.3
	17.0%	50.0	66.7	100.0	100.0

2010 and 2011 awards		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) %



The Committee recognised that the Group's improving performance in respect of its absolute ROTIC percentage metric merited a recalibration of the performance target at which full vesting of the ROTIC element is achieved. To that end, the Committee determined that full vesting would now occur at a ROTIC performance of 17% for awards made in 2012 and after.

Vested awards are satisfied in shares with sufficient shares being sold to meet tax and social costs owing, at the recipient's direction, and the net balance of shares transferred to the individual.

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

Current vesting expectations for awards made in 2010, 2011 and 2012 range from 47% to 99%.

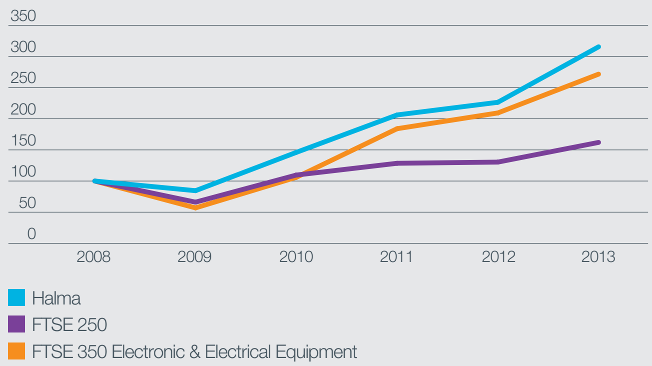
Performance against objectives	Maximum award permitted*		Actual award 2012/13*		Estimate of vesting in 2015/16*
Chief Executive	140%	At individual % assessment level	128%	At 55.3% vesting expectation	71%
Finance Director	140%		138%		76%
Executive Directors	140%		130%		72%
Other Executive Board members	100%		95%		52%
Managing Directors and Divisional Finance Directors	40%		28%		16%
Other subsidiary directors	10%		9%		5%

* Expressed as a percentage of 2012/13 base salary.

Awards vest after three years on a sliding scale, as set out above, 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 Plan contains provisions permitting share option grants, restricted share awards and performance share awards. To date, the Committee has used the PSP only to award both approved and unapproved performance shares.

Total shareholder return (five years)



The five-year graph to the left shows the Company's TSR performance over the five years to 30 March 2013 as compared to the FTSE 250 and the FTSE 350 Electronic & Electrical Equipment sector indices. Over the period indicated, the Company's TSR was 312% compared to 161% for the FTSE 250 and 270% for the FTSE 350 Electronic & Electrical Equipment sector.

At the commencement of the five-year period depicted in the graph, the Halma plc ordinary share price was 191.5p and the total of dividends paid in the year ended 29 March 2008 was 7.33p per share. The Halma plc ordinary share price at 30 March 2013 was 518.0p and the total of dividends paid in the year then ended was 10.01p per share.

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. No further grants may be made from this plan which has been replaced by the PSP 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 (the 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 2011, final pensionable salary was capped at £139,185 and is increased annually thereafter by CPI (currently £149,644).

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 the Senior Independent Director and is proposed for re-election, had his terms of engagement extended for a third three-year term in 2009 and has agreed to remain on the Board for an additional period to provide stability and continuity following the appointment of Paul Walker as Chairman Designate. The Board will continue to evaluate this mandate annually.

The remuneration of the Chairman and the non-executive Directors is determined by the Committee and 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 Paul Walker's services provides for termination, by either party, by giving not less than six months' notice. Stephen Pettit, Jane Aikman, Norman Blackwell, Steve Marshall and Daniela Barone Soares 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. Geoff Unwin has tendered his resignation to be effective at the close of the Annual General Meeting on 25 July 2013 and the Board has accepted his resignation.

The Chairman's and the non-executive Directors' fees, as detailed below, were reviewed by the Board in April 2013 with increases taking effect from April 2013.

Fees	2014 £	**2013 £**	2012 £
Chairman	175,000	**165,000**	145,000
Base non-executive Director	42,000	**40,000**	35,000
Senior Independent Director	5,000	**5,000**	5,000
Audit Committee Chair	10,000	**10,000**	7,500
Remuneration Committee Chair	7,500	**7,500**	5,000
Committee Member	2,500	**2,500**	2,500

AUDITED INFORMATION

Aggregate Directors' remuneration

The total amounts for Directors' remuneration were as follows:

	2013 £000	2012 £000
Emoluments	**2,532**	2,307
Pension supplements	**154**	150
Gains on vesting of performance shares	**2,564**	2,587
Gains on exercise of share options	**408**	126
	5,665	5,170

Directors' remuneration

	Salaries and fees £000	**Bonus £000**	**Benefits £000**	**Pension supplement £000**	**2013 Total £000**	2012 Total £000
Geoff Unwin	165	–	–	–	**165**	145
Andrew Williams	450	216	27	79	**772**	711
Kevin Thompson	290	138	15	75	**518**	474
Stephen Pettit	53				**53**	46
Neil Quinn	231	231	13		**475**	441
Jane Aikman	50	–	–	–	**50**	42
Adam Meyers*	249	249	14		**512**	479
Norman Blackwell	45	–	–	–	**45**	40
Steve Marshall	53	–	–	–	**53**	46
Daniela Barone Soares**	43	–	–	–	**43**	16
Richard Stone**	–	–	–	–	**–**	17
	1,629	834	69	154	**2,686**	2,457

* Remunerated in US Dollars and translated at the prevailing average exchange rate for the year.
** To/from date of retirement/appointment.

Directors' interests

The Directors who held office at 30 March 2013 had the following interests in the ordinary shares of the Company:

	Shares 31 March 2013	Shares 2 April 2012
Geoff Unwin	**85,750**	68,250
Andrew Williams	**501,501**	420,806
Kevin Thompson	**341,044**	315,154
Stephen Pettit	**2,000**	2,000
Neil Quinn	**271,736**	261,041
Jane Aikman	**2,000**	2,000
Adam Meyers	**267,313**	203,064
Norman Blackwell	**2,000**	2,000
Steve Marshall	**2,000**	2,000
Daniela Barone Soares	**736**	–

Included within Geoff Unwin's shareholding as at 30 March 2013 is a non-beneficial holding of 17,500 shares for which he is trustee. There are no other non-beneficial interests of Directors. There were no changes in Directors' interests from 30 March 2013 to 13 June 2013. Paul Walker has no interests in the ordinary shares of the Company.

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

	Date of grant	As at 31 March 2012	Granted/(vested) in the year	Five-day average share price on grant (pence)	As at 30 March 2013
Andrew Williams	Aug-09	226,610	(226,610)	194.36	**–**
	Aug-10	200,215		281.08	**200,215**
	Aug-11	164,912		362.34	**164,912**
	Aug-12		141,658	403.70	**141,658**
Kevin Thompson	Aug-09	157,473	(157,473)	194.36	**–**
	Aug-10	124,126		281.08	**124,126**
	Aug-11	103,571		362.34	**103,571**
	Aug-12		98,066	403.70	**98,066**
Neil Quinn	Aug-09	125,620	(125,620)	194.36	**–**
	Aug-10	97,531		281.08	**97,531**
	Aug-11	80,810		362.34	**80,810**
	Aug-12		70,954	403.70	**70,954**
Adam Meyers	Aug-09	80,909	(80,909)	194.36	**–**
	Aug-10	110,005		281.08	**110,005**
	Aug-11	88,552		362.34	**88,552**
	Aug-12		82,408	403.70	**82,408**

Performance conditions for the awards made in the financial year are set out above. The 2009 grants vested in August 2012 at a value of 406.7552p per share with 100% of the original number of shares granted being transferred to participants net of any tax and social charges. The current vesting expectation for grants made in 2010 is 99%; for grants made in 2011, 74.5% and for grants made in 2012, 46.7%.

Share incentive plan
As part of their participation in the performance share plan, UK executive Directors were awarded a proportion of their awards in Free Shares under the provisions of the UK share incentive plan (SIP) on 1 October 2012, as follows: Andrew Williams, 695 shares (October 2011: 921 shares); Kevin Thompson, 695 shares (October 2011: 949 shares); and Neil Quinn, 695 shares (October 2011: 949 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 431.1p (October 2011: 315.6p). 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 31 March 2012	Lapsed	Exercised	Share price on exercise (p)	As at 30 March 2013	2013 Gains on Exercise (£)	2012 Gains on Exercise (£)
Andrew Williams	91,837	(22,171)	–	–	**69,666**	**–**	–
Kevin Thompson	144,186	(40,186)	–	–	**104,000**	**–**	–
Neil Quinn	137,156	(40,186)	–	–	**96,970**	**–**	–
Adam Meyers	269,481	(34,643)	(127,376)	456.40	**107,462**	**408,004**	125,718

There were no share option 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.

Details of Directors' options outstanding at 30 March 2013 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 518p.
2. Not yet exercisable, will only be exercisable when the performance criteria, set out in note 23 to the accounts, have been met and have an exercise price per share of less than 518p.

	Status of options	Year of grant	Number of shares	Weighted average exercise price (pence) per share
Andrew Williams	2	2003-2004	69,666	138.66
Kevin Thompson	2	2003-2004	104,000	138.46
Neil Quinn	2	2003-2004	96,970	138.19
Adam Meyers	1	2005	31,407	145.67
	2	2003-2004	76,055	138.13

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.

The closing middle market price of the Company's ordinary shares on Thursday, 28 March 2013, the last trading day preceding the financial year end, was 518p per share and the range during the year was 373.1p to 531.5p.

Directors' pension entitlements
Two Directors are accruing benefits under the Company's defined benefit pension plan as follows:

	Age at 30 March 2013	Years of pensionable service at 30 March 2013	Accrued pension 2012 £000	Increase in the year £000	Accrued pension 2013 £000
Andrew Williams	45	19	50	5	**55**
Kevin Thompson	53	18	103	5	**108**

The accrued pension shown is that which would be paid annually on retirement at age 60 based on service to the end of the year.

Kevin Thompson's increase in accrued pension relates entirely to inflation as he ceased future service accrual in 2006.

	Transfer value 31 March 2012	Directors' contributions £000	Increase in value net of contributions £000	Transfer value 30 March 2013
Andrew Williams	691	16	109	**816**
Kevin Thompson	1,938	–	218	**2,156**

The transfer values disclosed above do not represent a sum paid or payable to the individual Director. Instead they represent a potential liability of the pension plan. The transfer values are Gilt related and depend upon the relative standings of the Gilt market at the respective valuation dates. The increase in transfer values is predominantly due to the significant reduction in the yields available on UK Gilts over the year. The fall in yields has been widely attributed to the Bank of England's continued policy on Quantitative Easing and the Euro crisis. Other factors that have increased the transfer values are the impact of any additional service, revaluation in line with inflation and any real salary increases as well as the anticipated ageing of the members.

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 $12,500 (£7,911) (2012: $12,489 (£7,806)).

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

Steve Marshall
Remuneration Committee (Chairman)
13 June 2013

OTHER STATUTORY INFORMATION

Activities
Halma plc is a holding company. A list of its principal subsidiary companies and their activities is set out on pages 142 to 145.

Ordinary dividends
The Directors recommend a final dividend of 6.37p per share and, if approved, this dividend will be paid on 21 August 2013 to ordinary shareholders on the register at the close of business on 19 July 2013. Together with the interim dividend of 4.06p per share already paid, this will make a total of 10.43p (2012: 9.74p) per share for the financial year.

Share capital and capital structure
Details of the share capital, together with details of the movements in the share capital during the year, are shown in note 22 to the accounts. The Company has one class of ordinary shares which carry no right to fixed income. Each share carries the right to one vote at general meetings of the Company.

There are no other classes of share capital. There are no specific restrictions on the size of a holding nor on the transfer of shares, with both governed by the general provisions of the Articles of Association and prevailing legislation. No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

Rights and obligations of ordinary shares
Holders of ordinary shares are entitled to attend and speak at general meetings of the Company and to appoint one or more proxies or, if the holder of shares is a corporation, one or more corporate representatives. On a show of hands, each holder of ordinary shares who (being an individual) is present in person or (being a corporation) is present by a duly appointed corporate representative, not being himself a member, shall have one vote, as shall proxies (unless they are appointed by more than one holder, in which case they may vote both for and against the resolution in accordance with the holders' instructions). On a poll every holder of ordinary shares present in person or by proxy shall have one vote for every share of which he is the holder. Electronic and paper proxy appointments and voting instructions must be received not later than 48 hours before the meeting. A holder of ordinary shares can lose the entitlement to vote at general meetings where that holder has been served with a disclosure notice and has failed to provide the Company with information concerning interests held in those shares. Except as set out above and as permitted under applicable statutes, there are no limitations on voting rights of holders of a given percentage, number of votes or deadlines for exercising voting rights.

Restrictions on transfer of shares
The Directors may refuse to register a transfer of a certificated share that is not fully paid, provided that the refusal does not prevent dealings in shares in the Company from taking place on an open and proper basis or where the Company has a lien over that share. The Directors may also refuse to register a transfer of a certificated share unless the instrument of transfer is: (i) lodged, duly stamped (if necessary), at the registered office of the Company or any other place as the Board may decide accompanied by the certificate for the share(s) to be transferred and/or such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer; (ii) in respect of only one class of shares; (iii) in favour of a person who is not a minor, infant, bankrupt or a person of unsound mind; or (iv) in favour of not more than four persons jointly.

Transfers of uncertificated shares must be carried out using CREST and the Directors can refuse to register a transfer of an uncertificated share in accordance with the regulations governing the operation of CREST.

There are no other restrictions on the transfer of ordinary shares in the Company except certain restrictions which may from time to time be imposed by laws and regulations (for example insider trading laws); or where a shareholder with at least a 0.25% interest in the Company's certificated shares has been served with a disclosure notice and has failed to provide the Company with information concerning interests in those shares. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

Treasury shares
Shares held in treasury do not have voting rights and are not eligible for dividends.

Employee share plans
Details of employee share plans are set out in note 23 to the accounts.

Appointment and replacement of directors
With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association, the UK Corporate Governance Code, the Companies Act and related legislation. Directors can be appointed by the Company by ordinary resolution at a general meeting or by the Board. If a Director is appointed by the Board, such Director will hold office until the next annual general meeting and shall then be eligible for re-election at that meeting. In accordance with the UK Corporate Governance Code all the Directors will retire and, being eligible, will offer themselves for re-election at this year's Annual General Meeting. The Company can remove a Director from office, including by passing a special resolution or by notice being given by all the other Directors. The Articles themselves may be amended by special resolution of the shareholders.

Power of Directors
The powers of Directors are described in the Matters Reserved for the Board, copies of which are available on request from the Company Secretary, and the Corporate Governance Statement on pages 64 to 69.

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 £260m syndicated revolving credit facility which, if within 10 days of a change of control notice to the Loan agent, can result in 30 days' notice being given to the Company by any Lender, for all amounts outstanding to that Lender, to be immediately due and payable, at which time the commitment of that Lender will be cancelled. If all of the Lenders give this notice the whole facility would be cancelled.

The Group has contractual arrangements with a wide range of suppliers. The Group is not unduly dependent upon contractual arrangements with any particular customer. Whilst the loss or disruption to certain of these arrangements could temporarily affect the Group's business, none is considered to be essential.

The Company's share plans contain provisions as a result of which options and awards may vest and become exercisable on a change of control of the Company in accordance with the rules of the plans.

The Directors are not aware of any agreements between the Company and its directors or employees that provide for compensation for loss of office or employment that occurs because of a takeover bid.

Allotment authority
Under the Companies Act 2006 the Directors may only allot shares if authorised by shareholders to do so. At the Annual General Meeting an ordinary resolution will be proposed which, if passed, will authorise the Directors to allot and issue new shares up to an aggregate nominal value of £12,500,000 (up to 125,000,000 new ordinary shares of 10p each), being just less than one-third of the issued share capital of the Company (excluding treasury shares) as at 12 June 2013 (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 2014. 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 12 June 2013 (the latest practicable date prior to the publication of the Notice of Meeting), the Company had 378,880,622 ordinary shares of 10p each in issue of which 1,303,209 were held as treasury shares, which is equal to approximately 0.3% of the issued share capital of the Company (excluding treasury shares) as at that date.

The Companies Act 2006 also requires that, if the Company issues new shares for cash or sells any treasury shares, it must first offer them to existing shareholders in proportion to their current holdings. At the Annual General Meeting a special resolution will be proposed which, if passed, will authorise the Directors to issue a limited number of shares for cash and/or sell treasury shares without offering them to shareholders first. The authority is for an aggregate nominal amount of up to 5% of the aggregate nominal value of the issued share capital of the Company as at 12 June 2013 (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 60 and 61.

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 2012 Annual General Meeting to purchase up to 37,800,000 of its own 10p ordinary shares in the market. This authority expires at the end of the 2013 Annual General Meeting. In accordance with the Directors' stated intention to seek annual renewal, a special resolution will be proposed at the Annual General Meeting to renew this authority, until the end of next year's annual general meeting, in respect of up to 37,700,000 ordinary shares, which is approximately 10% of the Company's issued share capital (excluding treasury shares) as at 12 June 2013 (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 30 March 2013, 1,296,006 shares, with a nominal value of £129,600.60, which is 0.3% of the Company's issued share capital as at 12 June 2013 (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 12 June 2013, 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 1,261,444 ordinary shares, or 0.3% 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 0.4% 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 30 March 2013 the Company's trade creditors, amounting to £1.6m (2012: £1.3m), represented 41 days (2012: 25 days) of its annual purchases.

Donations

Group companies made charitable donations amounting to £46,025, principally to universities, (2012: £46,015) during the financial year.

There were no political donations (2012: £nil).

Substantial shareholdings

On 12 June 2013, 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.

	30 March 2013		12 June 2013		
	No. of ordinary shares	Percentage of voting rights and issued share capital	No. of ordinary shares	Percentage of voting rights and issued share capital	Nature of holdings
Massachusetts Financial Services Company	18,904,896	5.00	18,904,896	5.01	Indirect
Capital Research and Management Company	18,804,168	4.98	18,804,168	4.98	Indirect
Sprucegrove Investment Management Ltd	18,776,510	4.97	18,776,510	4.97	Indirect
Schroder Investment Management	18,667,466	4.94	18,667,466	4.94	Indirect
Sanderson Asset Management Ltd	14,891,762	3.94	14,891,762	3.94	Direct
Norges Bank Investment Management	14,872,138	3.94	14,872,138	3.94	Direct
Barclays Bank PLC	14,646,007	3.88	14,646,007	3.88	Indirect
Mawer Investment Management Limited	11,333,276	3.00	11,333,276	3.00	Direct
Legal and General Group Plc	11,248,247	2.98	11,248,247	2.98	Direct

Annual General Meeting

The Company's Annual General Meeting will be held on 25 July 2013. 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 three special resolutions 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 has expressed its willingness to continue in office as auditor and a resolution to reappoint Deloitte LLP will be proposed at the forthcoming Annual General Meeting.

By order of the Board

Carol Chesney
Company Secretary
13 June 2013

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
13 June 2013

Kevin Thompson
Finance Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HALMA PLC

We have audited the Group financial statements of Halma plc for the 52 week period ended 30 March 2013 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income and Expenditure, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement, the Reconciliation of Net Cash Flow to Movement in Net Debt 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditor

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 30 March 2013 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 UK Corporate Governance 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 plc for the 52 week period ended 30 March 2013 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

13 June 2013

CONSOLIDATED INCOME STATEMENT

	Notes	52 weeks to 30 March 2013 Before Adjustments* £000	Adjustments* (note 1) £000	Total £000	52 weeks to 31 March 2012 Before Adjustments* £000	Adjustments* (note 1) £000	Total £000
Continuing operations							
Revenue	1	**619,210**	**–**	**619,210**	579,883	–	579,883
Operating profit		**134,844**	**(16,477)**	**118,367**	121,944	(12,034)	109,910
Share of results of associates		**(352)**	**–**	**(352)**	(37)	–	(37)
Profit on disposal of continuing operations	29	**–**	**8,070**	**8,070**	–	3,543	3,543
Finance income	4	**8,964**	**–**	**8,964**	10,070	–	10,070
Finance expense	5	**(12,795)**	**–**	**(12,795)**	(11,512)	–	(11,512)
Profit before taxation	6	**130,661**	**(8,407)**	**122,254**	120,465	(8,491)	111,974
Taxation	9	**(31,670)**	**4,632**	**(27,038)**	(28,256)	2,996	(25,260)
Profit for the year attributable to equity shareholders	1	**98,991**	**(3,775)**	**95,216**	92,209	(5,495)	86,714
Earnings per share	2						
From continuing operations							
Basic		**26.22p**		**25.22p**	24.46p		23.01p
Diluted				**25.19p**			22.97p
Dividends in respect of the year	10						
Paid and proposed (£000)				**39,409**			36,723
Paid and proposed per share				**10.43p**			9.74p

* Adjustments include the amortisation of acquired intangible assets; acquisition transaction costs; movement on contingent consideration; profit on disposal of continuing operations; and the associated taxation thereon.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE

	Notes	52 weeks to 30 March 2013 £000	52 weeks to 31 March 2012 £000
Profit for the year		**95,216**	86,714
Exchange differences on translation of foreign operations and net investment hedge		**16,534**	(5,707)
Actuarial losses on defined benefit pension plans	28	**(21,970)**	(3,024)
Effective portion of changes in fair value of cash flow hedges	26	**(504)**	545
Tax relating to components of other comprehensive income	9	**4,930**	(11)
Other comprehensive expense for the year		**(1,010)**	(8,197)
Total comprehensive income for the year attributable to equity shareholders		**94,206**	78,517

The exchange differences of £16,534,000 (2012: (£5,707,000)) comprise gains of £113,000 (2012: losses of £776,000) which relate to net investment hedges as described on page 96.

CONSOLIDATED BALANCE SHEET

	Notes	30 March 2013 £000	31 March 2012 £000
Non-current assets			
Goodwill	11	**351,785**	267,471
Other intangible assets	12	**134,457**	74,483
Property, plant and equipment	13	**76,725**	72,118
Interests in associates	14	**4,792**	1,968
Deferred tax asset	21	**28,749**	11,039
		596,508	427,079
Current assets			
Inventories	15	**69,713**	57,368
Trade and other receivables	16	**133,605**	114,674
Tax receivable		**69**	288
Cash and cash equivalents		**49,723**	45,305
Derivative financial instruments	26	**256**	469
		253,366	218,104
Total assets		**849,874**	645,183
Current liabilities			
Trade and other payables	17	**100,929**	93,499
Borrowings	18	**5,147**	–
Provisions	19	**2,420**	2,618
Tax liabilities		**11,331**	11,870
Derivative financial instruments	26	**796**	126
		120,623	108,113
Net current assets		**132,743**	109,991
Non-current liabilities			
Borrowings	18	**154,866**	64,014
Retirement benefit obligations	28	**47,172**	32,997
Trade and other payables	20	**22,649**	13,388
Provisions	19	**2,100**	2,301
Deferred tax liabilities	21	**49,197**	26,258
		275,984	138,958
Total liabilities		**396,607**	247,071
Net assets		**453,267**	398,112
Equity			
Share capital	22	**37,888**	37,856
Share premium account		**22,598**	22,177
Treasury shares		**(4,534)**	(4,569)
Capital redemption reserve		**185**	185
Hedging and translation reserve		**45,372**	29,212
Other reserves		**(1,484)**	1,346
Retained earnings		**353,242**	311,905
Shareholders' funds		**453,267**	398,112

The financial statements of Halma plc, company number 40932, were approved by the Board of Directors on 13 June 2013.

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 31 March 2012	37,856	22,177	(4,569)	185	29,212	1,346	311,905	398,112
Profit for the year	–	–	–	–	–	–	95,216	95,216
Other comprehensive income and expense:								
Exchange differences on translation of foreign operations	–	–	–	–	16,534	–	–	16,534
Actuarial losses on defined benefit pension plans	–	–	–	–	–	–	(21,970)	(21,970)
Effective portion of changes in fair value of cash flow hedges	–	–	–	–	(504)	–	–	(504)
Tax relating to components of other comprehensive income	–	–	–	–	130	–	4,800	4,930
Total other comprehensive income and expense	–	–	–	–	16,160	–	(17,170)	(1,010)
Share options exercised	32	421	–	–	–	–	–	453
Dividends paid	–	–	–	–	–	–	(37,765)	(37,765)
Share-based payments	–	–	–	–	–	(2,835)	–	(2,835)
Deferred tax on share-based payment transactions	–	–	–	–	–	5	–	5
Excess tax deductions related to share-based payments on exercised options	–	–	–	–	–	–	1,056	1,056
Net movement in treasury shares	–	–	35	–	–	–	–	35
At 30 March 2013	**37,888**	**22,598**	**(4,534)**	**185**	**45,372**	**(1,484)**	**353,242**	**453,267**
At 2 April 2011	37,824	21,744	(5,016)	185	34,511	3,634	262,503	355,385
Profit for the year	–	–	–	–	–	–	86,714	86,714
Other comprehensive income and expense:								
Exchange differences on translation of foreign operations	–	–	–	–	(5,707)	–	–	(5,707)
Actuarial losses on defined benefit pension plans	–	–	–	–	–	–	(3,024)	(3,024)
Effective portion of changes in fair value of cash flow hedges	–	–	–	–	545	–	–	545
Tax relating to components of other comprehensive income	–	–	–	–	(137)	–	126	(11)
Total other comprehensive income and expense	–	–	–	–	(5,299)	–	(2,898)	(8,197)
Share options exercised	32	433	–	–	–	–	–	465
Dividends paid	–	–	–	–	–	–	(35,232)	(35,232)
Share-based payments	–	–	–	–	–	(2,082)	–	(2,082)
Deferred tax on share-based payment transactions	–	–	–	–	–	(206)	–	(206)
Excess tax deductions related to share-based payments on exercised options	–	–	–	–	–	–	818	818
Net movement in treasury shares	–	–	447	–	–	–	–	447
At 31 March 2012	37,856	22,177	(4,569)	185	29,212	1,346	311,905	398,112

Treasury shares are ordinary shares in Halma plc purchased by the Company and held to fulfil the Company's obligations under the performance share plan. At 30 March 2013 the number of treasury shares held was 1,143,209 (2012: 1,404,269) and their market value was £5,921,823 (2012: £5,344,648). The net movement of treasury shares of £35,000 (2012: £447,000) comprises the purchase of treasury shares of £5,525,000 (2012: £3,985,000) offset by the transfer to Other reserves of £5,560,000 (2012: £4,432,000).

The Hedging and translation reserve is used to record differences arising from the retranslation of the financial statements of foreign operations and the portion of the cumulative net change in the fair value of cash flow hedging instruments that are deemed to be an effective hedge. Other than a net charge of £247,000 (2012: income of £127,000), all amounts at year end relate to translation movements.

The Capital redemption reserve was created on repurchase and cancellation of the Company's own shares. The Other reserves represent the provision for the value of the equity-settled share option plans and performance share plan.

CONSOLIDATED CASH FLOW STATEMENT

	Notes	52 weeks to 30 March 2013 £000	52 weeks to 31 March 2012 £000
Net cash inflow from operating activities	25	**108,244**	97,687
Cash flows from investing activities			
Purchase of property, plant and equipment		**(14,472)**	(15,196)
Purchase of computer software	12	**(1,044)**	(1,293)
Purchase of other intangibles	12	**(9)**	(46)
Proceeds from sale of property, plant and equipment		**917**	1,244
Development costs capitalised	12	**(5,443)**	(4,718)
Interest received		**195**	212
Acquisition of businesses, net of cash acquired	24	**(145,641)**	(18,667)
Acquisition of investments in associates	14	**(3,187)**	–
Disposal of business, net of cash disposed	29	**19,608**	3,554
Net cash used in investing activities		**(149,076)**	(34,910)
Financing activities			
Dividends paid		**(37,765)**	(35,232)
Proceeds from issue of share capital		**453**	465
Purchase of treasury shares		**(5,525)**	(3,985)
Interest paid		**(2,502)**	(1,490)
Loan arrangement fee		**–**	(1,903)
Proceeds from borrowings	25	**92,298**	76,456
Repayment of borrowings	25	**(2,942)**	(94,050)
Net cash from/(used in) financing activities		**44,017**	(59,739)
Increase in cash and cash equivalents	25	**3,185**	3,038
Cash and cash equivalents brought forward		**45,305**	42,610
Exchange adjustments		**1,233**	(343)
Cash and cash equivalents carried forward		**49,723**	45,305

	2013 £000	2012 £000
Reconciliation of net cash flow to movement in net debt		
Increase in cash and cash equivalents	**3,185**	3,038
Cash (inflow)/outflow from (drawdowns)/ repayment of borrowings	**(89,356)**	17,594
Net debt acquired	**(2,406)**	(1,144)
Loan notes issued*	**(2,515)**	–
Exchange adjustments	**(489)**	(1,119)
	(91,581)	18,369
Net debt brought forward	**(18,709)**	(37,078)
Net debt carried forward	**(110,290)**	(18,709)

* The loan notes were issued on 6 June 2012 and were convertible at par into cash at any time between six and twelve months from date of issue. The loan notes were redeemed on 31 May 2013.

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 30 March 2013 and 31 March 2012 other than those noted below.

The Group accounts have been prepared under the historical cost convention, except as described below under the heading 'Derivative financial instruments and hedge accounting'.

New standards and interpretations

At the date of authorisation of these financial statements, the following Standards and Interpretations that are potentially relevant to the Group and which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

- Amendments to IAS 19 "Employee benefits"
- IFRS 9 "Financial Instruments: Classification and measurement" – effective for accounting periods beginning on or after 1 January 2015.
- IAS 12 "Income Taxes – Limited Scope Amendment"
- IFRS 10 "Consolidated Financial Statements"
- IFRS 11 "Joint Arrangements"
- IFRS 12 "Disclosure of Interest in Other Entities"
- IFRS 13 "Fair Value Measurement"
- IAS 27 (amended) "Separate Financial Statements"
- IAS 28 (amended) "Investments in Associates and Joint Ventures"
- IAS 1 (amended) "Presentation of Items in Other Comprehensive Income"
- Annual improvements to IFRSs: 2009-2011 Cycle
- IAS 32 (amended) "Offsetting Financial Assets and Financial Liabilities"
- IFRS 7 (amended) "Disclosures – Offsetting Financial Assets and Financial Liabilities"
- IFRS 10 (amended), IFRS 12 (amended) and IAS 27 (amended) – "Investment Entities"

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 the following:

IFRS 9 'Financial Instruments', which will introduce a number of changes in the presentation of financial instruments;

IFRS 13 'Fair Value Measurement' which will impact the measurement of fair value of certain assets and liabilities;

IAS 1 'Amendments to presentation of Other Comprehensive Income' which will impact the presentation of financial statements. This will impact the presentation of various items within the Statement of Other Comprehensive Income by requiring the separation of items that will later be reclassified through the Consolidated Income Statement from those that will never pass through the Consolidated Income Statement; and

IAS 19 (as revised in June 2011) 'Employee Benefits' will be adopted by the Group for the financial year commencing 31 March 2013. The interest cost and expected return on defined-benefit pension scheme assets used in the previous version of IAS 19 are replaced with a 'net interest' amount, which is calculated by applying a discount rate to the net defined benefit liability or asset. Furthermore, IAS 19 (revised) also introduces more extensive disclosures in the presentation of the defined benefit cost, including the separate disclosure of the scheme's administrative expenses.

If IAS 19 (revised) had been applied to these financial statements, the profit for the year would have been approximately £2 million lower. Its adoption for the year to 29 March 2014 is expected to reduce the profit similarly by approximately £2 million. To aid comparison, in the 29 March 2014 Financial Statements, the 30 March 2013 comparatives will be restated as if IAS 19 (revised) had applied.

Going concern

The Directors have, at the time of approving the financial statements, a high level of confidence that despite the current economic uncertainty the company has the necessary liquid resources to meet its liabilities as they fall due and will be able to sustain its business model, strategy and operations and remain solvent for the foreseeable future. Thus, the directors continue to adopt the going concern basis in preparing these financial statements. Further detail is contained on page 69.

Key sources of estimation uncertainty and critical accounting judgments

The preparation of Group accounts in conformity with IFRS requires the Directors to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experiences and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The following four areas of key estimation uncertainty and critical accounting judgment have been identified as having significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next financial year:

Goodwill impairment
Determining whether goodwill is impaired requires an estimation of the value in use of cash generating units (CGUs) to which goodwill has been allocated. In turn, the value in use calculation involves an estimation of the present value of future cash flows of CGUs. The future cash flows are based on annual budgets, as approved by the Board, to which the management's expectation of market-share and long-term growth rates are applied. The present value is then calculated based on management's judgment of future discount rates. The Board reviews these key assumptions (market-share, long-term growth rates, and discount rates) and the sensitivity analysis around these assumptions. Further details are provided in note 11.

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.

Contingent consideration
Determining the value of contingent consideration recognised as part of the acquisition of subsidiaries requires assumptions to determine the expected performance of the acquired business and the amount of contingent consideration that will therefore become payable. Initial estimates of expected performance are made by the Directors responsible for completing the acquisition and form a key component of the financial due diligence that takes place prior to completion. Subsequent measurement of contingent consideration is based on the Directors' appraisal of the acquired business's performance in the post-acquisition period with any required adjustments to the amount payable recognised in the Consolidated Income Statement as required under IFRS 3. Further details are provided in note 24.

Basis of consolidation
The Group accounts include the accounts of Halma plc and its subsidiary companies made up to 30 March 2013, 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. 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 over hedged 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 Swiss Franc denominated borrowings as a hedge against the translation exposure on the Group's net investment in overseas companies. Where the hedge is fully effective at hedging the variability in the net assets of such companies caused by changes in exchange rates, the changes in value of the borrowings are recognised in the Statement of Comprehensive Income and accumulated in the Hedging and translation reserve. The ineffective part of any change in value caused by changes in exchange rates is recognised in the Consolidated Income Statement.

Revenue

Revenue represents sales, less returns, by subsidiary companies to external customers excluding value added tax and other sales related taxes. Transactions are recorded as revenue when the delivery of products or performance of services takes place in accordance with the contracted terms of sale.

Revenue on long term contracts is recognised while the contracts are in progress. Revenue is recognised proportionally to the stage of completion of the contract, based on the fair value of goods and services provided to date, taking into account the sign-off of milestone delivery by customers. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Property, plant and equipment

Property, plant and equipment is stated at historical cost less provisions for impairment and depreciation which, with the exception of freehold land which is not depreciated, is provided on a straight-line basis over each asset's estimated economic life. The principal annual rates used for this purpose are:

Freehold property	2%
Leasehold properties:	
Long leases (more than 50 years unexpired)	2%
Short leases (less than 50 years unexpired)	Period of lease
Plant, equipment and vehicles	8% to 33$^1/_3$%

Leases

Leases that confer rights and obligations similar to those that attach to owned assets are classified as finance leases, of which the Group has none. All other leases are classified as operating leases.

Operating lease rentals, and any incentives receivable, are charged to the Consolidated Income Statement on a straight-line basis over the lease term.

Pensions

The Group makes contributions to various pension schemes, covering the majority of its employees.

For defined benefit schemes, the asset or liability recorded in the balance sheet is the difference between the fair value of the scheme's assets and the present value of the defined obligation at that date. The defined benefit obligation is calculated separately for each scheme on an annual basis by independent actuaries using the projected unit credit method.

Actuarial gains and losses are recognised in full in the period in which they occur, and are taken to Other comprehensive income.

Current and past service costs, along with the impact of any settlements or curtailments, are charged to the Consolidated Income Statement. Interest on pension plans' liabilities are recognised within finance expense and the expected return on the schemes' assets are recognised within finance income in the Consolidated Income Statement.

Contributions to defined contribution schemes are charged to the Consolidated Income Statement when they fall due.

Employee share schemes

Share-based incentives are provided to employees under the Group's share incentive plan, the share option plans and the performance share plan.

(a) Share incentive plan

Awards of shares under the share incentive plan are made to qualifying employees depending on salary and service criteria. The shares awarded under this plan are purchased in the market by the plan's trustees at the time of the award, and are then held in trust for a minimum of three years. The costs of this plan are recognised in the Consolidated Income Statement over the three-year vesting periods of the awards.

(b) Share option plans

All grants of options under the 1999 company share option plan are equity settled, and so, as permitted by IFRS 1, the provisions of IFRS 2 'Share-Based Payment' have been applied only to options awarded on or after 7 November 2002 which had not vested at 3 April 2005.

The fair value of awards under this plan has been measured at the date of grant using the Black-Scholes model and will not be subsequently remeasured. The fair value is charged to the Consolidated Income Statement on a straight-line basis over the expected vesting period, based on the Group's estimate of shares that will ultimately vest and adjusted for the effect of non market-based vesting conditions. The corresponding credit is to Shareholders' funds.

No further awards will be made under the share option plan.

(c) Performance share plan

On 3 August 2005 the share option plan was replaced by the performance share plan.

Awards under this plan are partly equity-settled and partly cash-settled, and are subject to both market based and non-market based vesting criteria.

The fair value of the equity-settled portion at the date of grant is established by using an appropriate simulation method to reflect the likelihood of market-based performance conditions being met. The fair value is charged to the Consolidated Income Statement on a straight-line basis over the vesting period, with appropriate adjustments being made during this period to reflect expected and actual forfeitures arising from the non-market based performance conditions only. The corresponding credit is to Shareholders' funds.

For the cash-settled portion, a liability equal to the portion of the services received is recognised at the current fair value determined at each balance sheet date.

Inventories

Inventories and work in progress are included at the lower of cost and net realisable value. Cost is calculated either on a 'first in, first out' or an average cost basis and includes direct materials and the appropriate proportion of production and other overheads considered by the Directors to be attributable to bringing the inventories to their location and condition at the year end. Net realisable value represents the estimated selling price less all estimated costs to complete and costs to be incurred in marketing, selling and distribution.

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.

1 Segmental analysis

Sector analysis

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

In the current year the reportable segments have been revised to provide greater understanding of the Group's activities. The main change from the prior year is separating the former Health & Analysis sector into two sectors, namely the Medical and Environmental & Analysis sectors. This separation reflects the Group's growing presence in the medical devices market, in particular in ophthalmology and blood pressure monitoring. The Process Safety and Infrastructure Safety sectors, (formerly named Industrial Safety and Infrastructure Sensors respectively) are unchanged. Prior year results have been restated to reflect the revised reportable segments.

Segment revenue and results

	Revenue (all continuing operations)	
	52 weeks to 30 March 2013 £000	(Restated) 52 weeks to 31 March 2012 £000
Process Safety	**125,656**	122,240
Infrastructure Safety	**205,315**	204,280
Medical	**136,054**	100,361
Environmental & Analysis	**152,448**	153,351
Inter-segmental sales	**(263)**	(349)
Revenue for the year	**619,210**	579,883

Inter-segmental sales are charged at prevailing market prices and have not been disclosed separately by segment as they are not considered material. The Group does not analyse revenue by product group and has no material revenue derived from the rendering of services.

	Profit (all continuing operations)	
	52 weeks to 30 March 2013 £000	(Restated) 52 weeks to 31 March 2012 £000
Segment profit before allocation of amortisation of acquired intangible assets, acquisition costs and profit on disposal of continuing operations		
Process Safety	**32,310**	29,226
Infrastructure Safety	**41,759**	39,099
Medical	**35,934**	26,252
Environmental & Analysis	**30,385**	31,596
	140,388	126,173
Segment profit after allocation of amortisation of acquired intangible assets, acquisition costs* and profit on disposal of continuing operations		
Process Safety	**39,848**	28,627
Infrastructure Safety	**41,705**	39,276
Medical	**24,146**	21,058
Environmental & Analysis	**26,282**	28,721
Segment profit	**131,981**	117,682
Central administration costs	**(5,896)**	(4,266)
Net finance expense	**(3,831)**	(1,442)
Group profit before taxation	**122,254**	111,974
Taxation	**(27,038)**	(25,260)
Profit for the year	**95,216**	86,714

* Acquisition costs comprise transactions costs and adjustments to contingent consideration.

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

1 Segmental analysis continued

The amortisation of acquired intangible assets, acquisition transaction costs, movement on contingent consideration (including any arising from foreign exchange revaluation) and profit on disposal of continuing operations are analysed as follows:

		Acquisition costs				2013
	Amortisation of acquired intangibles £000	Transaction costs £000	Adjustments to contingent consideration £000	Total amortisation charge and acquisition costs £000	Disposal of continuing operations (note 29) £000	Total £000
Process Safety	(602)	–	(16)	(618)	8,156	7,538
Infrastructure Safety	–	(54)	–	(54)	–	(54)
Medical	(9,947)	(2,272)	517	(11,702)	(86)	(11,788)
Environmental & Analysis	(3,686)	(417)	–	(4,103)	–	(4,103)
Total Group	(14,235)	(2,743)	501	(16,477)	8,070	(8,407)

The transaction costs mainly arose on the acquisitions in note 24 of SunTech Medical Group Limited (£948,000), MicroSurgical Technology, Inc. (£851,000), Sensorex Corporation (£298,000), Thinketron Precision Equipment Company Limited (£246,000), Accutome, Inc. (£216,000) and ASL Holdings, Limited (£119,000).

		Acquisition costs				(Restated) 2012
	Amortisation of acquired intangibles £000	Transaction costs £000	Adjustments to contingent consideration £000	Total amortisation charge and acquisition costs £000	Disposal of continuing operations £000	Total £000
Process Safety	(548)	(51)	–	(599)	–	(599)
Infrastructure Safety	–	–	177	177	–	177
Medical	(7,599)	(409)	(729)	(8,737)	3,543	(5,194)
Environmental & Analysis	(2,205)	(258)	(412)	(2,875)	–	(2,875)
Total Group	(10,352)	(718)	(964)	(12,034)	3,543	(8,491)

Segment assets and liabilities

Before goodwill, interests in associates and acquired intangible assets are allocated to specific segment assets/liabilities	Assets 2013 £000	Assets (Restated) 2012 £000	Liabilities 2013 £000	Liabilities (Restated) 2012 £000
Process Safety	47,960	49,376	17,451	20,513
Infrastructure Safety	86,401	77,261	28,933	29,304
Medical	55,473	33,272	18,452	9,729
Environmental & Analysis	67,066	61,661	24,003	21,289
Total segment assets/liabilities excluding goodwill, interests in associates and acquired intangible assets	256,900	221,570	88,839	80,835
Goodwill	351,785	267,471	–	–
Interests in associates	4,792	1,968	–	–
Acquired intangible assets	119,951	61,082	–	–
Total segment assets/liabilities including goodwill, interests in associates and acquired intangible assets	733,428	552,091	88,839	80,835

After goodwill, interests in associates and acquired intangible assets are allocated to specific segment assets/liabilities	Assets 2013 £000	Assets (Restated) 2012 £000	Liabilities 2013 £000	Liabilities (Restated) 2012 £000
Process Safety	67,978	77,234	17,451	20,513
Infrastructure Safety	168,064	157,577	28,933	29,304
Medical	301,256	162,736	18,452	9,729
Environmental & Analysis	196,130	154,544	24,003	21,289
Total segment assets/liabilities including goodwill and acquired intangible assets	733,428	552,091	88,839	80,835
Cash and cash equivalents/borrowings	49,723	45,305	160,013	64,014
Derivative financial instruments	256	469	796	126
Other unallocated assets/liabilities	66,467	47,318	146,959	102,096
Total Group	849,874	645,183	396,607	247,071

1 Segmental analysis continued

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		Depreciation and amortisation	
	2013 £000	(Restated) 2012 £000	**2013 £000**	(Restated) 2012 £000
Process Safety	**3,692**	12,813	**3,942**	4,522
Infrastructure Safety	**7,701**	7,146	**5,697**	5,494
Medical	**122,431**	2,565	**12,727**	9,984
Environmental & Analysis	**40,908**	19,369	**8,885**	7,003
Total segment additions/depreciation and amortisation	**174,732**	41,893	**31,251**	27,003
Unallocated	**294**	979	**648**	666
Total Group	**175,026**	42,872	**31,899**	27,669

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 (2012: £nil).

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	
	2013 £000	2012 £000	**2013 £000**	2012 £000
United States of America	**194,990**	161,951	**68,765**	40,021
Mainland Europe	**151,631**	154,428	**28,115**	26,682
United Kingdom	**115,575**	125,613	**466,006**	345,480
Asia Pacific*	**100,532**	87,277	**4,803**	3,792
Africa, Near and Middle East	**31,380**	27,750	**–**	–
Other countries	**25,102**	22,864	**70**	65
	619,210	579,883	**567,759**	416,040

* Formerly Asia Pacific and Australasia.

Non-current assets comprise goodwill, other intangible assets, investments in associates and property, plant and equipment.

Information about major customers

The Group had no revenue from a single customer, which accounts for more than 2% of the Group's revenue.

2 Earnings per ordinary share

Basic earnings per ordinary share are calculated using the weighted average of 377,597,126 shares in issue during the year (net of shares purchased by the Company and held as treasury shares) (2012: 376,926,013). Diluted earnings per ordinary share are calculated using the weighted average of 378,009,506 shares (2012: 377,473,142), which includes dilutive potential ordinary shares of 412,380 (2012: 547,129). Dilutive potential ordinary shares are calculated from those exercisable share options where the exercise price is less than the average price of the Company's ordinary shares during the year.

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

			Per ordinary share	
	2013 £000	2012 £000	**2013 pence**	2012 pence
Earnings from continuing operations	**95,216**	86,714	**25.22**	23.01
Add back amortisation of acquired intangible assets (after tax)	**9,978**	7,561	**2.64**	2.00
Acquisition transaction costs (after tax)	**2,252**	691	**0.60**	0.18
Adjustments to contingent consideration (after tax)	**(385)**	786	**(0.10)**	0.21
Profit on disposal of continuing operations (after tax)	**(8,070)**	(3,543)	**(2.14)**	(0.94)
Adjusted earnings	**98,991**	92,209	**26.22**	24.46

3 Non-GAAP measures

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

Return on Capital Employed

	2013 £000	2012 £000
Operating profit before amortisation of acquired intangible assets, acquisition transaction costs and movement on contingent consideration, but after share of results of associates	**134,492**	121,907
Computer software costs within intangible assets	**2,383**	2,678
Capitalised development costs within intangible assets	**11,977**	10,508
Other intangibles within intangible assets	**146**	215
Property, plant and equipment	**76,725**	72,118
Inventories	**69,713**	57,368
Trade and other receivables	**133,605**	114,674
Trade and other payables	**(100,929)**	(93,499)
Provisions	**(2,420)**	(2,618)
Net tax liabilities	**(11,262)**	(11,582)
Non-current trade and other payables	**(22,649)**	(13,388)
Non-current provisions	**(2,100)**	(2,301)
Add back contingent purchase consideration	**33,512**	29,110
Capital employed	**188,701**	163,283
Return on Capital Employed	**71.3%**	74.7%

Return on Total Invested Capital

	2013 £000	2012 £000
Post-tax profit before amortisation of acquired intangible assets, acquisition transaction costs, movement on contingent consideration and profit on disposal of continuing operations	**98,991**	92,209
Total shareholders' funds	**453,267**	398,112
Add back retirement benefit obligations	**47,172**	32,997
Less associated deferred tax assets	**(10,851)**	(7,920)
Cumulative amortisation of acquired intangibles	**46,150**	36,306
Historic adjustments to goodwill*	**89,549**	89,549
Total invested capital	**625,287**	549,044
Return on Total Invested Capital	**15.8%**	16.8%

* Includes goodwill amortised prior to 3 April 2004 and goodwill taken to reserves.

Organic growth

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

	Revenue			Profit* before taxation		
	2013 £000	2012 £000	% growth	2013 £000	2012 £000	% growth
Continuing operations	**619,210**	579,883		**130,661**	120,465	
Acquired revenue/profit	**(37,941)**	(11,394)		**(6,933)**	(1,633)	
	581,269	568,489	2.2%	**123,728**	118,832	4.1%

* Before amortisation of acquired intangible assets, acquisition transaction costs, movement on contingent consideration and profit on disposal of continuing operations.

3 Non-GAAP measures continued

Adjusted operating profit

	2013 £000	2012 £000
Operating profit	**118,367**	109,910
Add back:		
Acquisition costs and contingent consideration fair value adjustments	**2,242**	1,682
Amortisation of acquisition-related intangible assets	**14,235**	10,352
Adjusted operating profit	**134,844**	121,944

Adjusted operating cash flow

	2013 £000	2012 £000
Net cash from operating activities (note 25)	**108,244**	97,687
Add back:		
Taxes paid	**25,452**	27,772
Proceeds from sale of property, plant and equipment	**917**	1,244
Less:		
Purchase of property, plant and equipment	**(14,472)**	(15,196)
Purchase of computer software and other intangibles	**(1,053)**	(1,339)
Development costs capitalised	**(5,443)**	(4,718)
Adjusted operating cash flow	**113,645**	105,450
Cash conversion % (adjusted operating cash flow/adjusted operating profit)	**84%**	86%

4 Finance income

	2013 £000	2012 £000
Interest receivable	**195**	212
Expected return on pension scheme assets	**8,769**	9,529
	8,964	9,741
Fair value movement on derivative financial instruments	**–**	329
	8,964	10,070

5 Finance expense

	2013 £000	2012 £000
Interest payable on bank loans and overdrafts	**2,366**	1,383
Amortisation of finance costs	**634**	282
Interest charge on pension scheme liabilities	**9,239**	9,684
Other interest payable	**90**	107
	12,329	11,456
Fair value movement on derivative financial instruments	**384**	–
Unwinding of discount on provisions	**82**	56
	12,795	11,512

6 Profit before taxation

Profit before taxation comprises:

	2013 £000	(Restated) 2012 £000
Revenue	**619,210**	579,883
Direct materials/direct labour	**(223,050)**	(211,925)
Production overhead	**(74,654)**	(73,080)
Selling costs	**(77,348)**	(72,069)
Distribution costs	**(13,690)**	(11,812)
Administrative expenses	**(112,101)**	(101,087)
Operating profit	**118,367**	109,910
Share of results of associates	**(352)**	(37)
Profit on disposal of continuing operations	**8,070**	3,543
Net finance expense	**(3,831)**	(1,442)
Profit before taxation	**122,254**	111,974

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

The presentation of the profit before taxation note, and headings within operating profit, have been revised from the prior year as part of the Group's continuous appraisal of its financial reporting. The change has been made to ensure comparability with industry best practice, to give the most useful and reliable measure of the Group's performance, and to present the information in a manner consistent with the Group's internal reporting.

		2013 £000	2012 £000
Profit before taxation is stated after charging/(crediting):			
Depreciation		**12,684**	12,178
Amortisation		**19,215**	15,491
Research and development*		**25,633**	22,706
Foreign exchange (gain)/loss		**(901)**	1,065
Profit on disposal of operations		**(8,070)**	(3,543)
Profit on sale of property, plant and equipment and computer software		**(163)**	(495)
Cost of inventories recognised as an expense		**284,269**	289,675
Staff costs (note 7)		**164,862**	154,432
Auditors' remuneration	Audit services to the Company	**142**	126
	Audit of the company's subsidiaries	**598**	534
	Total audit fees	**740**	660
	Interim agreed upon procedures	**20**	27
	Tax compliance services	**27**	19
	Tax advisory services	**225**	120
	Other services	**21**	31
	Total non-audit fees	**293**	197
	Audit of Group pension plan	**14**	13
	Total fees	**1,047**	870
Operating lease rents:	Property	**7,679**	6,661
	Other	**915**	818

* A further £5,443,000 (2012: £4,718,000) of development costs has been capitalised in the year. See note 12.

7 Employee information

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

	2013 Number	2012 Number
United States of America	**1,439**	1,285
Mainland Europe	**792**	722
United Kingdom	**1,751**	1,745
Asia Pacific	**727**	591
Other countries	**7**	4
	4,716	4,347

Group employee costs comprise:

	2013 £000	2012 £000
Wages and salaries	**136,120**	127,255
Social security costs	**19,510**	18,847
Pension costs (note 28)	**5,590**	4,975
Share-based payment charge (note 23)	**3,642**	3,355
	164,862	154,432

8 Directors' remuneration

The remuneration of the Directors is set out on pages 73 to 82 within the Remuneration report described as being audited and forms part of these financial statements.

Directors' remuneration comprises:

	2013 £000	2012 £000
Wages, salaries and fees	**2,686**	2,457
Pension costs	**47**	45
Share-based payment charge	**989**	1,035
	3,722	3,537

9 Taxation

	2013 £000	2012 £000
Current tax		
UK corporation tax at 24% (2012: 26%)	**8,081**	9,021
Overseas taxation	**19,046**	15,635
Adjustments in respect of prior years	**(178)**	753
Total current tax charge	**26,949**	25,409
Deferred tax		
Origination and reversal of timing differences	**(40)**	362
Adjustments in respect of prior years	**129**	(511)
Total deferred tax charge/(credit)	**89**	(149)
Total tax charge recognised in the Consolidated Income Statement	**27,038**	25,260
Reconciliation of the effective tax rate:		
Profit before tax	**122,254**	111,974
Tax at the UK corporation tax rate of 24% (2012: 26%)	**29,341**	29,113
Overseas tax rate differences	**5,413**	3,574
Permanent differences	**(7,667)**	(7,669)
Adjustments in respect of prior years	**(49)**	242
	27,038	25,260
Effective tax rate (after amortisation of acquired intangible assets, acquisition transaction costs, movement on contingent consideration and profit on disposal of continuing operations)	**22.1%**	22.6%

9 Taxation continued

	2013 £000	2012 £000
Profit before tax*	**130,661**	120,465
Total tax charge*	**31,670**	28,256
Effective tax rate*	**24.2%**	23.5%

* Before amortisation of acquired intangible assets, acquisition transaction costs, movement on contingent consideration and profit on disposal of continuing operations.

In addition to the amount charged to the Consolidated Income Statement, the following amounts relating to tax have been recognised directly in the Consolidated Statement of Comprehensive Income and Expenditure:

	2013 £000	2012 £000
Deferred tax (note 21)		
Retirement benefit obligations	**(4,800)**	(126)
Short-term timing differences	**(130)**	137
	(4,930)	11

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:

	2013 £000	2012 £000
Current tax		
Excess tax deductions related to share-based payments on exercised options	**1,056**	818
Deferred tax (note 21)		
Change in estimated excess tax deductions related to share-based payments	**5**	(206)
	1,061	612

10 Dividends

	Per ordinary share			
	2013 pence	2012 pence	2013 £000	2012 £000
Amounts recognised as distributions to shareholders in the year				
Final dividend for the year to 31 March 2012 (2 April 2011)	**5.95**	5.56	**22,425**	20,934
Interim dividend for the year to 30 March 2013 (31 March 2012)	**4.06**	3.79	**15,340**	14,298
	10.01	9.35	**37,765**	35,232
Dividends declared in respect of the year				
Interim dividend for the year to 30 March 2013 (31 March 2012)	**4.06**	3.79	**15,340**	14,298
Proposed final dividend for the year to 30 March 2013 (31 March 2012)	**6.37**	5.95	**24,069**	22,425
	10.43	9.74	**39,409**	36,723

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 25 July 2013 and has not been included as a liability in these financial statements.

11 Goodwill

	2013 £000	2012 £000
Cost		
At beginning of year	**267,471**	259,954
Additions (note 24)	**82,159**	10,708
Disposals (note 29)	**(8,009)**	–
Exchange adjustments	**10,164**	(3,191)
At end of year	**351,785**	267,471
Provision for impairment		
At beginning and end of year	**–**	–
Carrying amounts	**351,785**	267,471

The Group identifies cash generating units (CGUs) at the operating company level as this represents the lowest level at which cash flows are largely independent of other cash flows. Goodwill acquired in a business combination is allocated, at acquisition, to the groups of CGUs that are expected to benefit from that business combination.

11 Goodwill continued

Following the revision to the Group's reportable segments described in note 1, goodwill has been re-allocated to ten CGU groupings within the new segments. This is to reflect:

a) the changing composition of the businesses within the Group;
b) companies increasingly collaborating and sharing resources;
c) the evolving markets in which the businesses operate and the long term growth drivers exhibited in those markets; and
d) the way that the Directors make decisions about continuing or disposing of lines of business.

In the prior year goodwill was allocated to 13 CGU groupings.

In the current year, the Group disposed of both businesses comprising the Asset Monitoring CGU grouping (see note 29), and aggregated the Doors, Security and Elevator CGUs into a single CGU grouping.

Before recognition of any impairment losses, the carrying amount of goodwill has been allocated as follows:

	2013 £000	(Restated) 2012 £000
Process Safety		
Gas Detection	–	–
Bursting Discs	7,620	7,239
Safety Interlocks	7,609	7,466
Asset Monitoring	–	8,009
	15,229	22,714
Infrastructure Safety		
Fire	11,675	11,350
Doors, Security & Elevators	69,988	68,966
	81,663	80,316
Medical		
Health Optics	123,123	67,811
Fluid Technology	33,749	29,949
	156,872	97,760
Environmental & Analysis		
Water	27,929	11,592
Photonics	57,855	55,089
Environmental Monitoring	12,237	–
	98,021	66,681
Total Group	351,785	267,471

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.

The re-allocation of goodwill described above did not have an impact on the outcome of impairment testing, which was carried out using a methodology consistent with prior periods.

Key assumptions used in 'value in use' calculations

The calculation of 'value in use' is most sensitive in all cases to the following assumptions:

- Discount rates;
- Market share during the budget period for the financial year to March 2014; and
- Growth rates used to extrapolate risk adjusted cash flows beyond the budget period.

Discount rates are based on estimations of the assumptions that market participants operating in similar sectors to Halma would make, using the Group's economic profile as a starting point and adjusting appropriately. The Directors do not currently expect any significant change in the present base discount rate of 10.51% (2012: 10.23%). The base discount rate, which is pre-tax and is based on short-term variables, may differ from the Weighted Average Cost of Capital (WACC) used in long-term return measures such as ROTIC. Discount rates are calculated for each CGU, reflecting the size of each business and specific geographic and industry factors, resulting in the impairment testing using discount rates ranging from 9.36% to 14.59% (2012: 10.75% to 12.98%).

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% and 2.50% for the first and second year onwards into perpetuity following the budget year are based on management 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 and supplier relationships[1]	Technical know-how[2]	Trademarks, brands and patents[3]	Total	Internally generated capitalised development costs	Computer software	Other intangibles[4]	Total
Cost								
At 2 April 2011	59,303	–	28,190	87,493	24,867	9,032	368	121,760
Assets of businesses acquired	8,995	–	984	9,979	–	9	–	9,988
Assets of business sold	–	–	–	–	(774)	(137)	–	(911)
Additions at cost	–	–	–	–	4,718	1,293	46	6,057
Disposals and retirements	–	–	–	–	(1)	(221)	–	(222)
Exchange adjustments	361	–	(445)	(84)	(224)	(70)	4	(374)
At 31 March 2012	**68,659**	**–**	**28,729**	**97,388**	**28,586**	**9,906**	**418**	**136,298**
Transfer between category	**313**	**7,429**	**(7,742)**	**–**	**–**	**–**	**–**	**–**
Assets of businesses acquired (note 24)	**48,392**	**6,790**	**13,888**	**69,070**	**–**	**50**	**–**	**69,120**
Assets of businesses sold	**(3,632)**	**(1,793)**	**–**	**(5,425)**	**(680)**	**(368)**	**–**	**(6,473)**
Additions at cost	**–**	**–**	**–**	**–**	**5,443**	**1,044**	**9**	**6,496**
Disposals and retirements	**–**	**–**	**–**	**–**	**(977)**	**(427)**	**–**	**(1,404)**
Exchange adjustments	**3,557**	**489**	**1,022**	**5,068**	**444**	**243**	**21**	**5,776**
At 30 March 2013	**117,289**	**12,915**	**35,897**	**166,101**	**32,816**	**10,448**	**448**	**209,813**
Accumulated amortisation								
At 2 April 2011	16,276	–	10,366	26,642	15,214	6,298	116	48,270
Charge for the year	7,192	–	3,160	10,352	3,734	1,319	86	15,491
Disposals and retirements	–	–	–	–	(774)	(131)	–	(905)
Reclassification of category[4]	–	–	–	–	(1)	(219)	–	(220)
Exchange adjustments	(366)	–	(322)	(688)	(95)	(39)	1	(821)
At 31 March 2012	**23,102**	**–**	**13,204**	**36,306**	**18,078**	**7,228**	**203**	**61,815**
Transfer between category	**250**	**5,377**	**(5,627)**	**–**	**–**	**–**	**–**	**–**
Charge for the year	**9,705**	**1,233**	**3,297**	**14,235**	**3,493**	**1,402**	**85**	**19,215**
Assets of businesses sold	**(3,632)**	**(1,793)**	**–**	**(5,425)**	**(337)**	**(328)**	**–**	**(6,090)**
Disposals and retirements	**–**	**–**	**–**	**–**	**(713)**	**(409)**	**–**	**(1,122)**
Exchange adjustments	**657**	**160**	**217**	**1,034**	**318**	**172**	**14**	**1,538**
At 30 March 2013	**30,082**	**4,977**	**11,091**	**46,150**	**20,839**	**8,065**	**302**	**75,356**
Carrying amounts								
At 30 March 2013	**87,207**	**7,938**	**24,806**	**119,951**	**11,977**	**2,383**	**146**	**134,457**
At 31 March 2012	45,557	–	15,525	61,082	10,508	2,678	215	74,483

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

2 Technical know-how assets are amortised over their useful economic lives estimated to be between three and ten years.

3 Trademarks, brands and patents (which include protected intellectual property) are amortised over their useful economic lives estimated to be between eight and ten years.

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

In the current year acquired intangibles have been presented under three headings in order to show significant groups of assets by class, according to their expected useful lives and the manner in which the assets are expected to be used. The additional disclosure is reflective of the significant additions made to acquired intangibles in the current year. The useful lives of brought-forward assets transferred between categories have not been revised as these transfers have been made solely for the purpose of improving the presentation of the information provided.

13 Property, plant and equipment

	Land and buildings			Plant, equipment and vehicles	
	Freehold £000	Long leases £000	Short leases £000	£000	Total £000
Cost					
At 2 April 2011	35,840	2,293	5,934	109,980	154,047
Assets of businesses acquired	–	–	35	888	923
Assets of business sold	(269)	(19)	–	(1,581)	(1,869)
Additions at cost	167	128	673	14,228	15,196
Disposals and retirements	–	(35)	(393)	(8,263)	(8,691)
Reclassification of category	–	90	10	(100)	–
Exchange adjustments	(428)	(17)	4	(964)	(1,405)
At 31 March 2012	**35,310**	**2,440**	**6,263**	**114,188**	**158,201**
Assets of businesses acquired (note 24)	**–**	**111**	**19**	**2,649**	**2,779**
Assets of business sold	**–**	**–**	**–**	**(3,276)**	**(3,276)**
Additions at cost	**239**	**415**	**666**	**13,152**	**14,472**
Disposals and retirements	**(43)**	**(127)**	**(261)**	**(6,784)**	**(7,215)**
Exchange adjustments	**531**	**55**	**167**	**2,734**	**3,487**
Reclassification of category	**–**	**–**	**477**	**(477)**	**–**
At 30 March 2013	**36,037**	**2,894**	**7,331**	**122,186**	**168,448**
Accumulated depreciation					
At 2 April 2011	8,149	912	3,852	71,243	84,156
Assets of business sold	(142)	–	–	(1,309)	(1,451)
Charge for the year	758	177	656	10,587	12,178
Disposals and retirements	–	(26)	(370)	(7,548)	(7,944)
Reclassification of category	–	90	4	(94)	–
Exchange adjustments	(113)	(6)	(4)	(733)	(856)
At 31 March 2012	**8,652**	**1,147**	**4,138**	**72,146**	**86,083**
Assets of business sold	**–**	**–**	**–**	**(2,481)**	**(2,481)**
Charge for the year	**763**	**200**	**637**	**11,084**	**12,684**
Disposals and retirements	**(31)**	**(125)**	**(255)**	**(6,073)**	**(6,484)**
Exchange adjustments	**200**	**28**	**116**	**1,577**	**1,921**
Reclassification of category	**–**	**–**	**346**	**(346)**	**–**
At 30 March 2013	**9,584**	**1,250**	**4,982**	**75,907**	**91,723**
Carrying amounts					
At 30 March 2013	**26,453**	**1,644**	**2,349**	**46,279**	**76,725**
At 31 March 2012	26,658	1,293	2,125	42,042	72,118

14 Associates

	2013 £000	2012 £000
Interests in associates		
At beginning of the year	**1,968**	1,989
Acquisition cost of investments	**3,187**	–
Exchange adjustments	**(11)**	16
Group's share of loss of associates	**(352)**	(37)
At end of the year	**4,792**	1,968

On 25 April 2012, the Group increased its investment in Optomed Oy from 15% to 40% for a cash consideration of Euro 3,894,000 (£3,187,000)

	2013 £000	2012 £000
Aggregated amounts relating to associates		
Total assets	**4,695**	4,869
Total liabilities	**(5,105)**	(5,071)
Net liabilities	**(410)**	(202)
Group's share of net (liabilities)/assets of associates	**(128)**	4
Total revenue	**1,427**	1,597
Loss	**(1,106)**	(340)
Group's share of loss of associates	**(352)**	(37)

In addition to the 40% holding in Optomed Oy, 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 according to the Group's share of ownership of each associate.

Details of the Group's associates held at 30 March 2013 are as follows:

Name of associate	Country of incorporation	Proportion of ownership interest	Principal activity
Optomed Oy	Finland	40%	Design, manufacture and selling
PSRM Immobilien AG	Switzerland	50%	Property management

15 Inventories

	2013 £000	2012 £000
Raw materials and consumables	**39,349**	33,313
Work in progress	**7,119**	6,306
Finished goods and goods for resale	**23,245**	17,749
	69,713	57,368

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

	2013 £000	2012 £000
At beginning of the year	**8,323**	8,846
Amounts reversed against inventories previously impaired	**(917)**	(1,358)
Write downs of inventories recognised as an expense and utilisation	**2,143**	930
Recognition of provisions for businesses acquired	**1,171**	–
De-recognition of provisions for businesses disposed	**(419)**	(44)
Exchange adjustments	**330**	(51)
At end of the year	**10,631**	8,323

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

	2013 £000	2012 £000
Trade receivables	**118,168**	101,980
Allowance for doubtful debts	**(2,445)**	(2,163)
	115,723	99,817
Other receivables	**7,681**	5,703
Prepayments and accrued income	**10,201**	9,154
	133,605	114,674

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

	2013 £000	2012 £000
At beginning of the year	**2,163**	2,150
Net impairment loss recognised	**846**	708
Amounts recovered against trade receivables previously written down	**(935)**	(656)
Recognition of provisions for businesses acquired	**359**	–
De-recognition of provisions for businesses disposed	**(22)**	(5)
Exchange adjustments	**34**	(34)
At end of the year	**2,445**	2,163

Impairment charges are recorded against the trade receivables which the Group believes may not be recoverable. In the case of trade receivables that are past due, management makes an assessment of the risk of non-collection, taking into account factors such as previous default experience, any disputes or other factors delaying payment and the risk of bankruptcy or other failure of the customer to meet their obligations. For trade receivables that are not past due, taking into account good historical collection experience, management records an impairment charge only where there is a specific risk of non-collection.

The fair value of trade and other receivables approximates to book value due to the short-term maturities associated with these items. There is no impairment risk identified with regards to prepayments and accrued income or other receivables where no amounts are past due.

The ageing of trade receivables was as follows:

	Gross trade receivables		Trade receivables net of doubtful debts	
	2013 £000	2012 £000	2013 £000	2012 £000
Not yet due	**91,382**	79,167	**91,114**	78,950
Up to one month overdue	**17,415**	14,996	**17,289**	14,986
Up to two months overdue	**3,406**	2,760	**3,308**	2,733
Up to three months overdue	**1,891**	1,521	**1,746**	1,457
Over three months overdue	**4,074**	3,536	**2,266**	1,691
	118,168	101,980	**115,723**	99,817

17 Trade and other payables: falling due within one year

	2013 £000	2012 £000
Trade payables	**50,285**	44,847
Other taxation and social security	**6,189**	5,349
Provision for contingent purchase consideration	**13,856**	18,480
Other payables	**3,929**	1,825
Accruals and deferred income	**26,670**	22,998
	100,929	93,499

The £18,480,000 provision for contingent consideration from 2012 was mainly paid in the current year (Medicel AG: £9,990,000 and Avo Photonics, Inc.: £7,059,000). The current year provision mainly comprises a transfer from provisions due after one year (Medicel AG: £10,410,000) and amounts payable for Accutome, Inc., a current year acquisition, of £3,290,000.

18 Borrowings

	2013 £000	2012 £000
Loan note falling due within one year	2,515	–
Unsecured bank loans falling due within one year	2,632	–
Total borrowings falling due within one year	5,147	–
Unsecured bank loans falling due after more than one year	154,866	64,014
	160,013	64,014

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

19 Provisions

Provisions are presented as:

	2013 £000	2012 £000
Current	2,420	2,618
Non-current	2,100	2,301
	4,520	4,919

	Dilapidations and empty property £000	Product warranty £000	Legal, contractual and other £000	Total £000
At beginning of the year	1,698	2,872	349	4,919
Additional provision in the year	104	701	123	928
Acquired on acquisition*	155	270	–	425
Business sold	(49)	(74)	–	(123)
Utilised during the year	(11)	(117)	(46)	(174)
Released during the year	(180)	(1,153)	(197)	(1,530)
Exchange adjustments	29	44	2	75
At end of the year	1,746	2,543	231	4,520

* Comprises £317,000 (current) and £108,000 (non-current) provisions, see note 24.

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 2013 to 2028, though they predominantly fall due within five years.

Product warranty

Product warranty provisions reflect commitments made to customers on the sale of goods in the ordinary course of business and included within the Group companies' standard terms and conditions. Warranty commitments cover a period of between one and five years and typically apply for a 12-month period. The provision represents the Directors' best estimate of the Group's liability based on past experience.

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

	2013 £000	2012 £000
Provision for contingent purchase consideration	**19,656**	10,630
Other payables	**2,993**	2,758
	22,649	13,388

The current year provision for contingent consideration mainly comprises £16,135,000, payable as part of the MicroSurgical Technology, Inc. acquisition and £3,500,000 due on the ASL Holdings Limited acquisition. The 2012 non-current provision (£10,630,000), which principally comprised an amount of £10,410,000 payable as part of the Medicel AG acquisition, was transferred to current provisions (note 17) in the current year.

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 1 April 2012	**7,920**	**(15,622)**	**(7,385)**	**1,476**	**1,536**	**(3,144)**	**(15,219)**
(Charge)/credit to Consolidated Income Statement	**(1,869)**	**4,267**	**1,395**	**(2,611)**	**6**	**(1,277)**	**(89)**
Credit to Consolidated Statement of Comprehensive Income	**4,800**	**–**	**–**	**130**	**–**	**–**	**4,930**
Credit to equity	**–**	**–**	**–**	**–**	**5**	**–**	**5**
Acquired (note 24)	**–**	**(23,377)**	**(242)**	**1,431**	**–**	**12,980**	**(9,208)**
Business sold	**–**	**–**	**17**	**77**	**–**	**–**	**94**
Exchange adjustments	**–**	**(1,475)**	**(260)**	**175**	**–**	**599**	**(961)**
At 30 March 2013	**10,851**	**(36,207)**	**(6,475)**	**678**	**1,547**	**9,158**	**(20,448)**

	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 2 April 2011	9,422	(14,430)	(7,883)	1,991	1,707	(4,297)	(13,490)
(Charge)/credit to Consolidated Income Statement	(1,628)	2,766	520	(725)	35	(819)	149
(Charge)/credit to Consolidated Statement of Comprehensive Income	126	–	–	(137)	–	–	(11)
Charge to equity	–	–	–	–	(206)	–	(206)
Acquired	–	(3,922)	14	221	–	1,925	(1,762)
Business sold	–	–	(34)	(3)	–	–	(37)
Exchange adjustments	–	(36)	(2)	129	–	47	138
At 31 March 2012	7,920	(15,622)	(7,385)	1,476	1,536	(3,144)	(15,219)

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:

	2013 £000	2012 £000
Deferred tax liability	**(49,197)**	(26,258)
Deferred tax asset	**28,749**	11,039
Net deferred tax liability	**(20,448)**	(15,219)

21 Deferred tax continued

Movement in deferred tax liability:

	2013 £000	2012 £000
At beginning of year	**(15,219)**	(13,490)
(Charge)/credit to Consolidated Income Statement:		
UK	**(2,261)**	760
Overseas	**2,172**	(611)
Credit/(charge) to Consolidated statement of comprehensive income	**4,930**	(11)
Credit/(charge) to equity	**5**	(206)
Acquired (note 24)	**(9,208)**	(1,762)
Business sold	**94**	(37)
Exchange adjustments	**(961)**	138
At end of year	**(20,448)**	(15,219)

The Finance Act 2013, which provides for a reduction in the main rate of corporation tax from 24% to 23% effective from 1 April 2013, was substantively enacted on 3 July 2012. This rate reduction has been reflected in the calculation of deferred tax at the balance sheet date.

The Government intends to enact future reductions in the main tax rate down to 20% by 1 April 2015. As this tax rate was not substantively enacted at the balance sheet date, the rate reduction is not yet reflected in these financial statements in accordance with IAS 10, as it is a non-adjusting event occurring after the reporting period.

However, for indicative purposes only, had the UK main corporate tax rate been reduced to 20% the net impact on recognised deferred tax assets and liabilities at 30 March 2013 would not have been material.

It is likely that the unremitted earnings of overseas subsidiaries would qualify for the UK dividend exemption such that no UK tax would be due upon remitting those earnings to the UK. However, £22,739,000 (2012: £13,561,000) of those earnings may still result in a tax liability, principally as a result of the dividend withholding taxes levied by the overseas jurisdictions in which those subsidiaries operate. These tax liabilities are not expected to exceed £3,025,000 (2012: £2,025,000) of which only £315,000 has been provided as the Group is able to control the timing of the dividends. It is not expected that further amounts will crystallise in the foreseeable future. Temporary timing differences in connection with interests in associates are insignificant.

At 30 March 2013 the Group had unused capital tax losses of £550,000 (2012: £574,000) for which no deferred tax asset has been recognised.

22 Share capital

	Issued and fully paid	
	2013 £000	2012 £000
Ordinary shares of 10p each	**37,888**	37,856

The number of ordinary shares in issue at 30 March 2013 was 378,880,622 (2012: 378,555,028), including treasury shares of 1,143,209 (2012: 1,404,269).

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

	Issued and fully paid £000
At 1 April 2012	37,856
Share options exercised	32
At 30 March 2013	**37,888**

The total consideration received in cash in respect of share options exercised amounted to £453,000.

At 30 March 2013 options in respect of 1,261,444 (2012: 2,160,900) 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 378,880,622 including treasury shares of 1,303,209.

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:

	2013 Equity-settled £000	2013 Cash-settled £000	2013 Total £000	2012 Equity-settled £000	2012 Cash-settled £000	2012 Total £000
Share incentive plan	**490**	**–**	**490**	572	–	572
Share option plans	**–**	**–**	**–**	(26)	–	(26)
Performance share plan	**2,723**	**429**	**3,152**	2,373	436	2,809
	3,213	**429**	**3,642**	2,919	436	3,355

The Group has recorded liabilities of £386,000 (2012: £432,000) in respect of the cash settled portion of the awards granted under the performance share plan.

Share incentive plan

Shares awarded under this Plan are purchased in the market by the Plan's trustees at the time of the award and are held in trust until their transfer to qualifying employees, which is conditional upon completion of three years' service. The costs of providing this Plan are recognised in the Consolidated Income Statement over the three-year vesting period.

Share option plans

The Group has outstanding issued options to acquire ordinary shares in the Company under a share option plan, approved by shareholders in 1999. This share option plan provided for the grant of two categories of option, both of which are subject to performance criteria. No further awards have been made under the Company share option plan since 3 August 2005. All options lapse if not exercised within 10 years from the date of grant. Options in respect of 1,261,444 ordinary shares remained outstanding at 30 March 2013. Options over 325,594 ordinary shares were exercised in the year and options over a further 573,862 ordinary shares lapsed in the year.

The weighted average option price of the 332,711 exercisable options at the end of the year was 140.6p; the remaining 928,733 options, which are not yet exercisable, have a weighted average option price of 138.8p.

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 FTSE250 excluding financial companies, combined with an absolute Return on Total Invested Capital measure. Awards which do not vest on the third anniversary of their award will lapse.

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

	2013 Number of shares awarded	2012 Number of shares awarded
Outstanding at beginning of year	**4,133,342**	4,385,681
Granted during the year	**1,341,209**	1,415,044
Vested during the year (pro-rated for 'good leavers')	**(1,558,091)**	(1,513,266)
Lapsed during the year	**(114,145)**	(154,117)
Outstanding at end of year	**3,802,315**	4,133,342
Exercisable at end of year	**–**	–

The weighted average share price at the date of awards vesting during the year was 407.1p (2012: 369.4p).

The performance shares outstanding at 30 March 2013 had a weighted average remaining contractual life of 1.4 years (2012: 1.3 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:

	2013	2012	2011
Expected volatility (%)	**26%**	27%	27%
Expected life (years)	**3**	3	3
Share price on date of grant (p)	**399.9**	362.34	281.08
Option price (p)	**Nil**	nil	nil
Fair value per option (%)	**55.3%**	68.6%	66.9%
Fair value per option (p)	**223.25**	248.57	188.04

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

24 Acquisitions

The Group made six acquisitions during the year. Below are summaries of the assets and liabilities acquired and the purchase consideration of:

a) the total of all acquisitions and adjustments to prior year acquisitions;

b) the six acquisitions, namely Sensorex Corporation, Accutome, Inc., SunTech Medical Group Limited, MicroSurgical Technology, Inc., Thinketron Precision Equipment Company Limited and ASL Holdings Limited.

c) the one acquisition made since the balance sheet date, namely Talentum Developments Limited.

(A) Total of all acquisitions and adjustments to prior year acquisitions

	Book value £000	Provisional fair value adjustments £000	Total £000
Non-current assets			
Intangible assets	508	68,612	69,120
Property, plant and equipment	2,801	(22)	2,779
Current assets			
Inventories	10,310	(142)	10,168
Trade and other receivables	10,435	(121)	10,314
Cash and cash equivalents	7,874	(5)	7,869
Deferred tax	212	687	899
Total assets	32,140	69,009	101,149
Current liabilities			
Overdrafts	(869)	–	(869)
Trade and other payables	(7,826)	(1,154)	(8,980)
Bank loans	(1,603)	–	(1,603)
Provisions	(61)	(256)	(317)
Corporation tax	(13)	–	(13)
Non-current liabilities			
Bank loans	(803)	–	(803)
Provisions	(21)	(87)	(108)
Deferred tax	–	(10,107)	(10,107)
Total liabilities	(11,196)	(11,604)	(22,800)
Net assets of businesses acquired	20,944	57,405	78,349
Initial cash consideration paid			133,060
Initial cash consideration to be paid			1,879
Contingent purchase consideration (current year acquisitions)			25,569
Total consideration			160,508
Goodwill arising on current year acquisitions			82,159
Goodwill arising on prior year acquisitions			–
			82,159

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).

£68,613,000 of the goodwill arising on acquisitions in the year is expected to be deductible for tax purposes.

Together, the six acquisitions contributed £41,310,000 of revenue and £7,429,000 of profit after tax for the period ended 30 March 2013. 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 £24,860,000 and £4,324,000 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.

There were no adjustments to prior year acquisitions.

24 Acquisitions continued

Analysis of cash outflow in the Consolidated Cash Flow Statement

	2013 £000	2012 £000
Cash consideration in respect of acquisitions	**133,060**	13,305
Cash acquired on acquisitions	**(7,869)**	(49)
Overdrafts acquired on acquisitions	**869**	–
Contingent consideration paid in relation to current year acquisitions	**3,810**	–
Contingent consideration paid in relation to prior year acquisitions*	**15,771**	5,411
Net cash outflow relating to acquisitions (per cash flow statement)	**145,641**	18,667
Bank loans acquired	**2,406**	1,144
Net movement in cash and debt, including bank loans acquired	**148,047**	19,811

* Of the £15,771,000 (2012: £5,411,000) contingent purchase consideration payment £15,771,000 (2012: £5,411,000) had been provided in the prior year's financial statements.

(Bi) Sensorex Corporation

	Book value £000	Provisional fair value adjustments £000	Total £000
Non-current assets			
Intangible assets	–	12,689	12,689
Property, plant and equipment	286	–	286
Current assets			
Inventories	564	(80)	484
Trade and other receivables	1,176	1	1,177
Total assets	2,026	12,610	14,636
Current liabilities			
Trade and other payables	(268)	(56)	(324)
Provisions	–	(45)	(45)
Non-current liabilities			
Deferred tax	–	(290)	(290)
Total liabilities	(268)	(391)	(659)
Net assets of businesses acquired	1,758	12,219	13,977
Cash consideration			23,716
Contingent purchase consideration			–
Total consideration			23,716
Goodwill arising on acquisition			9,739

On 2 April 2012, the Group acquired the trade and assets of Sensorex Corporation (Sensorex) for US$38,003,000. Sensorex, based in California, USA, manufactures electrochemical sensors for water analysis applications.

Sensorex forms part of the Environmental & Analysis sector and was acquired for its range of sensors and associated accessories, which are incorporated by OEMs manufacturing single and multi-parameter probes and instruments for monitoring water quality, a market that 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 intangibles of £9,998,000 and technological know-how intangibles of £2,691,000 with residual goodwill arising of £9,739,000. The goodwill represents:

a) the value of the acquired workforce;

b) potential synergies with other Halma companies within the Water market, especially the hubs in China and India; and

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

There are no contingent consideration payment arrangements.

The Sensorex acquisition contributed £7,781,000 of revenue and £2,466,000 of profit after tax for the year ended 30 March 2013.

24 Acquisitions continued
(Bii) Accutome, Inc.

	Book value £000	Provisional fair value adjustments £000	Total £000
Non-current assets			
Intangible assets	20	6,144	6,164
Property, plant and equipment	683	(39)	644
Current assets			
Inventories	2,768	111	2,879
Trade and other receivables	1,800	(518)	1,282
Deferred tax	–	342	342
Total assets	5,271	6,040	11,311
Current liabilities			
Overdrafts	(116)	–	(116)
Trade and other payables	(1,418)	(391)	(1,809)
Bank loans	(1,307)	–	(1,307)
Provisions	–	(143)	(143)
Non-current liabilities			
Bank loans	(131)	–	(131)
Provisions	–	(25)	(25)
Deferred tax	–	(2,342)	(2,342)
Total liabilities	(2,972)	(2,901)	(5,873)
Net assets of businesses acquired	2,299	3,139	5,438
Cash consideration			11,230
Contingent purchase consideration			3,120
Total consideration			14,350
Goodwill arising on acquisition			8,912

On 2 April 2012, the Group acquired 100% of the issued share capital of Accutome, Inc. (Accutome) for US$17,995,000

(US$20,298,000 including repayment of US$2,303,000 bank loans). Accutome, based in Pennsylvania, USA, with a wholly owned subsidiary located in the Netherlands, designs, manufactures and sells surgical and diagnostic instruments and a variety of pharmaceuticals for the ophthalmic marketplace.

Accutome is best known for its leading ultrasound diagnostic equipment (used prior to cataract surgery and to diagnose certain eye conditions) and for its surgical instrumentation, featuring its leading diamond bladed surgical knives. Accutome forms part of the Medical sector and was acquired to further expand Halma's footprint in ophthalmic diagnostic and surgical instrumentation. The excess of the fair value of the consideration paid over the fair value of the assets acquired is represented by supplier arrangement intangibles of £2,102,000, customer-related intangibles of £2,861,000 and brand intangibles of £1,201,000 with residual goodwill arising of £8,912,000. The goodwill represents:

a) the value of the acquired workforce;

b) the ability to exploit Accutome's distribution arrangements;

c) potential synergies with other Halma companies within the ophthalmic market; and

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

Contingent consideration of between US$nil and US$5,000,000 is payable dependent on the profits of the acquired business for the period up to September 2013. The Directors' initial estimate that contingent consideration of US$5,000,000 will be paid, remains unchanged as at 30 March 2013.

The Accutome acquisition contributed £13,420,000 of revenue and £1,444,000 of profit after tax for the year ended 30 March 2013.

24 Acquisitions continued

(Biii) SunTech Medical Group Limited

	Book value £000	Provisional fair value adjustments £000	Total £000
Non-current assets			
Intangible assets	9	12,586	12,595
Property, plant and equipment	672	(1)	671
Current assets			
Inventories	4,047	(276)	3,771
Trade and other receivables	3,146	604	3,750
Cash and cash equivalents	3,641	(5)	3,636
Deferred tax	212	323	535
Total assets	11,727	13,231	24,958
Current liabilities			
Trade and other payables	(1,540)	(153)	(1,693)
Provisions	(51)	(37)	(88)
Non-current liabilities			
Provisions	(21)	–	(21)
Deferred tax	–	(4,783)	(4,783)
Total liabilities	(1,612)	(4,973)	(6,585)
Net assets of businesses acquired	10,115	8,258	18,373
Initial cash consideration paid			31,975
Initial cash consideration to be paid			1,811
Contingent purchase consideration			3,857
Total consideration			37,643
Goodwill arising on acquisition			19,270

On 31 May 2012 the Group acquired 100% of the issued share capital of the SunTech Medical Group Limited (SunTech), which is primarily based in the USA, UK and China. The initial cash consideration of US$51,000,000 was adjustable based on the final level of agreed working capital, which was later determined to be $1,556,000.

The initial cash consideration to be paid of £1,811,000 in the above table was paid in full on 10 May 2013. This amount was included in Group cash and liabilities at the balance sheet date.

SunTech forms part of the Medical sector and is a pre-eminent supplier of clinical grade non-invasive blood pressure monitoring products and technologies. 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 £6,103,000, technological know-how intangibles of £3,641,000 and brand intangibles of £2,842,000 with residual goodwill arising of £19,270,000. The goodwill represents:

a) the value of the acquired workforce; and

b) potential synergies with other Halma companies within the blood pressure monitoring market.

Contingent consideration of between US$nil and US$6,000,000 was payable dependent on the profits of the acquired business for the 12 months to December 2012. On 30 January 2013 the Directors' estimate of US$6,000,000 (£3,810,000 at the prevailing exchange rate) was paid in full.

The SunTech acquisition contributed £14,731,000 of revenue and £2,570,000 of profit after tax for the year ended 30 March 2013.

24 Acquisitions continued

(Biv) MicroSurgical Technology, Inc.

	Book value £000	Provisional fair value adjustments £000	Total £000
Non-current assets			
Intangible assets	193	22,820	23,013
Property, plant and equipment	910	17	927
Current assets			
Inventories	1,223	401	1,624
Trade and other receivables	1,860	(56)	1,804
Cash and cash equivalents	1,303	–	1,303
Total assets	5,489	23,182	28,671
Current liabilities			
Trade and other payables	(1,174)	(155)	(1,329)
Bank loans	(296)	–	(296)
Provisions	(10)	(29)	(39)
Non-current liabilities			
Bank loans	(672)	–	(672)
Provisions	–	(62)	(62)
Deferred tax	–	–	–
Total liabilities	(2,152)	(246)	(2,398)
Net assets of businesses acquired	3,337	22,936	26,273
Initial cash consideration paid			35,454
Initial cash consideration to be paid			68
Contingent purchase consideration			15,092
Total consideration			50,614
Goodwill arising on acquisition			24,341

On 18 December 2012, the Group acquired 100% of the issued share capital of MicroSurgical Technology, Inc. (MST). MST, based in Redmond, USA, designs, manufactures and markets ophthalmic surgical products, focusing on single-use devices used in cataract surgery. MST forms part of the Medical sector and was acquired to give Halma's Medical businesses access to additional technologies and manufacturing processes. 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 £15,570,000, brand intangibles of £2,090,000 and technological know-how intangibles of £5,335,000 with residual goodwill arising of £24,341,000. The goodwill represents:

a) the engineering expertise of the acquired workforce;

b) the opportunity to leverage this expertise across all Halma's Medical businesses; and

c) the ability to exploit the Group's existing customer base.

The initial consideration was US$57,430,000 (US$59,000,000 including repayment of US$1,570,000 bank loans), followed by contingent consideration payable on or around May 2014 and May 2015 of between US$nil and US$25,000,000 in the first year and US$nil and US$30,000,000 in the second year, dependent on the profits of the acquired business for the period up to March 2014 and March 2015 respectively. The total contingent consideration payable for both years is subject to a cap of US$43,000,000. The Directors' best estimate of the likely overall payment is US$25,000,000 and this amount has been included at fair value in the summary above.

Initial cash consideration to be paid relates to a working capital adjustment of £68,000 (US$110,000) based on the closing net assets of the acquired business.

The MST acquisition contributed £4,167,000 of revenue and £696,000 of profit after tax for the year ended 30 March 2013.

24 Acquisitions continued

(Bv) Thinketron Precision Equipment Company Limited (and its main trading subsidiary, Baoding Longer Precision Pump Co., Ltd)

	Book value £000	Provisional fair value adjustments £000	Total £000
Non-current assets			
Intangible assets	–	8,432	8,432
Property, plant and equipment	216	(10)	206
Current assets			
Inventories	861	(71)	790
Trade and other receivables	651	(52)	599
Cash and cash equivalents	2,295	–	2,295
Deferred tax	–	22	22
Total assets	4,023	8,321	12,344
Current liabilities			
Trade and other payables	(574)	(21)	(595)
Provisions	–	(2)	(2)
Corporation tax	(13)	–	(13)
Non-current liabilities			
Deferred tax	–	(1,265)	(1,265)
Total liabilities	(587)	(1,288)	(1,875)
Net assets of businesses acquired	3,436	7,033	10,469
Cash consideration			24,320
Contingent purchase consideration			–
Total consideration			24,320
Goodwill arising on acquisition			13,851

On 23 January 2013, the Group acquired 100% of the issued share capital of the holding company, Thinketron Precision Equipment Company Limited, and its subsidiaries Baoding Longer Precision Pump Co., Ltd. and Langer Instruments Corporation, (Longer Pump, collectively). Longer Pump, based primarily in Baoding, China, manufactures and markets peristaltic, syringe and gear pumps used in laboratory, medical and industrial applications. Longer Pump forms part of the Medical sector and was acquired to give Halma's businesses in this sector access to local market knowledge and technical resources. 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 £5,554,000, brand intangibles of £1,620,000, technological know-how intangibles of £1,258,000 with residual goodwill arising of £13,851,000. The goodwill represents:

a) the engineering expertise of the acquired workforce;

b) the opportunity to leverage this expertise across all of Halma's Medical businesses; and

c) the ability to exploit the Group's existing customer base through increased access to, and presence in, a dynamic region.

The initial consideration was RMB 241,954,000 with no further consideration payable.

The Longer Pump acquisition contributed £915,000 of revenue and £270,000 of profit after tax for the year ended 30 March 2013.

24 Acquisitions continued

(Bvi) ASL Holdings Limited

	Book value £000	Provisional fair value adjustments £000	Total £000
Non-current assets			
Intangible assets	286	5,941	6,227
Property, plant and equipment	34	11	45
Current assets			
Inventories	847	(227)	620
Trade and other receivables	1,802	(100)	1,702
Cash and cash equivalents	635	–	635
Total assets	3,604	5,625	9,229
Current liabilities			
Overdrafts	(753)	–	(753)
Trade and other payables	(2,852)	(378)	(3,230)
Non-current liabilities			
Deferred tax	–	(1,427)	(1,427)
Total liabilities	(3,605)	(1,805)	(5,410)
Net assets of businesses acquired	(1)	3,820	3,819
Cash consideration			6,365
Contingent purchase consideration			3,500
Total consideration			9,865
Goodwill arising on acquisition			6,046

On 14 March 2013, the Group acquired 100% of the issued share capital of ASL Holdings Limited (ASL). ASL, based in Northampton, UK, designs and manufactures machine-to-machine (M2M) communication products which are incorporated into SMART meters for remote data monitoring and a range of other applications in the utility, transport and retail sectors. ASL forms part of the Environmental & Analysis sector and was acquired to compliment and strengthen Halma's existing Environmental & Analysis businesses. 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 £6,204,000 with residual goodwill arising of £6,046,000. The goodwill represents:

a) the technical expertise of the acquired workforce;

b) the opportunity to leverage this expertise across some of Halma's businesses; and

c) the ability to exploit the Group's existing customer base.

The initial consideration was £6,365,000, followed by contingent consideration payable in two tranches on or around May 2014 and May 2015 of between £nil and £2,000,000, and £nil and £1,500,000 respectively, dependent on the sales growth of the acquired business for the years ending March 2014 and March 2015. The fair value of contingent consideration at the balance sheet date is based on the assumption that the full value will be payable at the end of each year, which represents the Directors' best estimate of the likely outcome taking into account the proximity of the acquisition to the year end.

The ASL acquisition contributed £296,000 of revenue and £17,000 of loss after tax for the year ended 30 March 2013.

24 Acquisitions continued

Since the balance sheet date, the Group has made one further acquisition.

(C) Talentum

Due to the proximity of the acquisition dates to the date of approval of the Annual Report, it is only practicable to provide provisional summaries of the details of one acquisition made since the balance sheet date.

On 11 April 2013 the Group acquired Talentum Developments Limited (Talentum). The initial cash consideration of £2,590,000 for the share capital is adjustable based on the final level of agreed working capital and cash at closing. Deferred consideration of £250,000 is payable on or around April 2014 subject to the seller providing certain pre-agreed technical information and know-how to the Group. Talentum forms part of the Infrastructure Safety sector and specialises in the design and manufacture of flame detector products for a range of industries, which protect property from the risk of fire. Due to the proximity of the acquisition date to the date of approval of the Annual Report, it is impracticable to provide further information.

25 Notes to the Consolidated Cash Flow Statement

	2013 £000	2012 £000
Reconciliation of profit from operations to net cash inflow from operating activities:		
Profit on continuing operations before finance income and expense, share of results of associates and profit on disposal of continuing operations	**118,367**	109,910
Depreciation of property, plant and equipment	**12,684**	12,178
Amortisation of computer software	**1,402**	1,319
Amortisation of capitalised development costs and other intangibles	**3,578**	3,820
Disposals/retirements of capitalised development costs	**264**	–
Amortisation of acquired intangible assets	**14,235**	10,352
Share-based payment expense in excess of amounts paid	**2,482**	2,432
Additional payments to pension plans	**(8,265)**	(6,419)
Profit on sale of property, plant and equipment and computer software	**(163)**	(495)
Operating cash flows before movement in working capital	**144,584**	133,097
Increase in inventories	**(2,693)**	(3,777)
Increase in receivables	**(9,210)**	(1,190)
Increase/(decrease) in payables and provisions	**1,015**	(2,671)
Cash generated from operations	**133,696**	125,459
Taxation paid	**(25,452)**	(27,772)
Net cash inflow from operating activities	**108,244**	97,687

	2013 £000	2012 £000
Analysis of cash and cash equivalents		
Cash and bank balances	**49,723**	45,305

	At 1 April 2012 £000	Cash flow £000	Net cash/ (debt) acquired £000	Loan notes Issued £000	Exchange adjustments £000	At 30 March 2013 £000
Analysis of net debt						
Cash and cash equivalents	45,305	**(3,815)**	**7,000**	**–**	**1,233**	**49,723**
Loan notes falling due within one year	–	**–**	**–**	**(2,515)**	**–**	**(2,515)**
Bank loans falling due within one year	–	**(929)**	**(1,603)**	**–**	**(100)**	**(2,632)**
Bank loans falling due after more than one year	(64,014)	**(88,427)**	**(803)**	**–**	**(1,622)**	**(154,866)**
Total net debt	(18,709)	**(93,171)**	**4,594**	**(2,515)**	**(489)**	**(110,290)**

The net cash outflow from bank loans in 2013 comprised drawdowns of £92,298,000 offset by repayments of £2,942,000 (2012: net cash inflow comprising drawdowns of £76,456,000 offset by repayments of £94,050,000).

The £7,000,000 cash and cash equivalents acquired comprised £7,869,000 cash and bank balances less £869,000 overdrafts.

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 18 to the Accounts, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the Consolidated Statement of Changes in Equity.

The Group is not subject to externally imposed capital requirements.

Foreign currency risk

The Group is exposed to foreign currency risk as a consequence of both trading with foreign companies and owning subsidiaries located in foreign countries.

The Group earns a significant proportion of its profit in currencies other than Sterling. This gives rise to translational currency risk, where the Sterling value of profits earned by the Group's foreign subsidiaries fluctuates with the strength of Sterling relative to their operating (or 'functional') currencies. The Group does not hedge this risk, so its reported profit is sensitive to the strength of Sterling, particularly against the US Dollar and Euro. The Group also has transactional currency exposures. These arise on sales or purchases by operating companies in currencies other than the companies' operating (or 'functional') currency. Significant sales and purchases are matched where possible and a proportion of the net exposure is hedged by means of forward foreign currency contracts.

The Group has a significant investment in overseas operations in the USA and EU, with further investments in Australia, New Zealand, Singapore, Switzerland, China and India. As a result, the Group's balance sheet can be affected by movements in these countries' exchange rates. Where significant and appropriate, currency denominated net assets are hedged by currency borrowings. These currency exposures are reviewed regularly.

Interest rate risk

The Group is exposed to interest rate fluctuations on its borrowings and cash deposits. Where bank borrowings are used to finance operations they tend to be short term with floating interest rates. Borrowings used to provide longer term funding are drawn on the Group's loan facilities and have fixed interest rates with maturities of not more than one year.

Surplus funds are placed on short-term fixed rate deposit or in floating rate deposit accounts.

Credit risk

Credit risk is defined as the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties, as a means of mitigating the risk of financial loss from defaults. Credit ratings are supplied by independent agencies where available, and if not available, the Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed regularly.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee insurance cover is purchased.

The carrying amount of trade, tax and other receivables, derivative financial instruments and cash of £183,653,000 (2012: £160,736,000) 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

On 20 October 2011, the Group signed a new unsecured five-year revolving credit facility for £260m. This replaced the previous £165m facility which was due to expire in February 2013. This facility is the main source of long-term funding for the Group to October 2016, and is with a syndicate of five banks.

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 £464,000 (2012: £353,000) 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 £186,000 (2012: £227,000) impact on the Group's profit before tax for the year ended 30 March 2013.

Transactional exposures

The Group has net foreign currency monetary assets and liabilities that are assets and liabilities not denominated in the functional currency of the underlying company. These comprise cash and overdrafts as well as certain trade receivable and payable balances. These foreign currency monetary assets and liabilities give rise to the net currency gains and losses recognised in the Consolidated Income Statement as a result of movement in exchange rates. The exposures are predominantly Euro and US Dollar. Group policy is for a significant portion of foreign currency exposures, including sales and purchases, to be hedged by forward foreign exchange contracts in the company in which the transaction is recorded.

Interest rate risk profile

The Group's financial assets which are subject to interest rate fluctuations comprise interest bearing cash equivalents which totalled £1,703,000 at 30 March 2013 (2012: £4,006,000). These comprised Sterling denominated deposits of £2,000 (2012: £4,002,000), and Euro, US Dollar and Renminbi deposits of £1,701,000 (2012: £4,000) which are placed on local money markets and earn interest at market rates. Cash balances of £48,020,000 (2012: £41,299,000) earn interest at local market rates.

The financial liabilities which are subject to interest rate fluctuations comprise bank loans, bank overdrafts, a loan note and certain unsecured loans, which totalled £160,013,000 at 30 March 2013 (2012: £64,014,000). All bank loans and the loan note bear interest at floating rates or fixed rates where the fixed period is typically no more than three months. Interest rates are based on the LIBOR of the currency in which the liabilities arise plus a small margin. Bank overdrafts bear interest at local base rates.

	2013 £000	2012 £000
Analysis of interest bearing financial liabilities		
Sterling denominated bank loans	**109,000**	47,000
US Dollar denominated bank loans	**34,540**	–
Swiss Franc denominated bank loans	**13,958**	17,014
Sterling denominated loan note	**2,515**	–
Total bank loans	**160,013**	64,014

At 30 March 2013 it is estimated that a general increase of one percentage point in interest rates would reduce the Group's profit before tax by £1,281,000 (2012: £892,000).

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 £7,030,000 (2012: £10,452,000) due between one and two years, and the balance of £12,626,000 (2012: £178,000) due between two and five years. Other creditors due after more than one year include £1,231,000 (2012: £1,017,000) due between one and two years, £1,126,000 (2012: £1,088,000) due between two and five years, with the balance of £636,000 (2012: £653,000) 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 £260m revolving credit facility, which expires in October 2016.

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 30 March 2013 were £112,371,000 (2012: £205,361,000) of which £7,237,000 (2012: £9,375,000) mature within one year and £105,134,000 (2012: £195,986,000) between two and five years.

UK companies have cross-guaranteed £17,025,000 (2012: £17,370,000) of overdraft facilities of which £nil (2012: £nil) was drawn.

Fair values of financial assets and financial liabilities

As at 30 March 2013 and 31 March 2012 there were no significant differences between the book value and fair value (as determined by market value) of the Group's financial assets and liabilities.

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

The fair value of derivative financial instruments is estimated by discounting the future contracted cash flow, using readily available market data and represents a level 2 measurement in the fair value hierarchy under IFRS 7.

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 mostly mature within one year and therefore the cash flows and resulting effect on profit and loss are expected to occur within the next 12 months:

	Average exchange rate/£		Foreign currency		Contract value		Fair value	
	2013	2012	**2013 000**	2012 000	**2013 £000**	2012 £000	**2013 £000**	2012 £000
Forward contracts not in a designated cash flow hedge								
US Dollars	**1.56**	1.58	**3,841**	2,123	**2,237**	1,347	**(53)**	20
Euros	**1.16**	1.19	**783**	3,049	**673**	2,552	**15**	11
Other currencies	**–**	–	**–**	–	**486**	524	**(2)**	6
					3,396	4,423	**(40)**	37
Forward contracts in a designated cash flow hedge								
US Dollars	**1.59**	1.57	**8,051**	6,878	**5,069**	4,391	**(243)**	87
Euros	**1.22**	1.16	**9,651**	10,949	**7,878**	9,476	**(294)**	335
Czech Koruna	**30.15**	28.74	**(93,595)**	(90,000)	**(3,105)**	(3,132)	**67**	(114)
Other currencies	**–**	–	**–**	–	**(155)**	(524)	**(30)**	(2)
					9,687	10,211	**(500)**	306
Total forward contracts								
US Dollars	**1.58**	1.57	**11,532**	9,001	**7,306**	5,738	**(296)**	107
Euros	**1.22**	1.16	**10,434**	13,998	**8,551**	12,028	**(279)**	346
Czech Koruna	**30.15**	28.74	**(93,595)**	(90,000)	**(3,105)**	(3,132)	**67**	(114)
Other currencies	**–**	–	**–**	–	**331**	–	**(32)**	4
					13,083	14,634	**(540)**	343
Amounts recognised in the Consolidated Income Statement							**(223)**	156
Amounts recognised in the Consolidated Statement of Comprehensive Income and Expenditure							**(317)**	187
							(540)	343

The fair values of the forward contracts are disclosed as a £256,000 (2012: £469,000) asset and £796,000 (2012: £126,000) 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.

	2013 £000	2012 £000
Analysis of movement in hedging reserves		
Amounts removed from statement of changes in equity and included in Consolidated Income Statement during the year	**(187)**	358
Amounts recognised in the Consolidated Statement of Comprehensive Income and Expenditure	**(317)**	187
Net movement in hedging reserves in the year in relation to the effective portion of changes in fair value of cash flow hedges	**(504)**	545
At beginning of year	**187**	(358)
At end of year	**(317)**	187

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	
	2013 £000	2012 £000	**2013 £000**	2012 £000
Euro	**66,232**	64,384	**14,731**	15,062
US Dollar	**151,290**	98,487	**49,130**	27,634

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	
	2013 £000	2012 £000	**2013 £000**	2012 £000
Profit	**4,263**	3,246	**1,708**	2,081
Other equity	**8,595**	6,075	**4,720**	4,503

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 30 March 2013 but not recognised in these accounts amounts to £1,117,000 (2012: £877,000).

Commitments under operating leases

The Group has entered into commercial leases on properties and other equipment. The former expire between April 2013 and November 2028 and the latter between April 2013 and January 2016. 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	
	2013 £000	2012 £000	**2013 £000**	2012 £000
Within one year	**7,410**	6,093	**693**	441
Within two to five years	**17,424**	15,274	**602**	695
After five years	**3,374**	4,558	**–**	–
	28,208	25,925	**1,295**	1,136

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 £3,658,000 (2012: £2,877,000) 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 2011 by Mr Adrian Gibbons, Fellow of the Institute of Actuaries. The present value of the defined benefit obligation, the related current service cost and the past service cost were measured using the projected unit credit method. Mr Gibbons also carried out the 1 April 2012 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 £223m.

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 £370m (2012: £315m).

	2013	2012	2011
Key assumptions used:			
Discount rate	**4.40%**	5.00%	5.50%
Expected return on scheme assets	**5.33%**	5.68%	6.69%
Expected rate of salary increases	**3.30%**	3.20%	4.40%
Pension increases LPI 2.5%	**2.20%**	2.25%	2.30%
Pension increases LPI 3.0%	**2.50%**	2.75%	2.75%
Inflation – RPI	**3.30%**	3.20%	3.4%
Inflation – CPI	**2.30%**	2.45%	2.9%

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:

	2013 Years	2012 Years	2011 Years
Retiring today:			
Males	**23.3**	22.1	22.0
Females	**25.8**	24.9	24.8
Retiring in 20 years:			
Males	**25.1**	24.0	23.9
Females	**27.8**	26.8	26.7

28 Retirement benefits continued

Both the Halma Group Pension Plan and the Apollo Pension and Life Assurance Plan have a baseline mortality assumption for 2013, 2012 and 2011 derived from the SN03 tables. To reflect population characteristics a one year age deduction has been adopted for Halma but no adjustment was made for Apollo. From 2013, a long-term improvement rate of 1.25% per annum was incorporated.

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

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	Increase/decrease by 0.5%	Decrease/increase by 10.8%
Rate of inflation	Increase/decrease by 0.5%	Increase/decrease by 7.2%
Rate of salary growth	Increase/decrease by 0.5%	Increase/decrease by 2.1%
Rate of mortality	Increase by one year	Increase by 2.7%

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

	2013 £000	2012 £000
Current service cost	1,932	2,098
Curtailment gain	–	(101)
Interest cost	9,239	9,684
Expected return on scheme assets	(8,769)	(9,529)
	2,402	2,152

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

The actual return on scheme assets was £17.4m (2012: £7.7m).

The cumulative amount of actuarial losses recognised in the Consolidated Statement of Comprehensive Income and Expenditure since the date of transition to IFRSs is £47m (2012: £25m).

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:

	2013 £000	2012 £000	2011 £000
Present value of defined benefit obligations	(223,447)	(185,956)	(177,055)
Fair value of scheme assets	176,275	152,959	140,818
Deficit in scheme	(47,172)	(32,997)	(36,237)
Past service cost not yet recognised in balance sheet	–	–	–
Liability recognised in the balance sheet	(47,172)	(32,997)	(36,237)

Movements in the present value of defined benefit obligations were as follows:

	2013 £000	2012 £000
At beginning of year	(185,956)	(177,055)
Service cost	(1,932)	(2,098)
Curtailment gain	–	101
Interest cost	(9,239)	(9,684)
Actuarial losses	(30,608)	(1,220)
Contributions from scheme members	(903)	(994)
Benefits paid	5,084	4,877
Premiums paid	107	117
At end of year	(223,447)	(185,956)

28 Retirement benefits continued

Movements in the fair value of scheme assets were as follows:

	2013 £000	2012 £000
At beginning of year	**152,959**	140,818
Expected return on scheme assets	**8,769**	9,529
Actuarial gains/(losses)	**8,638**	(1,804)
Contributions from the sponsoring companies	**10,197**	8,416
Contributions from scheme members	**903**	994
Benefits paid	**(5,084)**	(4,877)
Premiums paid	**(107)**	(117)
At end of year	**176,275**	152,959

The net movement on actuarial gains and losses was as follows:

	2013 £000	2012 £000
Defined benefit obligations	**(30,608)**	(1,220)
Fair value of scheme assets	**8,638**	(1,804)
Net actuarial losses	**(21,970)**	(3,024)

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		
	2013 %	2012 %	2011 %	2013 £000	2012 £000	2011 £000
Equity instruments	**6.43**	6.50	7.50	**101,355**	90,460	86,934
Debt instruments	**4.70**	4.20	5.20	**61,727**	50,320	42,419
Property	**3.65**	5.00	6.00	**13,193**	12,179	11,465
	5.33	5.68	6.69	**176,275**	152,959	140,818

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 £nil (2012: £1.0m).

In conjunction with the trustees, the Group conducts asset-liability reviews for its defined benefit pension scheme. The results of these reviews are used to assist the trustees and the Group to determine the optimal long-term asset allocation with regard to the structure of the liabilities of the scheme. They are also used to assist the trustees in managing the volatility in the underlying investment performance and risk of a significant increase in the defined benefit deficit by providing information used to determine the scheme's investment strategy.

As a consequence, the Group is progressively giving more emphasis to a closer return matching of scheme assets and liabilities, both to ensure the long-term security of our defined benefit commitment and to reduce earnings and balance sheet volatility.

28 Retirement benefits continued

The five-year history of experience adjustments was as follows.

	2013 £000	2012 £000	2011 £000	2010 £000	2009 £000
Present value of defined benefit obligations	**(223,447)**	(185,956)	(177,055)	(170,901)	(132,379)
Fair value of scheme assets	**176,275**	152,959	140,818	127,830	89,811
Deficit in the scheme	**(47,172)**	(32,997)	(36,237)	(43,071)	(42,568)
Experience adjustments on scheme liabilities					
Amount	**246**	(224)	157	(136)	–
Percentage of scheme liabilities	**–**	–	–	–	–
Experience adjustments on scheme assets					
Amount	**(8,667)**	(1,804)	(944)	27,648	(33,696)
Percentage of scheme assets	**(5)%**	(1)%	(1)%	22%	(37)%

The estimated amounts of contributions expected to be paid to the schemes during the year ending 29 March 2014 is £9.3m.

The levels of contributions are based on the current service cost and the expected future cash flows of the defined benefit scheme. The Group estimates the scheme liabilities on average to fall due over 20 and 27 years, respectively, for the Halma and Apollo plans.

29 Disposal of business

On 22 August 2012, the Group disposed of two businesses within its Process Safety sector, Tritech Holdings Limited and its subsidiary Tritech International Limited (together known as "Tritech"), for an initial cash consideration of £18,900,000. A further £839,000 was received in October 2012 in respect of cash and working capital held in the business at the time of sale. In addition, £2,100,000 is retained in escrow and will be released to Halma on the anniversary of the transaction subject to any valid warranty/indemnity claims being made by the purchaser. The Directors estimate that the entire £2,100,000 will be received. The profit on disposal is estimated to be £8,070,000, being the total £21,839,000 consideration above less £1,435,000 of transaction costs (of which £86,000 related to a prior year disposal), £8,009,000 of goodwill and £4,325,000 of net assets.

The cash inflow in the Consolidated Cash Flow Statement of £19,608,000 comprises £19,739,000 initial consideration for Tritech and £1,500,000 released from escrow for the prior year disposal of Volumatic Limited less £1,435,000 of transaction costs and £196,000 cash held by the disposed business. The profit on disposal of £3,543,000 million and cash inflow of £3,554,000 in the 52 weeks to 31 March 2012 related entirely to the disposal of Volumatic Limited on 30 March 2012.

Tritech and Volumatic Limited have not been separately disclosed as discontinued operations as defined by IFRS 5 due to their nature and size.

30 Events after the balance sheet date

On 11 April 2013 the Group acquired Talentum Developments Limited (Talentum). The initial cash consideration of £2,590,000 for the share capital is adjustable based on the final level of agreed working capital and cash at closing. Contingent consideration of £250,000 is payable on or around April 2014 subject to the seller providing certain pre-agreed technical information and know-how to the Group. Talentum forms part of the Infrastructure Safety sector and specialises in the design and manufacture of flame detector products for a range of industries, which protect property from the risk of fire. 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

Trading transactions

	2013 £000	2012 £000
Associated companies		
Purchases from associated companies	**519**	860
Amounts due to associated companies	**3**	98
Amounts due from associated companies	**200**	302
Other related parties		
Rent charged by other related parties	**360**	365
Amounts due to other related parties	**–**	20

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

Remuneration of key management personnel

The remuneration of the Directors and Divisional Chief Executives, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 *Related Party Disclosures*. Further information about the remuneration of individual Directors is provided in the audited part of the Directors' Remuneration Report on pages 73 to 82.

	2013 £000	2012 £000
Wages and salaries	**4,185**	4,342
Pension costs	**165**	173
Shared-based payment charge	**1,643**	1,532
	5,993	6,047

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HALMA PLC

We have audited the parent company financial statements of Halma plc for the 52 week period ended 30 March 2013 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditor

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 30 March 2013;
- 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 plc for the 52 week period ended 30 March 2013.

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

13 June 2013

COMPANY BALANCE SHEET

	Notes	30 March 2013 £000	31 March 2012 £000
Fixed assets			
Tangible assets	C3	**3,516**	3,862
Investments	C4	**136,832**	135,971
		140,348	139,833
Current assets			
Debtors (amounts falling due within one year)	C5	**23,748**	27,243
Debtors (amounts falling due after more than one year)	C5	**339,122**	194,522
Short-term deposits		**2**	4,002
Cash at bank and in hand		**821**	2,024
		363,693	227,791
Creditors: amounts falling due within one year			
Borrowings	C6	**2,252**	3,686
Creditors	C7	**22,876**	20,945
Current tax payable		**3,303**	3,252
		28,431	27,883
Net current assets		**335,262**	199,908
Total assets less current liabilities		**475,610**	339,741
Creditors: amounts falling due after more than one year			
Borrowings	C6	**154,866**	64,014
Creditors	C8	**15,107**	20,467
Net assets		**305,637**	255,260
Capital and reserves			
Share capital	C10	**37,888**	37,856
Share premium account	C11	**22,598**	22,177
Treasury shares	C11	**(4,534)**	(4,569)
Capital redemption reserve	C11	**185**	185
Other reserves	C11	**(5,503)**	(2,202)
Profit and loss account	C11	**255,003**	201,813
Shareholders' funds	C12	**305,637**	255,260

The financial statements of Halma plc, company number 40932, were approved by the Board of Directors on 13 June 2013.

A J Williams
Director

K J Thompson
Director

NOTES TO THE COMPANY ACCOUNTS

C1 Accounting Policies

Basis of preparation
The separate Company financial statements are presented as required by the Companies Act 2006 and have been prepared on the historical cost basis and comply with applicable United Kingdom Accounting Standards and law. The principal Company accounting policies have been applied consistently throughout the current and preceding years and are described below.

Related parties
The Company is exempt under the terms of FRS 8 'Related Party Disclosures' from disclosing transactions with other members of the Halma Group.

Foreign currencies
Transactions in foreign currency are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates prevailing at that date. Any gain or loss arising from subsequent exchange rate movements is included as an exchange gain or loss in the profit and loss account.

Share-based payments
The Company has adopted FRS 20 and the accounting policies followed are in all material respects the same as the Group's policy under IFRS 2. This policy is shown on pages 96 and 97.

Investments
Investments are stated at cost less provision for impairment.

Fixed assets and depreciation
Fixed assets are stated at cost less provisions for impairment and depreciation which, with the exception of freehold land which is not depreciated, is provided on all fixed assets on the straight-line method, each item being written off over its estimated life. The principal annual rates used for this purpose are:

Freehold property	2%
Plant, equipment and vehicles	8% to 33.3%

Leases
The costs of operating leases of property and other assets are charged on a straight line basis over the life of the lease.

Pensions
The Company makes contributions to defined contribution pension plans, which are charged against profits when they become payable. The Company also participates in a Group-wide defined benefit pension plan. This plan is operated on a basis that does not enable individual companies to identify their share of the underlying assets and liabilities, and in accordance with FRS 17 the Company accounts for its contributions to the plan as if it was a defined contribution plan.

Taxation
Taxation comprises current and deferred tax.

Current tax is the expected tax payable, on the taxable income for the year, using tax rates enacted, or substantially enacted, at the balance sheet date, and any adjustments to tax payable in respect of previous years.

The Company provides for 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 plc is not presented as part of these accounts. The Company has reported a profit after taxation of £90,955,000 (2012: £81,439,000).

Auditor's remuneration for audit services to the Company was £142,000 (2012: £126,000).

Total employee costs (including Directors) were:

	2013 £000	2012 £000
Wages and salaries	5,398	4,546
Social security costs	490	473
Pension costs	417	389
	6,305	5,408

	2013 Number	2012 Number
Number of employees (all in the UK)	45	45

Details of Directors' remuneration are set out on pages 73 to 82 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 1 April 2012	3,043	2,296	5,339
Additions at cost	–	129	129
Disposals	–	(152)	(152)
At 30 March 2013	3,043	2,273	5,316
Accumulated depreciation			
At 1 April 2012	338	1,139	1,477
Charge for the year	48	341	389
Disposals	–	(66)	(66)
At 30 March 2013	386	1,414	1,800
Carrying amounts			
At 30 March 2013	2,657	859	3,516
At 1 April 2012	2,705	1,157	3,862

C4 Investments

Shares in Group companies

	2013 £000	2012 £000
At cost less amounts written off at beginning of year	135,971	136,501
Increase in investments	18,402	–
Disposal of investments	(17,541)	(530)
At cost less amounts written off at end of year	136,832	135,971

The increase of £861,000 comprises:

a) £8,537,000 increase in investment in a subsidiary;

b) £9,865,000 investment in a newly acquired 100% owned subsidiary, ASL Holdings Limited;

c) £13,823,000 reduction in investment following the Company's disposal of Tritech; and

d) £3,718,000 reduction in investment in various dormant companies.

The reduction of £530,000 in the prior year related to the Company's disposal of Volumatic Limited.

Details of principal subsidiary companies are set out on pages 142 to 145. Halma plc owns 100% of the ordinary share capital of all its subsidiaries, which are incorporated in Great Britain, other than in the following list, where they principally operate. All of the following companies' interests below are held by subsidiary companies.

C4 Investments continued

Name of company	Country of incorporation
Fortress Interlocks Pty Limited	Australia
Apollo (Beijing) Fire Products Co Limited	China
BEA Electronics Co Limited	China
TL Jones Parts Shanghai	China
Crowcon (Beijing) Detection Instruments Limited	China
Hydreka S.A.S.	France
SERV Trayvou Interverrouillage S.A.S.	France
Apollo Gesellschaft für Meldetechnologie mbH	Germany
Ocean Optics Germany GmbH	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
Avire Global Pte Limited (formerly TL Jones Asia Pacific Pte Limited)	Singapore
E-Motive Display Pte Limited	Singapore
Medicel AG	Switzerland
Fabrication de Produits de Sécurité SaRL	Tunisia
Halma Holdings Inc.	USA
Accudynamics, LLC	USA
Accutome Inc.	USA
Air Products and Controls Inc.	USA
Alicat Scientific, Inc.	USA
Aquionics Inc.	USA
Avo Photonics, Inc.	USA
B.E.A. Inc.	USA
Bio-Chem Fluidics Inc.	USA
Castell Interlocks Inc.	USA
Diba Industries, Inc.	USA
Fiberguide Industries Inc.	USA
Janus Elevator Products Inc.	USA
Kirk Key Interlock Company, LLC.	USA
Labsphere, Inc.	USA
Micro Surgical Technology Inc.	USA
Monitor Elevator Products LLC	USA
Ocean Optics, Inc.	USA
Oklahoma Safety Equipment Co. Inc.	USA
Palintest, Inc.	USA
Perma Pure LLC	USA
Pixelteq Inc. (formerly Ocean Thin Films Inc.)	USA
Riester USA LLC	USA
Sensorex Corporation	USA
SunTech Medical Inc.	USA
Volk Optical Inc.	USA

C5 Debtors

	2013 £000	2012 £000
Amounts falling due within one year:		
Amounts due from Group companies	**15,933**	20,759
Other debtors	**2,604**	1,845
Prepayments and accrued income	**4,943**	4,464
Deferred tax asset (note C9)	**268**	175
	23,748	27,243
Amounts falling due after more than one year:		
Amounts due from Group companies	**339,122**	194,522

C6 Borrowings

	2013 £000	2012 £000
Falling due within one year:		
Overdrafts	**2,252**	3,686
Falling due after more than one year:		
Unsecured bank loans	**154,866**	64,014
Total borrowings	**157,118**	67,700

On 26 October 2011, the Company signed a new unsecured five-year revolving credit facility for £260 million. This replaced the previous £165 million facility which was due to expire in February 2013. Therefore, the facility under which the bank loans are drawn expires within two to five years (2012: within two to five years) and at 30 March 2013 £105,134,000 (2012: £195,986,000) remained committed and undrawn.

The bank overdrafts, which are unsecured, at 30 March 2013 and 31 March 2012 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 £17,025,000 (2012: £17,370,000) are cross-guaranteed. Of these facilities £404,000 (2012: £379,000) was drawn.

C7 Creditors: amounts falling due within one year

	2013 £000	2012 £000
Trade creditors	**1,646**	1,278
Amounts owing to Group companies	**16,724**	15,185
Other taxation and social security	**1,212**	1,281
Other creditors	**872**	816
Accruals and deferred income	**2,422**	2,385
	22,876	20,945

C8 Creditors: amounts falling due after more than one year

	2013 £000	2012 £000
Amounts owing to Group companies	**11,197**	20,122
Provision for contingent consideration	**3,500**	–
Other creditors	**410**	345
	15,107	20,467
These liabilities fall due as follows:		
Within one to two years	**2,410**	345
Within two to five years	**1,500**	–
After more than five years	**11,197**	20,122

The £3,500,000 provision for contingent consideration represents the Directors' best estimate of amounts payable following the Company's acquisition of ASL Holdings Limited. The £3,500,000 is payable in two tranches on or around May 2014 and May 2015 of between £nil and £2,000,000, and £nil and £1,500,000 respectively, dependent on the growth in sales of the acquired business up to March 2014 and March 2015.

C9 Deferred tax

	2013 £000	2012 £000
Movement in deferred tax asset:		
At beginning of year	175	812
Credit/(charge) to profit and loss account	93	(195)
Charge to reserves	–	(442)
At end of year (note C5)	268	175

Deferred tax comprises short-term timing differences.

C10 Share capital

	Issued and fully paid	
	2013 £000	2012 £000
Ordinary shares of 10p each	37,888	37,856

The number of ordinary shares in issue at 30 March 2013 was 378,880,622 (2012: 378,555,028), including treasury shares of 1,143,209 (2012: 1,404,269). Changes during the year in the issued ordinary share capital were as follows:

	Issued and fully paid £000
At 1 April 2012	37,856
Share options exercised	32
At 30 March 2013	**37,888**

The total consideration received in cash in respect of share options exercised amounted to £453,000 (2012: £465,000). At the date of these accounts, the number of ordinary shares in issue was 378,880,622 (2012: 378,555,028), including treasury shares of 1,303,209 (2012: 1,396,240). 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 1 April 2012	22,177	(4,569)	185	(2,202)	201,813
Profit transferred to reserves	–	–	–	–	90,955
Dividends paid	–	–	–	–	(37,765)
Issue of shares	421	–	–	–	–
Movement in other reserves	–	–	–	(3,301)	–
Net movement in treasury shares	–	35	–	–	–
Deferred tax to equity	–	–	–	–	–
At 30 March 2013	**22,598**	**(4,534)**	**185**	**(5,503)**	**255,003**

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

	2013 £000	2012 £000
At beginning of year	255,260	210,879
Profit after taxation	90,955	81,439
Dividends paid	(37,765)	(35,232)
Issue of shares	453	465
Net movement in treasury shares	35	447
Movement in other reserves	(3,301)	(2,296)
Deferred tax to equity	–	(442)
At end of year	305,637	255,260

SUMMARY 2004 TO 2013

	UK GAAP 2003/04 £000	UK GAAP 2004/05 £000
Revenue (note 2)	292,640	299,119
Overseas sales (note 2)	206,102	218,745
Profit before taxation, acquired intangibles amortisation and goodwill written off (note 3)	50,284	50,389
Net tangible assets/capital employed	95,935	80,750
Borrowings	26,934	33,344
Cash and cash equivalents	48,482	45,348
Employees (note 2)	2,925	3,002
Earnings per ordinary share (note 2)	6.09p	7.97p
Adjusted earnings per ordinary share (note 3)	9.44p	9.42p
Year on year increase/(decrease) in adjusted earnings per ordinary share	10.4%	(0.2%)
Return on Sales (notes 2 and 4)	17.2%	16.8%
Return on Capital Employed (note 5)	50.5%	52.1%
Year on year increase in dividends per ordinary share (paid and proposed)	7%	5%
Ordinary share price at financial year end	149p	161p
Market capitalisation at financial year end	£546.5m	£593.8m

Notes:

1. The amounts disclosed for 2003/04 are stated on the basis of UK GAAP only as it is not practicable to restate amounts prior to the date of transition to IFRS (2004/05).
2. Continuing and discontinued operations.
3. Adjusted to remove amortisation of acquired intangible assets and, from 2010/11, acquisition transaction costs and movement on contingent consideration. IFRS figures include results of discontinued operations up to the date of their sales or closure but exclude material discontinued and continuing profits on sales or closures of operations.
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.

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	IFRS 2011/12 £000	**IFRS 2012/13 £000**
299,119	337,348	354,606	397,955	455,928	459,118	518,428	579,883	**619,210**
218,745	249,055	258,050	288,701	351,522	360,779	412,297	454,270	**503,635**
49,912	59,641	66,091	73,215	79,087	86,214	104,551	120,465	**130,661**
104,417	105,396	113,048	134,320	173,128	145,519	146,964	163,283	**188,701**
33,344	32,308	29,762	72,393	86,173	21,924	79,688	64,014	**160,013**
45,348	35,826	22,051	28,118	34,987	31,006	42,610	45,305	**49,723**
3,002	3,187	3,326	3,683	4,018	3,689	3,875	4,347	**4,716**
9.38p	11.08p	11.86p	13.49p	14.07p	16.10p	19.23p	23.01p	**25.22p**
9.45p	11.27p	12.42p	13.86p	15.30p	16.89p	20.49p	24.46p	**26.22p**
N/A	19.3%	10.9%	11.5%	10.4%	10.4%	21.3%	19.4%	**7.2%**
16.7%	17.7%	18.6%	18.4%	17.3%	18.8%	20.2%	20.8%	**21.1%**
48.8%	56.9%	60.1%	55.8%	47.7%	61.3%	71.9%	74.7%	**71.3%**
5%	5%	5%	5%	5%	7%	7%	7%	**7%**
161p	188p	220p	192p	156p	259p	355p	381p	**518p**
£593.8m	£693.4m	£821.8m	£717.7m	£583.7m	£978.1m	£1,342.7m	£1,440.8m	**£1,962.6m**

HALMA DIRECTORY

Principal operating companies by sector	Main products
Process Safety	
Castell Safety International Limited	Safety systems for controlling hazardous industrial processes
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
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
Crowcon Detection Instruments Limited	Gas detection instruments for personnel and plant safety
Elfab Limited	Pressure sensitive relief devices to protect process plant
Oseco Inc.	Pressure sensitive relief devices to protect process plant
Infrastructure Safety	
Apollo Fire Detectors Limited	Smoke and heat detectors, sounders, beacons and interfaces
Fire Fighting Enterprises Limited	Beam smoke detectors and specialist fire extinguishing systems
Avire Limited	Infrared safety systems for elevator doors and elevator emergency communications
Janus Elevator Products Inc.	Elevator safety components including, displays, door systems and emergency communications
Monitor Elevator Products LLC.	Custom manufacturing of control panels for the elevator industry
Bureau D'Electronique Appliquée S.A. (BEA)	Sensors for automatic doors
Texecom Limited	Security sensors and signalling products
Medical	
Accutome, Inc.	Surgical and diagnostic instruments and a variety of pharmaceuticals for the ophthalmic marketplace
Keeler Limited	Ophthalmic instruments for diagnostic assessment of eye conditions
Medicel AG	Instruments for ophthalmic surgery
MicroSurgical Technology, Inc.	Ophthalmic surgical products, focusing on single-use devices used in cataract surgery
Rudolf Riester GmbH	Diagnostic medical devices for ophthalmology, blood pressure measurement and ear, nose and throat diagnostics
SunTech Medical Inc.	Clinical grade non-invasive blood pressure monitoring products and technologies
Volk Optical Inc.	Ophthalmic equipment and lenses as aids to diagnosis and surgery
Accudynamics, LLC.	Components primarily used in medical, life science and scientific instruments
Baoding Longer Precision Pump Co, Ltd	Peristaltic, syringe and gear pumps for use in laboratory, industrial and medical applications for both end-user and OEM customers
Bio-Chem Fluidics Inc.	Miniature valves, micro pumps and fluid components for medical, life science and scientific instruments
Diba Industries, Inc.	Specialised components and complete fluid transfer subassemblies for medical, life science and scientific instruments

Principal locations	Telephone	E-mail	Website
Kingsbury, London (Head Office) Shanghai, China	+44 (0)20 8200 1200	uksales@castell.com	www.castell.com
Wolverhampton, West Midlands (Head Office) Melbourne, Australia	+44 (0)1902 349000	sales@fortressinterlocks.com	www.fortressinterlocks.com
Massillon, Ohio	+1 (1)800 438 2442	sales@kirkkey.com	www.kirkkey.com
Alphen aan den Rijn, The Netherlands	+31 (0)172 471339	sales@netherlocks.com	www.netherlocks.com
Paris, France (Head Office) Tunisia	+33 (0)1 48 18 15 15	sales@servtrayvou.com	www.servtrayvou.com
Witham, Essex	+44 (0)1376 517901	sales@smithflowcontrol.com	www.smithflowcontrol.com
Abingdon, Oxfordshire (Head Office) Beijing, China Erlanger, Kentucky	+44 (0)1235 557700	sales@crowcon.com	www.crowcon.com
North Shields, Tyne & Wear	+44 (0)191 293 1234	sales@elfab.com	www.elfab.com
Broken Arrow, Oklahoma	+1 (1)918 258 5626	info@oseco.com	www.oseco.com
Havant, Hampshire (Head Office) Pontiac, Michigan Beijing, China	+44 (0)2392 492412	enquiries@apollo-fire.co.uk	www.apollo-fire.co.uk
Hitchin, Hertfordshire	+44 (0)1462 444740	sales@ffeuk.com	www.ffeuk.com
Maidenhead, Berkshire (Head Office) Shanghai, China Singapore	+44 (0)1628 540100	sales.uk@avire-global.com	www.avire-global.com
Hauppauge, New York	+1 (1)631 864 3699	sales@januselevator.com	www.januselevator.com
Hauppauge, New York	+1 (1)631 543 4334	fixtures@mcontrols.com	www.mcontrols.com
Liège, Belgium (Head Office) Pittsburgh, Pennsylvania Beijing, China	+32 (0)4361 6565	info@bea.be	www.bea.be
Haslingden, Lancashire	+44 (0)1706 220460	sales@texe.com	www.texe.com
Malvern, Pennsylvania (Head Office) Cuijk, The Netherlands	+1 (1)610 889 0200	info@accutome.com	www.accutome.com
Windsor, Berkshire (Head Office) Broomall, Philadelphia	+44 (0)1753 857177	info@keeler.co.uk	www.keeler.co.uk
Wolfhalden, Switzerland	+41 71 727 1050	info@medicel.com	www.medicelag.com
Redmond, Washington	+1 (1)425 556 0544	Info@microsurgical.com	www.microsurgical.com
Jungingen, Germany	+49 (0)74 77 92 700	info@riester.de	www.riester.de
Morrisville, North Carolina (Head Office) Shenzen, China	+1 (1)919 654 2300	sales@suntechmed.com	www.suntechmed.com
Mentor, Ohio	+1 (1)440 942 6161	volk@volk.com	www.volk.com
Lakeville, Massachusetts	+1 (1)508 946 4545	info@accudynamics.com	www.accudynamics.com
Baoding, Hebei, China	+86 312 3110087	longer@longerpump.com	www.longerpump.com
Boonton, New Jersey	+1 (1)973 263 3001	sales.us@biochemfluidics.com	www.biochemfluidics.com
Danbury, Connecticut (Head Office) Cambridge, UK	+1 (1)203 744 0773	salesdept@dibaind.com	www.dibaind.com

HALMA DIRECTORY CONTINUED

Principal operating companies by sector	Main products
Environmental & Analysis	
Avo Photonics, Inc.	Advanced, miniaturised photonic components and subsystems for OEM customers serving a wide range of end-markets
Fiberguide Industries, Inc.	Design and manufacture of optical fibre cables and assemblies
Labsphere, Inc.	Light testing and measurement products and specialised optical coatings
Ocean Optics, Inc.	Miniature fibre optic spectrometers for consumer electronics, process control, environmental monitoring, life sciences and medical diagnostics
Pixelteq, Inc.	Dichroic optical filters and precision optics for scientific, defence, metrology and entertainment applications
Aquionics Inc.	Ultraviolet equipment for treatment of drinking water, waste water, water for re-use and water used in industrial processes
Berson Milieutechniek B.V.	Ultraviolet light equipment for treating drinking water, waste water and water re-use applications
Hanovia Limited	Ultraviolet light equipment for treating water used in the manufacture of food, drinks, pharmaceuticals, electronic components and for marine ballast water treatment
HWM-Water Limited	Multi-utility M2M solutions provider, including data recording and management for water networks and energy conservation
Hydreka S.A.S.	Equipment and software for analysis of the whole clean and dirty water cycle and for leak detection systems
Palintest Limited	Instruments for analysing water and measuring environmental pollution
Sensorex Corporation	Electrochemical sensors for water analysis applications in the process industry and laboratory markets
Alicat Scientific, Inc.	Mass flow meters and controllers for high-precision fluid flow measurement
Perma Pure LLC	Gas dryers and humidifiers for fuel cell, medical, scientific and industrial use
Group	
Halma Holdings Inc.	Halma North American Head Office
Halma International Limited Representative Offices	Halma China hubs in Shanghai, Beijing, Chengdu, Guangzhou and Shenyang
Halma Trading and Services India Pvt Ltd	Halma India hub

Principal locations	Telephone	E-mail	Website
Horsham, Pennsylvania	+1 (1)215 441 0107	sales@avophotonics.com	www.avophotonics.com
Stirling, New Jersey	+1 (1) 908 647 6601	info@fiberguide.com	www.fiberguide.com
North Sutton, New Hampshire (Head Office) Shanghai, China	+1 (1)603 927 4266	labsphere@labsphere.com	www.labsphere.com
Dunedin, Florida (Head Office) Orlando, Florida Duiven, The Netherlands Shanghai, China	+1 (1)727 733 2447	info@oceanoptics.com	www.oceanoptics.com
Largo, Florida (Head Office) Denver, Colorado	+1 (1)727 545 0741	info@pixelteq.com	www.pixelteq.com
Erlanger, Kentucky	+1 (1)859 341 0710	sales@aquionics.com	www.aquionics.com
Eindhoven, The Netherlands	+31 (0)40 290 7777	info@bersonuv.com	www.bersonuv.com
Slough, Berkshire	+44 (0)1753 515300	sales@hanovia.com	www.hanovia.com
Cwmbran, South Wales (Head Office) Cincinnati, Ohio	+44 (0)1633 489 479	sales@hwm-water.com	www.hwm-water.com
Lyon, France	+33 (0)4 72 53 11 53	hydreka@hydreka.fr	www.hydreka.com
Gateshead, Tyne & Wear	+44 (0)191 491 0808	sales@palintest.com	www.palintest.com
Orange County, California	+1 (1)714 895 4344	email@sensorex.com	www.sensorex.com
Tucson, Arizona	+1 (1)520 290 6060	info@alicatscientific.com	www.alicatscientific.com
Toms River, New Jersey	+1 (1)732 244 0010	info@permapure.com	www.permapure.com
Cincinnati, Ohio	+1 (1)513 772 5501	halmaholdings@halmaholdings.com	www.halma.com
China	+86 21 5206 8686	halmachina@halma.com	www.halma.cn
Mumbai, India	+91 (22)6708 0400	halmaindia@halma.com	www.halma.com

SHAREHOLDER INFORMATION AND ADVISERS

Financial calendar	
2012/13 Half year results	20 November 2012
2012/13 Interim dividend paid	6 February 2013
Interim management statement	14 February 2013
2012/13 Final results	13 June 2013
2012/13 Report and Accounts issued	25 June 2013
Annual General Meeting and interim management statement	25 July 2013
2012/13 Final dividend payable	21 August 2013
2013/14 Half year results	19 November 2013
2013/14 Interim dividend payable	February 2014
Interim management statement	February 2014
2013/14 Final results	June 2014

Analysis of shareholders at 16 May 2013	Shareholders (number)	%	Shares (number)	%
Number of shares held				
1 – 5,000	4,722	76.6	6,854,118	1.8
5,001 – 25,000	893	14.5	9,262,974	2.4
25,001 – 100,000	278	4.5	13,499,260	3.6
100,001 – 750,000	193	3.1	58,851,260	15.0
750,001 and over	81	1.3	292,413,010	77.2
	6,167	100.0	378,880,622	100.0

Share price London Stock Exchange, pence per 10p share	2013	2012	2011	2010	2009
Highest	531	430	367	264	222
Lowest	373	306	240	156	143

Dividends Pence per 10p share	2013	2012	2011	2010	2009
Interim	4.06	3.79	3.54	3.31	3.15
Final	6.37*	5.95	5.56	5.19	4.78
Total	10.43	9.74	9.10	8.50	7.93

* Proposed.

Registered office
Misbourne Court
Rectory Way
Amersham
Bucks HP7 0DE
Tel: +44 (0)1494 721111
halma@halma.com
Website: www.halma.com

Registered in England and Wales, No 40932

Registrars
Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ
Tel: +44 (0)870 707 1046
Fax: +44 (0)870 703 6101
Website: www.investorcentre.co.uk

Investor information
Visit our website, www.halma.com, for investor information and Company news. In addition to accessing financial data, you can view and download Annual and Half Year Reports, analyst presentations, find contact details for Halma senior executives and subsidiary companies and access links to Halma subsidiary websites. You can also download our iPad app or subscribe to an e-mail news alert service to automatically receive an e-mail when significant announcements are made.

Shareholding information
Please contact our registrars, Computershare, directly for all enquiries about your shareholding. Visit their Investor Centre website www.investorcentre.co.uk for online information about your shareholding (you will need your shareholder reference number which can be found on your share certificate or dividend tax voucher), or telephone the registrars direct using the dedicated telephone number for Halma shareholders (+44 (0) 870 707 1046).

Dividend mandate
Shareholders can arrange to have their dividends paid directly into their bank or building society account by completing a bank mandate form. The advantages to using this service are: the payment is more secure than sending a cheque through the post; it avoids the inconvenience of paying in a cheque and there is no risk of lost, stolen or out of date cheques. A mandate form can be obtained from Computershare or you will find one on the reverse of the tax voucher of your last dividend payment.

Dividend reinvestment plan
The Company operates a dividend reinvestment plan ('DRIP') which offers shareholders the option to elect to have their cash dividends reinvested in Halma ordinary shares purchased in the market. You can register for the DRIP online by visiting Computershare's Investor Centre website (as above) or by requesting an application form direct from Computershare. Shareholders who wish to elect for the DRIP for the forthcoming final dividend, but have not already done so, should return a DRIP application form to Computershare no later than 1 August 2013.

American Depositary Receipts
The Halma plc American Depositary Receipts (ADRs) are traded on the Over The Counter market (OTC) under the symbol HLMLY. One ADR represents three Halma plc ordinary shares. JPMorgan Chase Bank, N.A. is the depositary. If you should have any queries, please contact:

JPMorgan Chase Bank N.A., PO Box 64504, St Paul, MN 55164-0854, USA. E-mail: jpmorgan.adr@wellsfargo.com. Telephone number for general queries: (800) 990 1135. Telephone number from outside the USA: +1 651 453 2128.

Electronic communications
All shareholder communications, including the Company's Annual Report and Accounts, are made available to shareholders on the Halma website and you may opt to receive e-mail notification that documents and information are available to view and download rather than to receive paper copies through the post. Using electronic communications helps us to limit the amount of paper we use and assists us in reducing our costs. If you would like to sign up for this service, visit Computershare's Investor Centre website. You may change the way you receive communications at any time by contacting Computershare.

Share dealing facilities
A low cost telephone dealing service has been arranged with Stocktrade which provides a simple way for buying or selling Halma shares. Basic commission is 0.5% up to £10,000, reducing to 0.2% thereafter (subject to a minimum commission of £15). For further information please call 0845 601 0995 and quote reference Low Co0198.

Annual General Meeting
The 119th Annual General Meeting of Halma plc will be held in the Ballroom at The Berkeley Hotel, Wilton Place, London SW1X 7RL on Thursday 25 July 2013 at 11.30 am.

Investor Relations contacts
Rachel Hirst/Andrew Jaques
MHP Communications
60 Great Portland Street
London W1W 7RT
Tel: +44 (0)20 3128 8100
Fax: +44 (0)20 3128 8171
halma@mhpc.com

Andrew Williams
Halma plc
Misbourne Court
Rectory Way
Amersham
Bucks HP7 0DE
Tel: +44 (0)1494 721111
Fax: +44 (0)1494 728032
investor.relations@halma.com

Auditors
Deloitte LLP
Abbots House
Abbey Street
Reading RG1 3BD

Bankers
The Royal Bank of Scotland plc
280 Bishopsgate
London EC2M 4RB

Financial advisers
Lazard & Co., Limited
50 Stratton Street
London W1J 8LL

Brokers
Credit Suisse Securities (Europe) Limited
One Cabot Square
London E14 4QJ

Investec Investment Banking
2 Gresham Street
London EC2V 7QP

Solicitors
CMS Cameron McKenna LLP
Mitre House
160 Aldersgate Street
London EC1A 4DD

MIX
Paper from responsible sources
FSC® C016278
FSC www.fsc.org

Designed by luminous.co.uk
Printed by Halstan.co.uk

Halma plc
Misbourne Court
Rectory Way
Amersham
Bucks HP7 0DE

Tel +44(0)1494 721111
Fax +44(0)1494 728032
Web www.halma.com

HALMA