Building on success

Halma plc Annual Report and Accounts 2015

HALMA

Who We Are

Halma employs over 5,400 people in nearly 50 subsidiary businesses based in 23 countries. Our companies and products are diverse but we have a core focus on safety, health and environmental markets.

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

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

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

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

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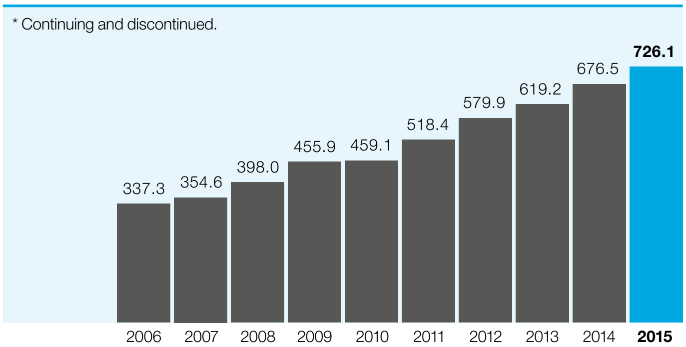
Highlights

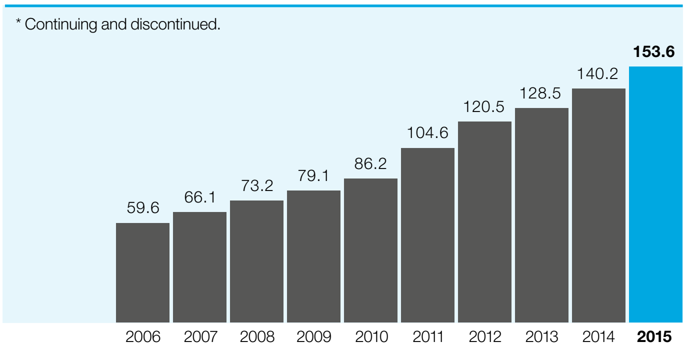
Revenue* (£m)

£726.1m +7%



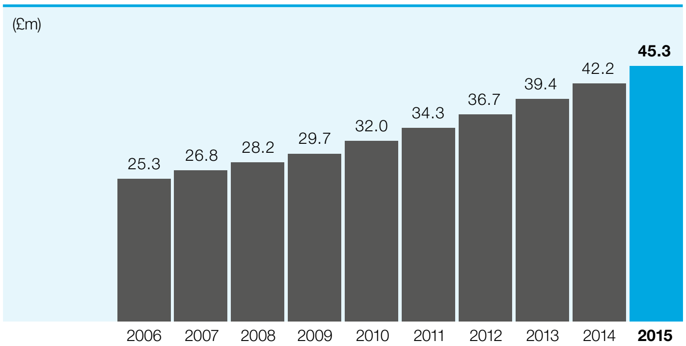
Adjusted profit before taxation* (£m)

£153.6m +10%



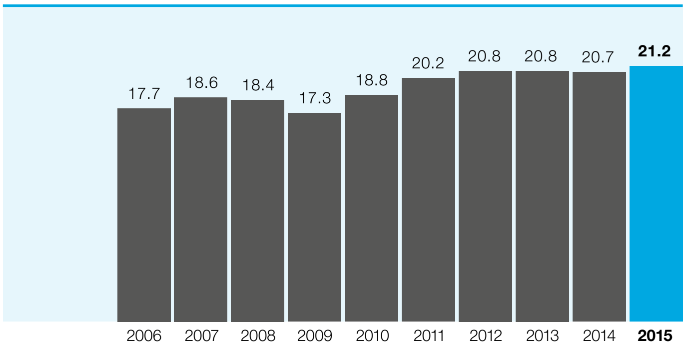
Dividend paid and proposed

11.96p +7% per share



Return on sales (%)

21.2%



Financial highlights

Continuing operations	**2015**	2014	Change
Revenue	**£726.1m**	£676.5m	+7%
Adjusted Profit before Taxation[1]	**£153.6m**	£140.2m	+10%
Adjusted Earnings per Share[2]	**31.17p**	28.47p	+9%
Statutory Profit before Taxation[3]	**£133.6m**	£138.7m	-4%
Statutory Earnings per Share[3]	**27.49p**	28.14p	-2%
Total Dividend per Share[4]	**11.96p**	11.17p	+7%
Return on Sales[5]	**21.2%**	20.7%	
Return on Total Invested Capital[6]	**16.3%**	16.7%	
Net Debt	**£100.9m**	£74.5m	

Pro-forma information:

1 Adjusted to remove the amortisation of acquired intangible assets, acquisition items, profit or loss on disposal of operations and the effects of closure to future benefit accrual of the Defined Benefit pension plans net of associated costs (prior year only), totalling £20.0m (2014: £1.6m). See note 1 to the Accounts.

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

3 Statutory profit before taxation and statutory earnings per share were below the prior year because of credits arising in 2014 due to revisions to the estimates of contingent consideration payable on prior years' acquisitions and from the closure to future accrual of the Defined Benefit pension plans. See notes 1 and 2 to the Accounts.

4 Total dividend paid and proposed per share.

5 Return on Sales is defined as adjusted[1] profit before taxation from continuing operations expressed as a percentage of revenue from continuing operations.

6 Organic growth rates and Return on Total Invested Capital (ROTIC) are non-GAAP performance measures used by management. ROTIC is now calculated using the average Total Invested Capital. The prior year has been restated. See note 3 to the Accounts.

Investment Proposition

Halma delivers sustained shareholder value. We consistently achieve record profits, high returns, and strong cash flows with low levels of balance sheet gearing. We have a 36-year track record of growing dividend payments by 5% or more every year.

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

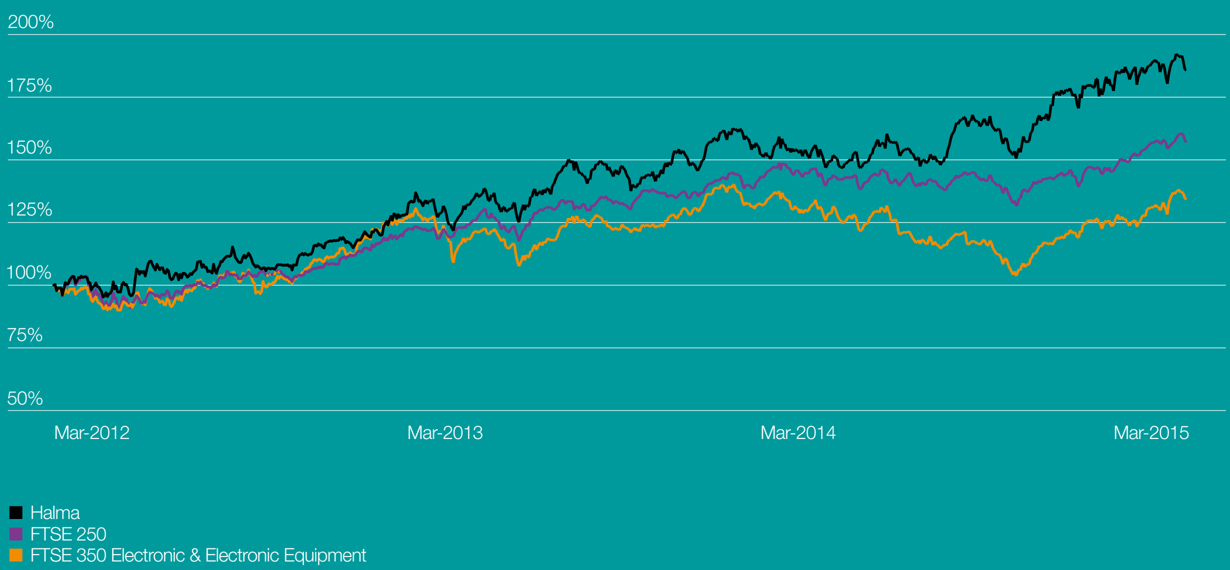
Organic growth generates the resources we use to fund acquisitions and keep increasing dividends. We generate organic growth by increasing levels of investment in people development, new product development and in establishing platforms for our businesses to grow in international markets.

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

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

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

Total Shareholder Return (three years)



Chairman's Statement

Structured for growth

This has been another successful year for Halma demonstrating the breadth and strength of our portfolio of companies which are focused on protecting life and improving the quality of life for people worldwide.

Last year we announced a significant organisation change in the Group into the four market sectors that we operate in and that the composition of the Executive Board was to be aligned with these sectors. I am pleased to report that the transition of the organisation into this new structure has gone extremely well while at the same time retaining the important elements of local management and entrepreneurship in the businesses. We also believe that this structure provides more opportunity to improve succession planning for senior management as there is clearer visibility of talent and emerging talent in the respective sectors.

During the financial year we acquired three businesses in the Process Safety, Infrastructure Safety and Medical sectors for a total cost of £84m. These businesses have been successfully integrated into their respective sectors and are all performing in line with our expectations on acquisition. It is encouraging that at the start of this new financial year, we have a strong pipeline of potential acquisitions. Identifying suitable acquisitions is an important part of our long-term growth model and I believe that the Sector CEOs will broaden our M&A activity as they focus on the future needs of the markets in which they operate.

The continuing success at Halma is a tribute to the outstanding efforts of our talented workforce and a culture that encourages innovation and strong local decision making.

In April 2015 we held our biennial leadership conference with 250+ people from around the business; this was a great opportunity for our colleagues and the Board to be involved and experience the development and innovation of products and services in the last year. This event has certainly created a healthy competitive culture to be the most innovative company in the Group. In addition, the significant progress that has been made in driving collaboration between the businesses, not only on a sector basis but also across sectors, was pleasingly evident. The examples of businesses sharing technology and know-how with each other, and case studies of how collaboration has enhanced product offering in the marketplace were numerous. Such an innovative culture and the success in our collaborative efforts create an important platform for future growth at Halma.

Governance

The Board continues to maintain a focused and disciplined approach to governance and I believe that a strong governance structure can be one of the principal supports for producing outstanding revenue growth, successful acquisitions and the continued expansion of our business through innovation. The Board also remains focused on ensuring its own effectiveness and the effectiveness of governance processes throughout the Group. It was therefore pleasing that the external Board evaluation this year highlighted the Board's strength and the value it brings to the Group.

During the year I was delighted to welcome Roy Twite and Tony Rice as non-executive Directors to the Halma Board. Roy and Tony bring valuable and different perspectives to our discussions as well as very relevant engineering experience.

After 17 years of service, Neil Quinn retired from the Board in May 2015. I, and my colleagues, would like to thank Neil for his huge contribution to the many businesses with which he has worked successfully over a long period of time. Neil's leadership style allowed businesses to flourish and retain their entrepreneurial spirit in true Halma style.

I would also like to take this opportunity to thank Stephen Pettit, our Senior Independent Director, for his significant contribution and wise counsel to the Company over the last 11+ years. Stephen will retire at the conclusion of our AGM in July after agreeing to stay on for an extra year at last year's AGM after we had two unanticipated Board retirements.

Further information on Corporate Governance is included on pages 55 to 65.

Performance and dividend

This is the twelfth successive year of revenue, adjusted profit and dividend growth which reflects the efforts of our very talented workforce in our businesses around the world. The Board and I would like to thank all of our colleagues for their commitment to driving innovative growth which in turn delivers great value for our shareholders.

I am pleased to report that revenue for the year increased by 7% (2014: 9%) to £726m (2014: £677m) with adjusted[1] profit before tax increasing by 10% (2014: 9%) to £154m (2014: £140m). With half of the profit increase coming from acquisitions, this sits nicely within our financial KPI objective of achieving at least a 5% contribution from acquisitions and at least another 5% organically.

Once again, the Board is recommending a final dividend increase of 7% which is 7.31p per share giving a total dividend for the year of 11.96p. The final dividend per share is subject to approval by shareholders at the AGM on 23 July 2015 and will be paid on 19 August 2015 to shareholders on the register at 17 July 2015. This marks the 36th consecutive year of dividend per share increases of 5% or more.

Summary

During a year of organisation change we have continued to make great progress: strategically; operationally; and financially. However there is no complacency in the changing markets in which we operate. Our priorities for 2016 are to continue to improve focus on our customers and their needs through innovation and our go-to-market strategies. We are also upgrading our talent and education programmes to ensure we have the best people to meet the growing demands of our customers. A key component of this is to ensure that diversity and inclusion are at the heart of our people agenda – essential for a business operating in international markets.

Finally I would like to, again, thank all of my colleagues for their considerable efforts in contributing to a successful 2015 and I look forward to further progress in 2016.

Paul Walker
Chairman

[1] See Financial Highlights.

Strategic Report

Governance

Financial Statements

Business at a Glance

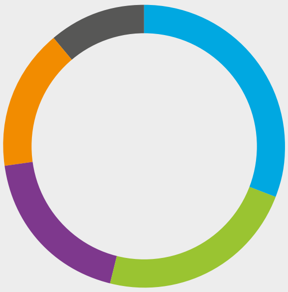
Protecting life

	Process Safety	Infrastructure Safety
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 and corrosion monitoring products. Read more p32	**Infrastructure Safety** Products which detect hazards to protect assets and people in public spaces and commercial buildings. Fire and smoke detectors, fire detection systems, security sensors and audible/visual warning devices. Sensors used on automatic doors and elevators in buildings and transportation. Read more p34
Contribution to Group revenue	22%	32%
Financial highlights	£159m Revenue; £45m Operating profit[1]	£234m Revenue; £50m Operating profit[1]
Primary growth drivers	– Increasing health and safety regulation – Increasing demand for life-critical resources (such as energy and water)	– Increasing health and safety regulation

Profit[1] by sector

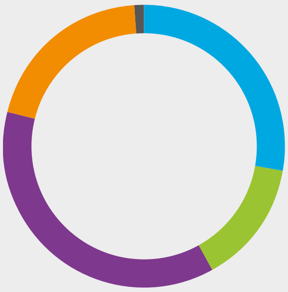
Process Safety	27%
Infrastructure Safety	30%
Medical	27%
Environmental & Analysis	16%

Revenue by destination



USA	31%
Mainland Europe	23%
United Kingdom	19%
Asia Pacific	16%
Other	11%

Employees by location



USA	28%
Mainland Europe	14%
United Kingdom	37%
Asia Pacific	20%
Other	1%

[1] See Note 1 to the Accounts.

Improving quality of life

Medical

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

Read more 36

23%

£169m
Revenue

£45m
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.

Read more 38

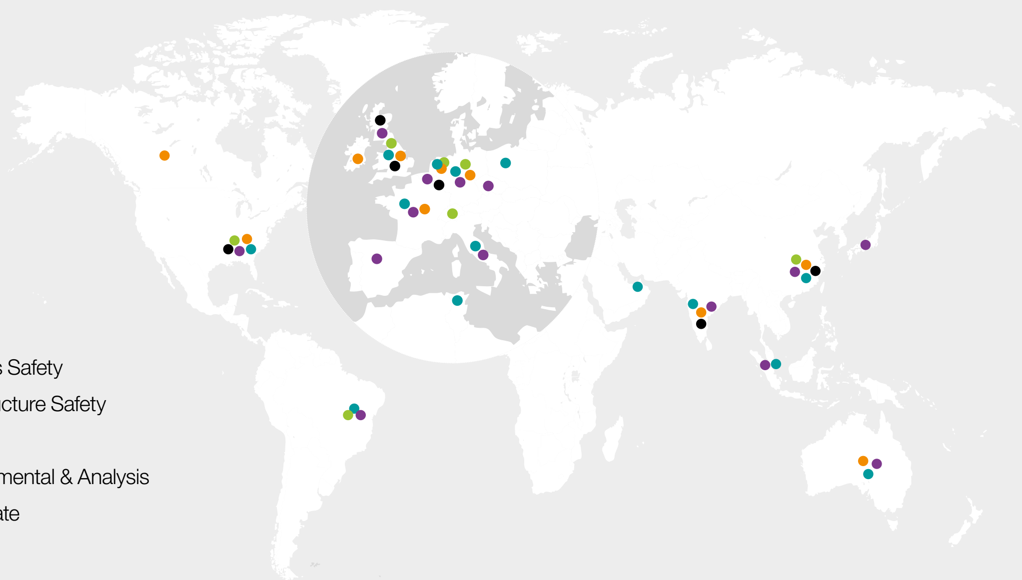
23%

£164m
Revenue

£27m
Operating profit[1]

– Increasing demand for healthcare

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



- Process Safety
- Infrastructure Safety
- Medical
- Environmental & Analysis
- Corporate

Chief Executive's Strategic Review

A record year with increased investment for the future

Halma has delivered a strong performance, achieving record revenue and profit[1] for the twelfth consecutive year. Widespread organic growth, three acquisitions and one disposal once again demonstrated the benefits of having a clear growth strategy, a simple financial model and a customer-focused organisation.

Andrew Williams
Chief Executive

These results, combined with increased investment in talent, innovation and international expansion give us good momentum for the future. The sector-focused management structure, introduced in April 2014, is well-established and ensures Halma can continue to grow whilst harnessing our core values and operating culture. I have been particularly impressed with the way in which our operating companies continued to perform well during this period of organisational change and thank all Halma employees for their contributions to another successful year.

Good organic growth, high returns and strong cash generation

Adjusted[1] profit was up by 10% to £153.6m (2014: £140.2m) after absorbing a 2% negative impact from currency. Organic profit growth was 7% at constant currency.

Revenue increased by 7% to £726m (2014: £677m), after absorbing a 2% negative impact from currency. Organic revenue growth was 5% at constant currency.

High returns were maintained with Return on Sales increasing to 21.2% (2014: 20.7%). Return on Capital Employed at the operating company level remained exceptionally strong at 78% (2014 restated: 77%) and Return on Total Invested Capital (post-tax) was 16.3% (2014 restated[1]: 16.7%).

Strong cash generation ensured that we ended the financial year with net debt of £101m (2014: £74m) after spending £23m on capital expenditure (2014: £17m), £88m on current and prior year acquisitions (2014: £17m) and paying out £43m in dividends (2014: £40m) to shareholders and £31m (2014: £28m) of tax.

Our balance sheet is strong and we have revolving credit facilities of up to £360m until November 2018 to support investment in our future growth.

Widespread growth in all regions

We achieved organic constant currency revenue growth in all four sectors and all major regions.

Revenue from the USA increased by 4% to £223m (2014: £214m) including organic constant currency growth of 7%. UK revenue grew by 8% to £138m (2014: £128m) and Mainland Europe revenue was up by 2% to £167m (2014: £164m) with both including organic constant currency growth of 2%.

Revenue from outside the USA, UK and Mainland Europe improved by 16% to £197m (2014: £170m), representing 27% of total Group revenue (2014: 25%). This included 5% organic constant currency growth from China which, at £49m (2014: £47m), contributes 7% to total Group revenue. Strong growth in our two safety-related sectors helped revenue from Africa, Near and Middle East grow by 33% to £44m (2014: £33m).

Market snapshot

Macro-economic, regulatory and competitive environment

Halma's strategy is to develop market positions primed for growth over 10 years or more. Growth strategies within each operating company are developed with three to five year horizons.

Our focus on the supply of safety, health and environmental related products positions our businesses in relatively non-cyclical markets with high barriers to entry and long-term growth driven by:

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

Regulation underpins most of our markets, driving sustained demand and often making customer spending non-discretionary. Our companies' strong market positions leverage upgrade and replacement sales opportunities as customers seek to maintain compliance and conform to best practice.

Our competitive environment is influenced by global, regional and national product approvals or technical validations. Compliance with new and updated product regulations is a steadily increasing cost and technical challenge but our expertise in this area enables us to respond quickly and build competitive advantage.

Halma is exposed to a very diverse range of niche markets, each with its own unique conditions. As a result, macro-economic factors can affect our businesses very differently according to their particular market and geographic exposure.

Our approach is for local operating company management to develop and execute their own growth strategy and respond to changes in their specific markets. Sector management teams provide strategic support and oversight for wider-reaching and longer term market dynamics. More details are given in the sector reviews on pages 32 to 39.

All of the factors above provide our businesses with genuine stability: resilience in challenging economic conditions and organic growth above prevailing market rates. This underlying, intrinsic strength enables us to plan and to invest for the longer term with confidence.

For 2015/16, growth projections have been raised for the US economy, which is our largest geographic market, possibly opening the way for revitalised R&D spending in markets such as life sciences. Fluctuations in the oil price have not substantially impacted our business so far, as spending on highly-regulated safety equipment is largely non-discretionary and the vast majority of our revenue comes from mid-stream or downstream applications. However, we are mindful that a sustained low oil price will eventually make our current high rates of growth in Process Safety more difficult to maintain.

Conditions in Europe and the UK are expected to support steady growth, though the relative strength of Sterling means that our companies need to manage input costs and pricing closely.

Growth in emerging markets is forecast to continue at around 4% to 5% through 2015-16. Developing socio-economic conditions in Asia and South America are expected to fuel greater demand for our products used to create safer workplaces, provide healthcare, improve infrastructure safety and manage life-critical resources.

Chief Executive's Strategic Review continued

Market snapshot

Increasing health and safety regulation

Employers throughout the world must comply with increasingly strict government laws and regulations to protect their workers, the environment and their assets from workplace hazards. In parallel with this increasing national regulation in developing regions, many multinational employers based in the developed world are extending their health and safety practices across their global operations. These factors drive demand for our Process Safety and Infrastructure Safety products.

The human cost of workplace accidents and diseases is enormous. The International Labour Organisation estimates that 2.3 million people around the world die each year from work-related accidents or diseases. That is over 6,000 fatalities per day, or one person every 15 seconds.

In addition, every year 313 million work accidents occur, many resulting in extended work absences. Workplace injury and occupational disease is a significant economic burden on national economies and businesses. The financial impact of poor occupational safety and health practice is due to absences from work and sickness, disability benefits, compensation, interruption of production and medical expenses. These costs are estimated to be as high as 4% of global GDP. Above-average workplace casualty rates in some countries are estimated to be costing up to 10% of annual GDP.

Safety and health at work standards and practices vary considerably between countries, economic sectors and social groups. However, they are generally rising and becoming more closely aligned. Deaths and injuries take a particularly heavy toll in developing countries, where a large part of the population may work in hazardous conditions. However, greater investment and advances in occupational safety are reducing the number of fatal accidents at work.

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

Organic revenue growth in all sectors at constant currency

Process Safety revenue grew by 25% to £159m (2014: £127m) including organic constant currency growth of 9%. Profit[2] improved by an impressive 28% to £44.8m (2014: £34.9m) with organic constant currency growth of 14%. Return on Sales increased from 27.5% to 28.3%.

Organic revenue growth in constant currency was strongest in the USA with good growth in Mainland Europe and a small decline in the UK, Asia Pacific and Africa, Near and Middle East. There was an encouraging contribution from Rohrback Cosasco Systems Inc. (RCS), the pipeline corrosion monitoring product company acquired in May 2014, which traded in line with expectations.

Infrastructure Safety revenue increased by 6% to £234m (2014: £220m) including organic constant currency growth of 5%. Profit[2] was up by 12% to £50m (2014: £44.4m) including organic constant currency growth of 12%. Return on Sales increased from 20.2% to 21.4%.

Organic revenue growth in constant currency was strongest in the UK and Africa, Near and Middle East with more modest growth in the USA and Europe and a small decline in Asia Pacific. Advanced Electronics Limited, the UK-based fire detection control systems manufacturer acquired in May 2014, performed well.

In the **Medical** sector, revenue increased by 4% to £169m (2014: £163m) including organic constant currency growth of 6%. Profit[2] improved by 9% to £45.4m (2014: £41.8m) including organic constant currency growth of 10%. Return on Sales increased from 25.6% to 26.8%.

There was strong organic constant currency revenue growth in the USA, more modest increases in Mainland Europe and Asia Pacific and a slight decline in the UK. The integration of Plasticspritzerei AG, acquired in May 2014, into our ophthalmic surgical device business, Medicel, was completed to schedule and trading has been good for the combined business.

Environmental & Analysis revenue was £164m (2014: £167m) including a small organic constant currency increase. Profit[2] was 14% lower at £27.4m (2014: £31.7m) including a 12% decline in organic constant currency terms. Return on Sales was 16.7% (2014: 19.1%).

After a disappointing first half year, operating performance improved in the second half with organic constant currency revenue growth of 2%, providing encouragement for a more sustained recovery in revenue and profitability in 2015/16.

Regionally, in organic constant currency terms, revenue was down in the USA and UK with the latter mainly due to lower investment by UK water utilities in the final year of their five-year investment cycle. There was organic constant currency revenue growth in Mainland Europe and all other major regions (in particular Asia Pacific).

> "In the coming years, we expect to benefit from our new sector-focused structure which will provide greater resources to support our acquisition activity."

Three acquisitions completed and a good pipeline

Halma completed three acquisitions and one disposal during the year.

The current M&A market remains competitive although our pipeline of opportunities remains good. In the coming years, we expect to benefit from our new sector-focused structure which will provide greater resources to support our acquisition activity.

Our core strategy remains to continue to find privately-owned businesses in, or adjacent to, our existing markets although each sector has the freedom to find new niches which possess the right product, market and financial characteristics.

Every transaction is approved by the Group CEO and Finance Director, with all deals worth more than £10m also approved by the Halma plc Board.

All transactions in the year were completed in May 2014.

- Plasticspritzerei AG, a Swiss-based supplier to our ophthalmic surgical instrument company, Medicel, was acquired for CHF6m (£4m), excluding the cash acquired. This business was immediately merged into Medicel and contributed to the Medical sector's performance.
- Advanced Electronics Limited, a UK-based manufacturer of networked fire detection and control systems was acquired for an initial cash consideration of £14m, excluding the cash acquired. Advanced operates as a stand-alone business within our Infrastructure Safety sector.
- Rohrback Cosasco Systems Inc., a California-based manufacturer of pipeline corrosion monitoring systems was acquired for US$108m (£64m), excluding the cash acquired. RCS operates as a stand-alone business within our Process Safety sector.
- Monitor Elevator Products Inc., a New York-based manufacturer of elevator control panels was sold to another industry player, Innovation Industries, for US$6m (£4m). Halma recorded a gain before tax of approximately £1m on this transaction. Monitor used to report its performance within our Infrastructure Safety sector.

In May 2015, we completed the acquisition of Value Added Solutions, LLC (trading as VAS Integrated). VAS, which will become part of Diba Industries within the Medical sector, designs and manufactures fluidic-related plastic machined components and assemblies for life sciences and analytical instruments. The initial cash consideration was US$5m (£3m).

Market snapshot

Increasing demand for healthcare

Four long-term demographic trends drive healthcare demand worldwide:

- ageing of the global population
- growth of the global population
- increase in chronic disease
- rising incomes in the developing world

Population ageing and rising numbers of people suffering from age-related chronic diseases provide a strong, long-term driver for healthcare services and products in our Medical and Environmental & Analysis sectors in both developed and developing economies. Advances in medical technology and new medical procedures also stimulate demand for new equipment.

Globally, the number of people aged over 65 is expected to more than triple over the next half-century. Life expectancy is expected to rise from 72.7 years in 2013 to 73.7 years by 2018. This will mean that more than 10% of the world's population will be over 65. In Western Europe the proportion will hit 20% and in Japan, 28%. In the USA, the world's largest healthcare market, increasing life expectancy is predicted to double the population of seniors by 2050.

While the oldest population profiles are currently in developed countries, the vast majority of older people and the fastest rates of change are in developing countries, where the number of older people is forecast to rise over 250% by mid-century.

Worldwide healthcare expenditure is about 10% of global GDP, and is forecast to increase by over 5% a year until 2018. Healthcare spending continues to rise rapidly in the developed world. In the USA, for example, total healthcare expenditure was estimated at $3.09 trillion in 2014, and is projected to increase to $3.57 trillion within three years.

In addition to ageing, population growth and rising wealth are strong drivers of healthcare demand in the developing world. Spend on healthcare in emerging nations is projected to rise dramatically with annual growth estimates for India and China at over 15% and 12% respectively, boosted by national initiatives to improve accessibility and quality of healthcare.

Globally, the incidence rates of cancer, heart disease, stroke, respiratory disease, diabetes and hypertension have risen sharply in the past decade, particularly in developing regions. These chronic diseases are the leading cause of mortality worldwide due to population ageing, more sedentary lifestyles, changing diets and rising obesity. Halma's focus on ophthalmology and advanced blood pressure monitoring products directly relates to the diagnosis and treatment of these chronic and age-related diseases.

Chief Executive's Strategic Review continued

Market snapshot

Increasing demand for life-critical resources

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

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

Water consumption grew twice as fast as the world population in the 20th century. Already one third of the world's population lives in water-stressed countries, and by 2025 that may rise to two thirds. By 2030, only 60% of the world's water needs will be met if current trends continue. By 2050, water demand for manufacturing alone is expected to increase by between 400% and 700%.

Competition for water resources is forecast to increase between industries and economic sectors, and between countries in both developed and developing regions. The rising value of finite water resources drives demand for our water conservation, treatment and testing products.

Demand for water is strongly linked to energy demand. Water is needed to convert resources into electricity via thermal, nuclear, and hydro processes and also alternative sources such as irrigation of biofuel crops. 15% of water withdrawal is currently used for energy production, but this is expected to rise 20% by 2035 due to population growth, urbanisation and changing consumption patterns.

Worldwide energy demand is expected to grow by more than one third up to 2035, with China and India accounting for more than half of the growth. Rising demand for energy will put further strain on the world's fresh water resources in the coming decade, especially in developing and emerging economies as energy is needed at all stages of water extraction, treatment and distribution.

Increasing wealth in developing regions is enabling populations to change from starch-based to meat and dairy diets, which raises agricultural water demand. Dietary change has had the biggest impact on global water consumption over the past 30 years, and this trend is expected to continue well into the middle of the twenty-first century.

As global demand for water becomes unsustainable, the importance of improving efficiency and effective monitoring is growing. Several of our Environmental & Analysis sector businesses operate in markets driven by the global trends of rising demand for life-critical resources such as energy and water. Global investment in traditional and unconventional energy sources also drives demand for our Process Safety products.

New sectors and Executive Board changes now well established

In April 2014, Halma's Executive Board was reorganised with four new Sector Chief Executive (SCE) positions replacing seven Divisional Chief Executive roles and the addition of a Group Talent Director. During the year, the Executive Board has devoted significant time to developing into their new roles both individually and collectively, and this leaner board is already proving to be a more efficient leadership team.

The strategic rationale for making this change was to give each sector the potential to grow to become the size of the whole of Halma today while retaining the growth strategy and culture which has made Halma successful in the past.

This improved scalability of the Halma model comes from the SCEs appointing Sector Vice Presidents (SVPs) to chair operating companies within their sector and, during the year, we have recruited a new SVP for each sector including two internal promotions. Each sector also has a Sector Finance Director which, together with the SVPs, provides significant additional resources to support each SCE's acquisition efforts.

In May 2015, Philippe Felten took over from Neil Quinn as Process Safety SCE, after a succession planning process started in April 2014. I would like to thank Neil for his service to Halma since joining Apollo Fire Detectors as their Sales Director in 1987. Over 28 years, Neil has served as a Managing Director, Divisional Chief Executive, Sector Chief Executive and as a Halma executive Director, making a significant contribution to Halma's growth.

> "During the year, the Executive Board has devoted significant time to developing into their new roles both individually and collectively, and this leaner board is already proving to be a more efficient leadership team."

“We have spent considerable time assessing our senior management talent and we are putting in place better processes to improve our talent pipeline, both internally and externally.”

Continued strategic investment to drive organic growth

Halma is a diverse and decentralised business. Our companies benefit from being part of the Group both through collaboration with other Halma companies and the targeted central investment made by Halma in three key areas: Talent Development, Innovation and International Expansion.

Talent development

Following the appointment of our Group Talent Director, Jennifer Ward in April 2014, we have spent considerable time assessing our senior management talent and we are putting in place better processes to improve our talent pipeline, both internally and externally.

Each subsidiary Managing Director has completed an individual assessment which has highlighted their core strengths and development needs against our future leadership requirements. We have also revised and re-launched our Diversity and Inclusion policy and this was a focus for our senior managers attending the Halma Innovation and Technology Exposition (HITE) in Barcelona in April 2015. We have an increasingly diverse customer base and recognise the need to continuously work to reflect this in the diversity of our leadership teams.

Innovation

Our investment in new products increased once again, with R&D spend up by 8% to £34.6m (2014: £32.1m), representing around 5% of revenue. New product innovation is a vital component of growing revenue through market share gain and market expansion, but Halma’s commitment to innovation is much broader and encompasses all aspects of our business.

The biennial HITE events enable senior managers of all Halma’s subsidiary companies to meet and share their experience and knowledge with each other. This year’s event embraced digital technology with a ‘virtual’ trade show which increased the time and space available for collaboration. It also enabled the winners of the Halma Annual Innovation Awards to be voted for by HITE delegates during the event itself.

The award for Best Product Innovation was won by Alicat Scientific’s Whisper series of gas flow meters which accurately measures gas flow rates without the sensor device itself adversely affecting the measurement. The Best Process Innovation was awarded to Netherlocks for its R&D internship programme and the Best Collaboration award went to Crowcon and Perma Pure for Crowcon’s Sprint eVo gas analyser which incorporated Perma Pure’s gas sample conditioning technology.

How we are boosting growth in China by local product development

Halma is always looking for ways in which we can help to accelerate the growth and development of our businesses. A key growth strategy in fast-growing, developing economies like China is to develop innovative, locally-designed products that exactly meet the needs of local customers.

Two years ago we began a programme to subsidise the cost of hiring additional R&D staff in China. This encouraged our companies to significantly expand their local design engineering teams. It has been a great success. So far, 15 Halma businesses have taken advantage of the subsidy. They have hired 22 extra engineers, with another three in the pipeline. To date, 27 new R&D projects have begun and 10 new Chinese-market products have been launched, generating sales of over £2m in 2014/15.

Martin Zhang
President, Halma China

The success of our Chinese R&D staff subsidy programme, which supports our strategy of moving product development closer to customers, is a good example of how we add value to our operating companies. It has greatly improved our ability to meet local customer needs and injected fresh new ideas in developing innovative ways to solve customer problems.

Chief Executive's Strategic Review continued

International expansion

Halma continues to invest to accelerate subsidiaries' growth in international markets. Regions outside the USA, UK and Mainland Europe now contribute over 27% of the Group revenue compared with less than 18% in 2005, even though we have achieved strong growth in our core developed markets too. A catalyst for our success has been the Halma hubs first created in China in 2006, in India in 2008 and, more recently, replicated by individual sectors in South America.

Halma's approach is to put in place the commercial infrastructure necessary to enable our subsidiary companies to build a direct presence in these target markets more quickly than they would be able to do so alone. For example, in the last two years Halma has subsidised the cost of additional R&D engineers in China for our businesses to develop new products for the local market. To date subsidiary companies have added around 25 new engineers and revenue from the new products launched so far exceeded £2m in 2014/15 and is forecast to be more than double that in the coming year.

Delivering corporate responsibility and sustainability

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

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

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

Outlook

I am very pleased with the progress that Halma has made this year by achieving good organic growth, completing three acquisitions and a disposal while further increasing investment in talent development, innovation and international expansion.

Changes made to our organisation in April 2014 mean that, in the longer term, each of our four sectors has the potential to grow to become the size of the whole of Halma today, through continued and disciplined execution of our well-proven growth strategy. We expect to make further progress in the year ahead.

Andrew Williams
Chief Executive

[1] See Financial Highlights.

[2] See Note 1 to the Accounts.

Business Model and Strategy

Business model
What is Halma's growth objective?

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

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

Grow

KPIs

- Organic profit growth
- EPS growth
- Revenue growth
- Return on Sales
- ROTIC
- International expansion

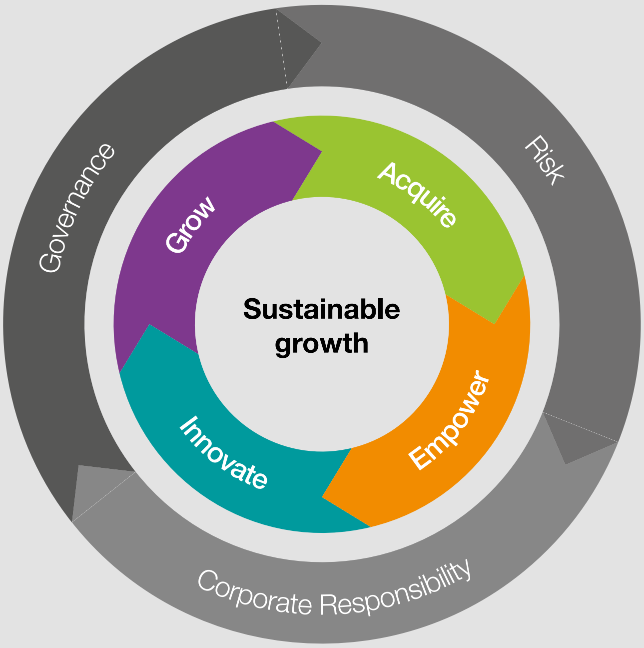
Read more PP16 and 22 to 24

Innovate

KPIs

- Research and development

Read more PP14 and 24



Acquire

KPIs

- Acquisition profit growth
- Cash generation

Read more PP18, 22 and 24

Empower

KPIs

- Values alignment
- Health & Safety
- Development programmes

Read more PP20 and 25

Strategy
How do we grow?

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

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

Governance

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

Read more PP59 to 65

Risk

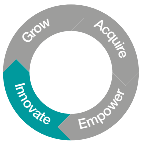
Group risk is mitigated by means of an operating structure which spreads the Group's activities across a number of autonomous subsidiary companies. Each of these companies is led by a high-quality board of directors including a finance executive. Group companies operate under a system of robust controls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

Read more PP26 to 31

Corporate Responsibility

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

Read more PP25 and 42 to 47



Innovation through collaboration

Strategy in action

Innovation in products and processes is a key driver of organic growth. It enables us to build competitive advantage, gain market share, open up new markets and achieve high returns. In addition to increasing our spending on innovation and R&D, we held a fourth Halma Innovation and Technology Exposition (HITE) in April 2015 to encourage collaboration between all Halma companies.

In recent years, several products have been launched resulting from collaboration between Halma companies including Crowcon's Sprint eVo gas flue analyser, one of the winners of this year's Halma Innovation Awards, a collaboration between Crowcon and sister company Perma Pure.

The Sprint series of flue gas testers for domestic boilers is one of Crowcon's most high profile product lines. To secure a renewal of its contract with British Gas, the company developed the Sprint eVo. This successfully won the contract by combining new features, better performance, unique technology from Perma Pure and an enhanced version of the software which heating engineers were already trained to use.

Philippe Felten
Sector Chief Executive, Process Safety

I've been very impressed by the effort and intelligence that went into the Sprint eVo development process. The product's commercial success is proof of the value of innovation through collaboration, and really shows how well Crowcon responded to the demands of the market and its customers' feedback.

Read more P32

Growing through diversification

Strategy in action

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

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

BEA designs, assembles and sells sensors for automatic doors. When we acquired BEA in 2002 it was already the world leader in its specialised market. Since then, the company's strategy for growth has been to maintain global market leadership in the pedestrian door sensors niche while diversifying into industrial, security and transport door control applications based on market-led innovation. One new application for their technology is door sensors on the platform screen doors on the Paris metro.

Nigel Trodd
Sector Chief Executive, Infrastructure Safety

Platform screen doors are a fast-growing trend around the world, so it is especially pleasing to see BEA's success here. The company's technology, expertise and reputation in the automatic pedestrian door market positions it perfectly to expand into adjacent markets, as hundreds of thousands of passengers in Paris can now experience every day.

Read more P34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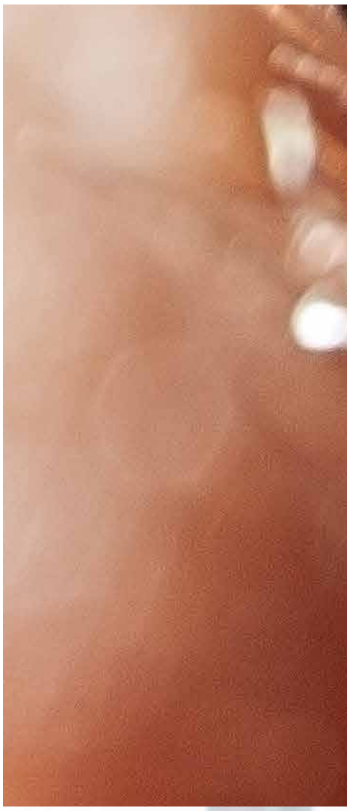


Acquiring innovative businesses

Strategy in action

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

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

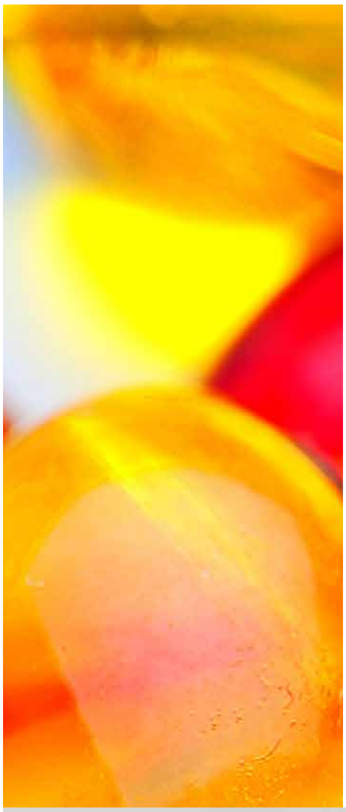
Since acquiring Microsurgical Technology in 2012, single-use instruments have become more and more popular. In 2015 the company launched the Allegro, a single-use device for removing part of the lens during cataract surgery. It offers significantly improved performance and ease of use for both surgeons and nurses, and is safer for patients than competitive products.

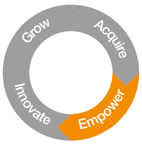
Adam Meyers
Sector Chief Executive, Medical

Our offering to the ophthalmic surgery market has never been better, and response to market trends is a key part of our success. Medical professionals are increasingly preferring the hygiene and simplicity of single-use disposable devices, so the recent launch of MST's Allegro really highlights our ability to react quickly and effectively to customer demands.

Read more P36


Allegro





Responding to local market needs

Strategy in action

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

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

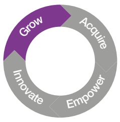
The establishment of Ocean Optics Asia as a stand-alone business has led to more innovative products for the Chinese market including the Accuman. Chinese regulations mean that every pharmaceutical manufacturer will soon have to check all their raw material to ensure quality. Accuman is a portable tool which uses non-destructive spectroscopy to quickly perform the required tests.

Chuck Dubois
Sector Chief Executive,
Environmental & Analysis

By designing products specifically for local markets, we can differentiate ourselves from the competition and better satisfy market needs. Ocean Optics Asia is showing a great example of this by perfectly tailoring the Accuman to suit the regulatory and quality control requirements of the Chinese pharmaceutical market.

Read more P38

Key Performance Indicators – KPIs



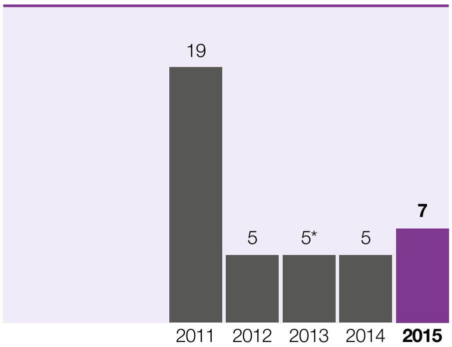
Strategic focus

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

Organic profit growth % (constant currency)

7% Performance

>5% Target



*Before restatement

KPI definition

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

Comment

Organic profit growth at constant currency exceeded our minimum target. Growth of 7.2% included strong performances in Process Safety, Infrastructure Safety and Medical sectors.

2016 target

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

Remuneration linkage

Growth in organic profit is a key element of the economic value added performance which forms the basis of the annual bonus plan, requiring consistent annual and longer-term growth, rewarding disciplined financial performance. The use of EVA clearly reinforces the Group's strategic objective to double Group profit every five years.

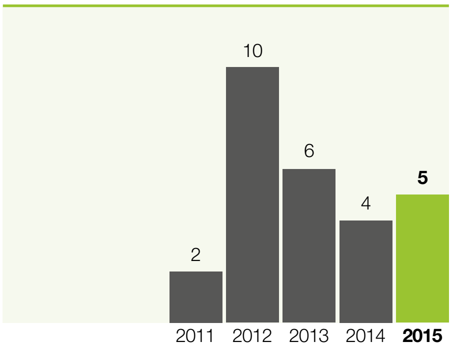
Also see

- Chief Executive's Strategic Review P06
- Financial Review P48
- Principal Risks and Uncertainties P28
- Note 3 to the Accounts P116

Acquisition profit growth %

5% Performance

>5% Target



KPI definition

Acquisition profit growth measures the annualised contribution to the Group's operations derived from acquisitions made in the year, measured at the date of acquisition.

Comment

Annualised acquisition profit growth met our target of 5% for the year. We have substantial financial capacity and bank facilities to finance more value-enhancing acquisitions.

2016 target

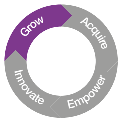
2016 began with one acquisition in the first quarter, financed through our existing debt facilities. Acquisitions must meet our demanding criteria and we continue to have a strong pipeline of opportunities to meet our 5% growth target.

Remuneration linkage

Growth in acquired profit is the second key element of the economic value added performance which forms the basis of the annual bonus plan, requiring consistent annual and longer-term growth, rewarding disciplined financial performance.

Also see

- Chief Executive's Strategic Review P06
- Financial Review P48
- Principal Risks and Uncertainties P28
- Note 3 to the Accounts P116



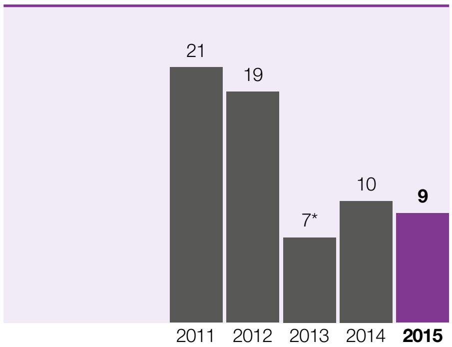
Strategic focus

The measure of how successful we are in growing our business organically and by acquisition coupled with strong financial disciplines, including those related to tax and capital allocation, is captured in the Group's adjusted earnings per share.

EPS growth % (adjusted earnings per share)

9% Performance

>10% Target



*Before restatement

KPI definition

Adjusted earnings are calculated as earnings from continuing operations excluding the amortisation of acquired intangible assets; acquisition items; profit or loss on disposal of operations; the effects of closure to future benefit accrual of the defined benefit pension plans net of associated costs (2014 only); and associated tax thereon.

Comment

Performance was just below target and would have exceeded it if the impact of currency translation and disposals had been excluded.

2016 target

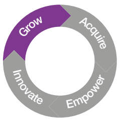
We aim for the combination of organic and acquisition growth to exceed 10% per annum over the long term. The Directors consider that adjusted earnings represent a more consistent measure of underlying performance.

Remuneration linkage

EPS provides a clear link to the aims of the business growth strategy. It is a key financial driver for our business and provides a clear line of sight for our executives. EPS is 50% of the performance condition attaching to the new Executive Share Plan.

Also see

- Note 2 to the Accounts P115



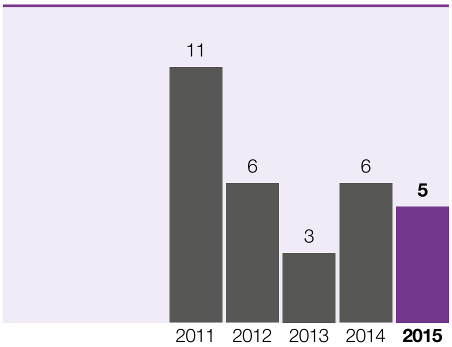
Strategic focus

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

Organic revenue growth % (constant currency)

5% Performance

>5% Target



KPI definition

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

Comment

Organic growth at constant currency in revenue met our minimum target with growth in all sectors and all geographic regions.

2016 target

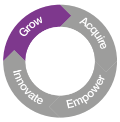
The Board has established a long-term minimum organic growth target of 5% p.a., slightly above the blended long-term average growth rate of our markets.

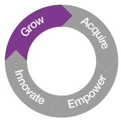
Remuneration linkage

Organic growth in revenue contributes to the economic value added performance which forms the basis of the annual bonus plan, requiring consistent annual and longer-term growth, rewarding disciplined financial performance.

Also see

– Chief Executive's Strategic Review P06
– Financial Review P48
– Principal Risks and Uncertainties P28
– Note 3 to the Accounts P116





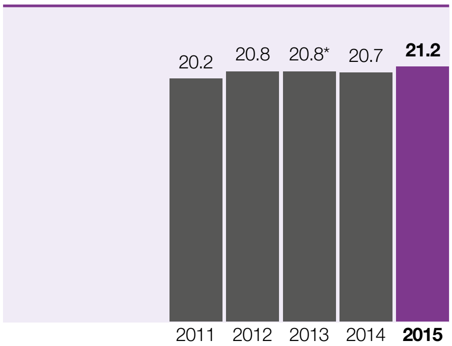
Strategic focus

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

Return on Sales %

21.2% Performance

>18% Target



*After restatement

KPI definition

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

Comment

Return on Sales was well above target and increased over the prior year. Process Safety, Infrastructure Safety and Medical sectors all achieved increased Return on Sales this year. Environmental & Analysis increased profitability in the second half of the year.

2016 target

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

Remuneration linkage

Return on Sales is a measure of the value our customers place on our products and of our operational efficiency. High profitability supports the generation of high economic value.

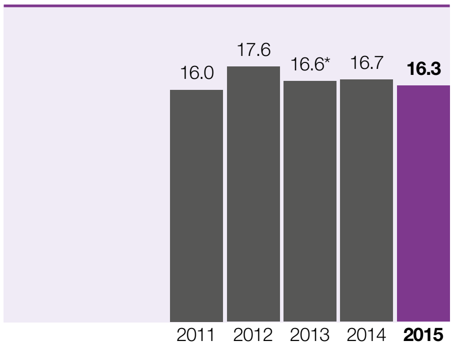
Also see

– Chief Executive's Strategic Review P06
– Financial Review P48

ROTIC % (Return on Total Invested Capital)

16.3% Performance

>12% Target



* After restatement. In addition, ROTIC in all prior years has been restated using average Total Invested Capital.

KPI definition

ROTIC is defined as the post-tax return from continuing operations before amortisation of acquired intangible assets; acquisition items; profit or loss on disposal of operations; and the effects of closure to future benefit accrual of the defined benefit pension plans net of associated costs (2014 only) as a percentage of average shareholders' funds.

Comment

Performance was above target and in line with the prior year. Consistently high returns are in excess of our long-term Weighted Average Cost of Capital (WACC) of 7.6% (2014: 7.5%).

2016 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 to ensure a good balance between growth and returns.

Remuneration linkage

ROTIC performance, averaged over three financial years, is 50% of the performance condition attaching to the Company's Performance Share Plan and the new Executive Share Plan.

Also see

– Chief Executive's Strategic Review P06
– Financial Review P48
– Note 3 to the Accounts P116

Key Performance Indicators – KPIs continued

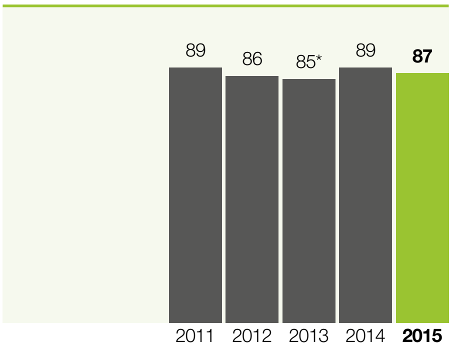
Strategic focus

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

Cash generation

87%
Performance

>85%
Target



*After restatement

KPI definition

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

Comment

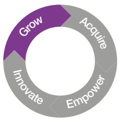
Cash generation of 87% (2014: 89%) was in excess of the 85% target in the current year with strong cash performances across the Group.

2016 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 ensure that strong internal cash flow and availability of external funding underpin our strategic goals of organic growth, acquisitions and progressive dividends.

Also see

– Chief Executive's Strategic Review P06
– Financial Review P48
– Note 3 to the Accounts P116



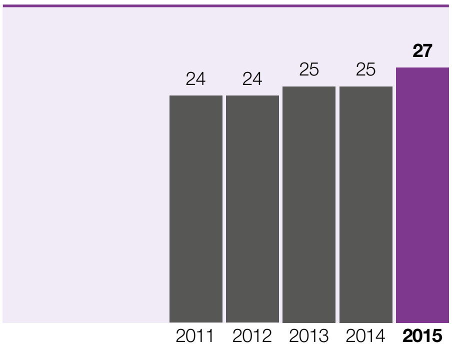
Strategic focus

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

International expansion

27%
Performance

30%
Target by 2015



KPI definition

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

Comment

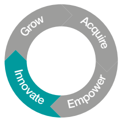
Revenue outside the UK, USA and Mainland Europe increased to 27% of the Group total (2014: 25%) but remained below the KPI target. Good progress has been made in the past five years against the background of our strong growth in developed markets. There was good growth in Asia Pacific and very strong growth in Africa, Near and Middle East and in 'Other Countries', in particular, in South America.

2016 target

The target we set in 2010 reinforced the importance of emerging markets and led to Halma corporate hubs in China, India and Brazil, all assisting companies in setting up local operations. In future reports we plan to replace this metric with a KPI expressed in terms of absolute international revenue growth.

Also see

– Chief Executive's Strategic Review P06
– Financial Review P48
– Note 1 to the Accounts P112



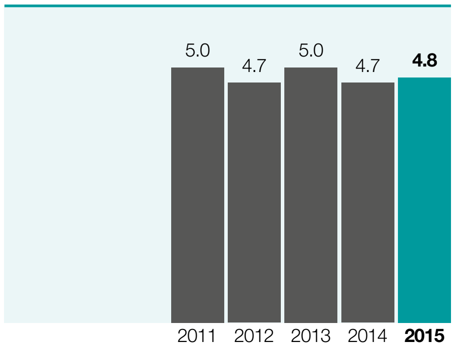
Strategic focus

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.

Research and development

4.8%
Performance

>4%
Target



KPI definition

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

Comment

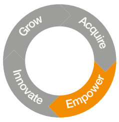
Total spend in the year increased by 8% to £34.6m (2014: £32.1m) exceeding the 4% of revenue target. Process Safety, Infrastructure Safety and Medical sectors all increased R&D expenditure. We have a good pipeline of new products which should benefit 2015/16 and beyond.

2016 target

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

Also see

– Chief Executive's Strategic Review P06



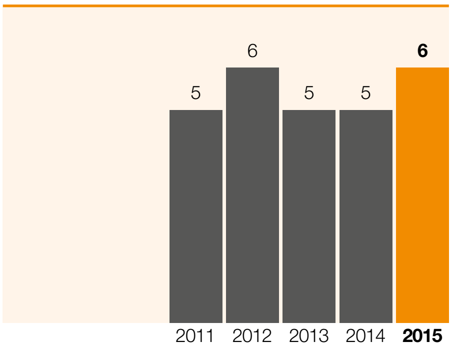
Strategic focus

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

Values alignment (out of 10)

6
Performance

≥5
Target



KPI definition

The survey of Group employees looks for matching values in a comparison of the 10 current culture values receiving the highest number of votes with the equivalent 10 values employees want to see in their working culture.

Comment

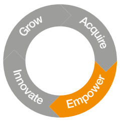
The results indicate an improving alignment of six, exceeding the target of five or more matching values. This is an excellent result reflecting well on the structural changes made at the beginning of the financial year. Numbers of participants in the survey have increased by one third since last year.

2016 target

The minimum target of five matching values remains relevant; the goal for 2016 will be to continue to improve the Group's communication of its values and to maintain the high rate of employee participation in such surveys.

Also see

– Chief Executive's Strategic Review P06
– Corporate Responsibility P42



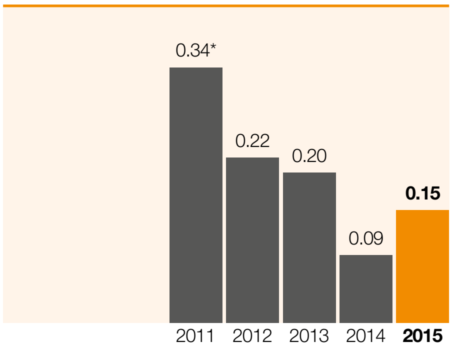
Strategic focus

Halma has an excellent health and safety record, with no work-related fatalities in 2014/15 or in prior years. Safety is critical and a major priority for the Group. Halma collects details of its worldwide reported health and safety incidents and encourages all Group companies to seek continuous improvement in their health and safety records and culture.

Health & Safety (Accident Frequency Rate)

0.15
Performance

<0.09
Target



KPI definition

The year-to-date Accident Frequency Rate (AFR) is the total number of reportable** incidents in the period divided by the number of hours worked in that period by employees (including temporary staff and any overtime) multiplied by 100,000 hours (representing the estimated number of working hours in an employee's work lifetime). The AFR figure represents an indication of how many incidents an employee will have in his/her working life.

Comment

The H&S AFR performance this year was 0.15 (2014: 0.09) which reversed the position achieved last year. We have reviewed the incidents contributing to this increase and there are no specific underlying patterns which cause concern.

2016 target

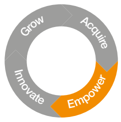
The target is maintained at 0.09 to match the health and safety performance which was achieved in 2013/14, with a view to ultimately setting a reportable incident target rate of zero.

Also see

– Corporate Responsibility P42

* 2011 AFR figures are estimated due to reporting changes in 2010/11.

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



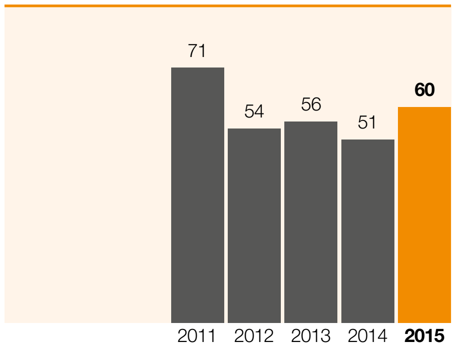
Strategic focus

The Halma Executive Development Programme (HEDP), the Halma Management Development Programme (HMDP) 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 (management development)

60%
Performance

>50%
Target



KPI definition

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

Comment

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

2016 target

The introduction of the Halma Graduate Development Programme in 2012 with its fourth intake later in 2015 is an important expansion of the Group's development programmes and is targeted to bring further new talent into the Group.

Also see

– Chief Executive's Strategic Review P06
– Corporate Responsibility P42

Risk Management and Internal Controls

Internal control

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

During the year, actions to strengthen the control environment continue to be taken centrally by Group management, not least with the sector structure providing additional, dedicated personnel who supplement and reinforce our controls and the culture in which we operate. 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 three years ago and our internal financial review procedures have been refreshed. We strengthened the resources dedicated to identifying and investigating potential acquisitions and the policies to ensure a rapid and successful integration following acquisition. The scope of the Group's policies and the programme of compliance audits are regularly reviewed to ensure they are sufficient to address current risks. The Group placed additional emphasis on updating our business continuity plans over recent years ensuring that they are mutually complementary to our insurance programme.

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

The internal audit function has operated independently since 2004, reporting to the Audit Committee. In 2008/09, a dedicated Internal Audit manager was added to support the function and during 2010/11 an internal auditor based in China was recruited. A further review of resources occurred more recently resulting in the appointment of a US-based internal auditor. Internal audit procedures are routinely benchmarked and evolve to reflect changing circumstances and specific requirements and to enhance effectiveness.

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

Steps are being taken to embed internal control and risk management further into the operations of the business and to deal with areas of improvement which come to management's and the Board's attention.

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

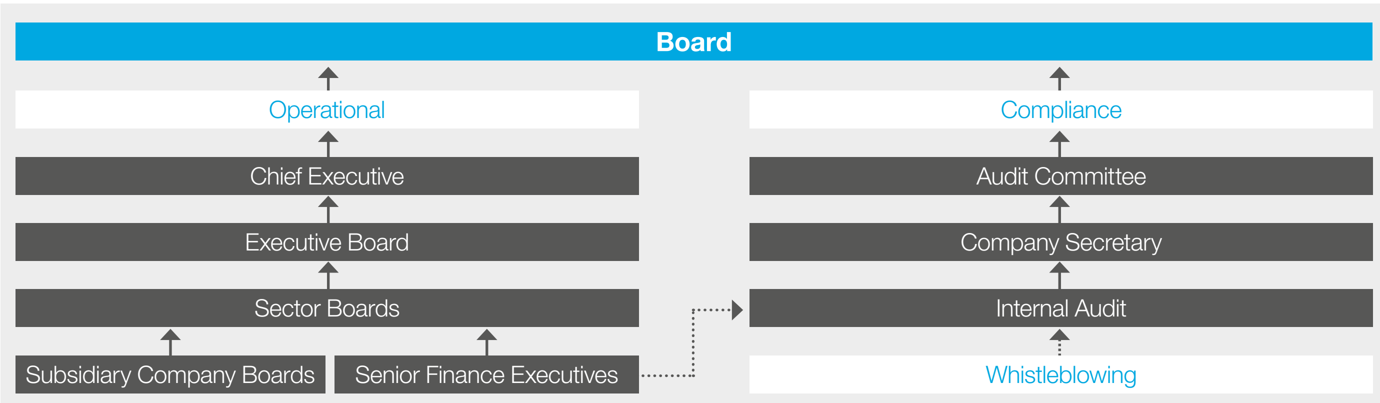
Group internal control system

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

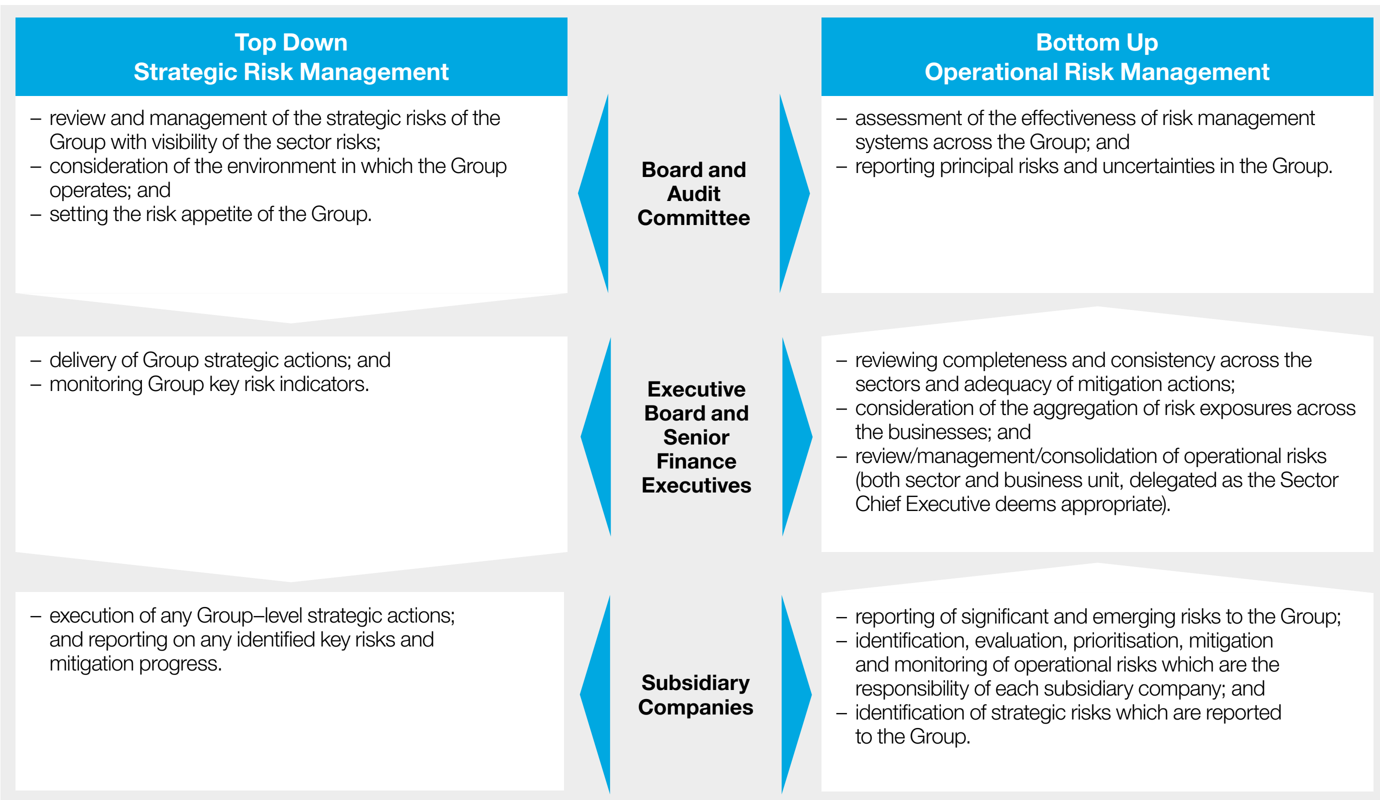
- operating companies, with the oversight of their sector boards, carry out a detailed risk assessment each year and identify mitigating actions in place or proposed for each significant risk. A risk register is compiled from this information, against which operational risk action is monitored through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

- 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 is also maintained within the financial reporting system, all of which is reviewed at both local, sector 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 and sector management of compliance and control issues with additional verification performed centrally;
- a robust structure for electronic communication and conducting e-commerce to ensure that the Group is not adversely impacted by threats to its information technology infrastructure and to minimise potential for business disruptions. The Group has a wide range of measures and policies and a framework in place which includes a virtual private network covering over 100 sites worldwide, secure firewalls, an IT security and threat monitoring system, information management audits, disaster recovery and a mobile devices management system; and
- an acquisitions and disposals framework which governs the due diligence, negotiation, approval and integration processes to ensure that value-enhancing, quality investments are made in order to meet our strategic objectives.

Group risk management

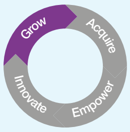
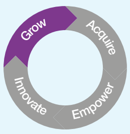


The diagram below summarises our complementary integrated approach to risk management which is consistent with the Group's structure. Halma has also refined the timings of the Group-wide risk assessment as well as the division of responsibility for the risk review cycle throughout the year.



Principal Risks and Uncertainties

Halma's principal risks and uncertainties are detailed below and are supported by the robust risk management and internal control systems and procedures noted on pages 26 and 27.

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

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

▲ Increased risk

▶ No change to risk

▼ Decreased risk

Mitigation

- Control is exercised locally in accordance with the Group's policy of autonomous management. We seek to employ local high-quality experts.
- The increasing geographic diversity of operating personnel emphasises the importance the Group places on local knowledge and experience.
- The Group's acquisition model ensures retention of management and staff in acquired businesses, meaning that local expertise is retained.
- Sector Chief Executives ensure that overall Group strategy is fulfilled through ongoing review of the businesses. The right balance between autonomy and adherence to the overall objectives of the Group is a key function of the Sector Chief Executives, Sector Vice Presidents and Senior Finance Executives.
- Regular visits to the more remote operations and maintenance of key adviser relationships by senior management, finance staff and Internal Audit support local control.

- By empowering and resourcing innovation in local operations to respond to changing market needs, the potential adverse impact of downward price pressure and competition can be mitigated and growth maintained.
- We recognise the competitive threat coming from emerging economies and by operating within these economies, typically using local staff, we are better placed to make fast progress ourselves.
- The Group operates in specialised global niche markets offering high barriers-to-entry.

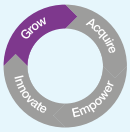
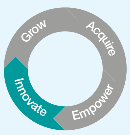
- Risks are primarily managed at the operating company level where local knowledge is situated. The financial strength and availability of pooled finances within the Group mitigates local risks faced by operating companies as does the robust credit management processes in place across the Group.
- The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

- The strong cash flow generated by the Group provides financial flexibility.
- Cash needs are monitored regularly. In addition to short-term overdraft facilities, the Group renewed and increased to £360m its five-year revolving credit facility in 2013/14 providing security of funding and sufficient headroom for its current needs.
- Cash deposits are monitored centrally and spread amongst a number of high credit-rated banks. Subsidiaries report their cash/indebtedness status to Head Office every week.

- The risk has increased because more of the Group's profits are derived from non-Sterling currencies. Currency profits are not hedged. Currency hedging must fit with the commercial needs of the business and we have in place a hedging strategy to manage Group exposures. This requires the hedging of a substantial proportion of expected future transactions up to 12 months (and in exceptional cases 24 months) ahead. Longer-term currency trends can only be covered through a wide geographic spread of operations.
- The Group does not use overly complex derivative financial instruments and no speculative treasury transactions are undertaken.
- We closely monitor performance against the financial covenants on our revolving credit facility and operate well within these covenants.

- There is regular dialogue with pension fund trustees and pension strategy is a regular Halma Board agenda item. The Group's strong cash flows and access to adequate borrowing facilities mean that the pensions risk can be adequately managed.
- The Group has maintained additional pension contributions with the overall objective of paying off the deficit in line with the Actuary's recommendations. We monitor and consider alternative means of reducing our pension risk in light of the best long-term interest of shareholders.
- Although the pension deficit increased in 2014/15, the UK Defined Benefit pension plans were closed to future accrual on 1 December 2014 reducing future risk.

Principal Risks and Uncertainties continued

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

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

▲ Increased risk

► No change to risk

▼ Decreased risk

Mitigation

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

- The sector restructuring in April 2014 freed up additional resource to dedicate to M&A activities. Such resources remain under constant review.
- We acquire businesses whose technology and markets we know well. Sector Chief Executives are responsible for finding and completing acquisitions in their business sectors, subject to Board approval, supported by central resources to search for opportunities. We employ detailed post-acquisition integration plans.
- Thorough due diligence is performed by a combination of in-house and external experts to ensure that a comprehensive appraisal of the commercial, legal and financial position of every target is obtained.
- Incentives are aligned to encourage acquisitions which are value-enhancing from day one.

- The Group's emphasis on excellent internal controls, high ethical standards, the deployment of high-quality management resources and the strong focus on quality control over products and processes in each operating business help to protect us from product failure, litigation and contractual issues.
- Each operating company has a health and safety manager responsible for compliance and our performance in this area is good. Health and Safety policies, guidance and monthly reporting requirements are updated to reflect changing reporting and governance requirements and to enhance compliance. Our well-established policies on bribery and corruption have been maintained during the year to ensure continued compliance with best practice internally, via the Group Code of Conduct and externally, via appropriate clauses included in third-party agreements.
- We carry comprehensive insurance against all standard categories of insurable risk. Contract review and approval processes mitigate exposure to contractual liability.
- The Group's whistleblowing policy and externally facilitated hotline assist the timely identification of potential problem areas.
- Continued investment in international markets may introduce additional risk while we develop the appropriate commercial infrastructure necessary to build a direct presence.

- Group development programmes enhance the skills of executives and middle managers needed in their current and future roles.
- Comprehensive recruitment and ongoing evaluation processes assist high-quality hiring and development.
- The Group regularly surveys staff to assess the alignment of individuals with Group values.
- The appointment of a Group Talent Director underpins our identification and development of Group executives.
- Additional focus on increasing the diversity of our employees worldwide to better meet our markets' needs and provide sufficient opportunities for advancement as well as clear succession planning.
- Considerable time spent assessing our senior management talent and establishing better processes to improve our talent pipeline has advanced our succession planning and talent quality.

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

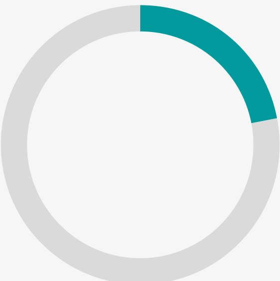
Sector Review
Process Safety

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

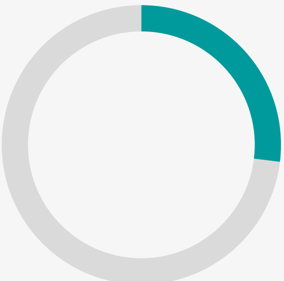
Philippe Felten
Sector Chief Executive, Process Safety

Record sales and profits were achieved in our Process Safety sector despite volatile market conditions resulting from the slide in global oil prices. We increased our global footprint with additional regional offices and sector-specific hubs to support collaboration and cooperation. Product development spend increased on the prior year to a new record level as we expanded our product portfolio to meet our twin aims of market and geographic diversification. The acquisition of RCS expanded our range of products and it has continued to perform well. Trading in the business met pre-acquisition targets.

Revenue % of Group
22%



Profit % of Group
27%



Performance

KPIs		Group target
Revenue growth[1]	**25.0%**	
Organic revenue growth[1] (constant currency)	**9.1%**	>5%
Profit growth[1]	**28.4%**	
Organic profit growth[1] (constant currency)	**14.0%**	>5%
Return on Sales[2]	**28.3%**	>18%
R&D % of Revenue[3]	**3.4%**	>4%

Contribution to Group

£m	2015	2014	2013	2012	2011
Revenue	**159**	127	126	122	103
Profit	**45**	35	32	29	24

1 Sector revenue and adjusted[4] sector profit before finance expense are compared to the equivalent prior year figures.
2 Return on Sales is defined as adjusted[4] sector profit before finance expense and taxation expressed as a percentage of sector revenue.
3 Sector research and development expenditure expressed as a percentage of sector revenue.
4 Adjusted to remove the amortisation of acquired intangible assets and acquisition items (see Note 1 to the Accounts).

Market trends and growth drivers

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

- population growth resulting in rising energy demand
- increasing and more stringent global health, safety and environmental regulations and legislation
- increasing development, complexity and geographic spread of energy resources and their safety requirements

The global process safety market is forecast to continue to grow. A key driver is aftermarket demand for replacement and upgrading of older safety systems to meet updated safety standards. Our commitment to developing new products designed to meet new standards assists our customers in maintaining compliance while minimising downtime and degradation of assets.

Due to the significant oil price fluctuation in the past year, many of the major players in the international oil market are facing exceptional short-term uncertainty. However, new energy industry projects have long lead times; despite the current global economic conditions, the world's population continues to grow and demand for energy will continue to rise.

Global oil production continues to exceed demand, but demand is forecast to continue to grow during 2015. The major oil producers are indicating varying levels of capital expenditure reduction in new oil exploration activity. The impact on mid and downstream activity is less severe and there are significant regional variations regarding the extent of proposed cut backs. With the majority of our sales in the mid and downstream sectors, the underpin of increasing safety awareness and our strong regional presence in the USA, Middle East and Asia, we expect to maintain growth.

We are committed to developing products and technology platforms which improve the safety and reliability of industrial operations. Investment in new oil and gas extraction techniques and the delivery of conventional, unconventional and renewable energy resources has continued to support our sales growth. Throughout the world governments continue to impose stricter regulations to protect people and the environment from avoidable process system failures. We support regulatory development in our markets by having our staff on advisory bodies responsible for recommending legislative change.

1 See Note 1 to the Accounts.

Geographic trends

Underlying global growth in demand for energy, food, chemicals, water and metals continues to increase despite some regional variations due to macro-economic issues. The USA and Asia remain buoyant. The European market has returned to growth and the emerging market of South America has been a key contributor to our success in the last year. Economic factors have reduced demand in India and Australia and we anticipate that a return to growth in these areas will be a slow process.

While new offshore fields have been identified in North and South America, and Africa, the current oil price cycle is delaying their exploitation.

Governments worldwide are increasing programmes to eliminate bribery and corruption from process safety contracting. We adhere to strict Group and government guidelines to avoid projects we believe are subject to these unwanted practices.

Strategy

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

– geographic market diversification via shared regional hubs
– investment in new products to both diversify our markets and meet local market needs
– acquisitions in adjacent markets

Our investment in new product development has increased again to a new record resulting in sales of products designed in the last three years maintaining a level of over 30% of total sales. New technology and shorter product lifecycles, coupled with industry-leading quality and customer service, ensures that we maintain competitive advantage and improve customer value propositions. This results in sales growth ahead of market growth.

The global footprint of our Process Safety companies continues to expand; we now have 22 manufacturing sites across five continents. Regional sales and service centres have risen from 22 to 35 and we opened a new sector hub in Houston, USA during 2014 adding to our existing sector hubs in Brazil, UAE and Poland. We continue to decentralise marketing resources into these facilities to ensure that we rapidly identify local market opportunities and customer needs. Developing internal collaboration and alliances within the sector supports growth and we continue technology partnerships with external companies where they will help us meet our strategic product goals.

The acquisition of RCS, in the adjacent market of pipeline corrosion monitoring, expands our portfolio of critical safety products sold into the energy and utility markets to protect life and operational assets.

Performance

Process Safety grew sales by 25% to £159m (2014: £127m) and profit[1] by 28% to £45m (2014: £35m). As a consequence of strong product margins and good operational management, return on sales increased to 28.3% (2014: 27.5%). New product introductions contributed to both margin expansion and revenue growth through diversification into new application niches.

We achieved strong revenue growth in the USA, which was mostly organic, and in Asia Pacific, Middle East and South America mainly due to the contribution from the RCS acquisition. The UK increased only marginally as a result of reduced North Sea investment.

Two sector companies relocated to new factories during 2014/15 and an additional two undertook significant facility expansion, all without disruption to supply performance. These investments ensured that we maintained the quality and service expected by our customers.

Outlook

The long-term growth prospects in the Process Safety sector remain positive as we continue geographic and product expansion. Our progress in the food, pharmaceutical and chemical process markets will continue to allows us to counter a short-term slowdown in the oil and gas market. In the medium term these markets will continue to be a major contributor to our ongoing success. Specialist markets in railway infrastructure and logistics are expanding in line with our previous plans.

We continue to search for acquisitions, particularly in non-intrusive corrosion monitoring, hazardous area maintenance and machinery safe access control.

Sector Review
Infrastructure Safety

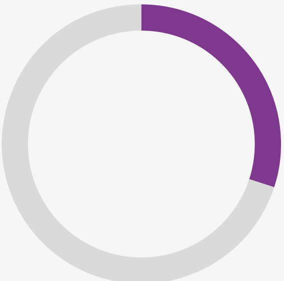
Products which detect hazards to protect assets and people in public spaces and commercial buildings. Fire and smoke detectors, fire detection systems, security sensors and audible/visual warning devices. Sensors used on automatic doors and elevators in buildings and transportation.

Nigel Trodd
Sector Chief Executive, Infrastructure Safety

The Infrastructure Safety sector delivered strong revenue and profit growth in 2014/15. We achieved good results in both recently acquired and established businesses. Advanced Electronics was acquired in May 2014 to broaden our fire product portfolio and further strengthen Halma's position in the global fire systems market.

Revenue % of Group
32%

Profit % of Group
30%



Performance

KPIs		Group target
Revenue growth[1]	**6.3%**	
Organic revenue growth[1] (constant currency)	**5.1%**	>5%
Profit growth[1]	**12.5%**	
Organic profit growth[1] (constant currency)	**12.3%**	>5%
Return on Sales[2]	**21.4%**	>18%
R&D % of Revenue[3]	**5.2%**	>4%

Contribution to Group

£m	2015	2014	2013[5]	2012	2011
Revenue	**234**	220	205	204	197
Profit	**50**	44	42	39	39

1. Sector revenue and adjusted[4] sector profit before finance expense are compared to the equivalent prior year figures.
2. Return on Sales is defined as adjusted[4] sector profit before finance expense and taxation expressed as a percentage of sector revenue.
3. Sector research and development expenditure expressed as a percentage of sector revenue.
4. Adjusted to remove the amortisation of acquired intangible assets, acquisition items and the effects of closure to future benefit accrual of the Defined Benefit pension plan (net of associated costs) (see Note 1 to the Accounts).
5. Profit restated for the effects of adopting IAS 19 (revised) in 2013/14 (see Accounting Policies note).

Market trends and growth drivers

Increasing health and safety regulation remains the primary driver in our Infrastructure Safety sector. Rising infrastructure investment is also driven by:

- population ageing, rising safety awareness, continuing global trend of urbanisation and population growth
- rising demand in emerging markets where existing infrastructure requires modernisation and rapid economic growth requires high infrastructure investment
- growing need for 'connectivity' with rising demand for wireless technologies alongside automation in 'smart' buildings

Governments throughout the world continue to implement increasingly stringent health and safety regulations. In mature markets, safety standards are constantly updated and compliance becomes increasingly demanding for our customers. New European fire regulations, for example, require fire detection devices to be totally compatible with all other components of a fire alarm system. This ensures maximum protection from fire risk in modern buildings while minimising disruption from false alarms. Developing markets increasingly adopt and enforce globally-recognised safety standards which protect assets and eliminate hazards to people in domestic, public and industrial environments.

Increasing urbanisation, especially in Asia, drives demand for high-rise properties with elevators. Strengthened health and safety legislation in Europe requires elevators to be upgraded with emergency communication devices.

[1] See Note 1 to the Accounts.

The global elevator market is forecast to continue to grow with the principal growth in Asia, where, as well as ongoing infrastructure development, we see increasing elevator density due to use in low and mid-rise buildings. This trend is partly due to population ageing and demand for higher living standards. With a 2013 global installed elevator base of 12m units, tight regulation of elevator maintenance further stimulates demand for our elevator safety products.

The world market for pedestrian automatic door controls is driven by regulation; safety standards continue to evolve in all regions. Introduced in 2013, the first pan-European safety regulations that protect users of power-operated pedestrian doors from hazards have reached mature implementation in Western Europe. Implementation is still underway in the rest of Europe.

Demand for safety sensors in the industrial door market is growing, for both door activation and safeguarding the area around a door to prevent crushing injuries. New European standards are due in 2015/16. In the Americas we have seen increasing use of high performance industrial security doors for parking and automotive markets as well as for mining and heavy industrial applications.

The trend of convergence of building automation and information technology in smart buildings drives growth of our wireless communications intrusion detection security products. Product certifications remain important for intrusion detection systems in Europe, particularly those with police-response remote monitoring.

Geographic trends

The global fire protection systems market is forecast to grow with Asia leading the way driven by urbanisation and increasing safety requirements. In the USA residential fire protection is increasingly based on wireless detectors as home automation and security systems including smoke detection grow in popularity.

The global elevator market is growing strongly and is forecast to continue to rise by about 7% per year at least until 2017. China remains the principal growth market for elevator products. Of the 2013 elevator global market estimate of €54bn, China accounted for 26% of the sales value, and 67% of the new elevator installations. Asia as a whole accounts for 78% of new installations. India is forecast to become the next big elevator and escalator growth market and increasing urbanisation could see new installations rise to 100,000 units per year by 2018. Elevator installations in Europe and the Americas remained flat, though mild growth in construction starts are expected in the next couple of years. Our focus in these territories remains in elevator upgrades and maintenance.

Our automatic door control products continued to penetrate more geographic markets in Eastern and Northern Europe, South America, Canada, Australia, Japan, India and the Middle East.

Despite a growing focus on safety in China, implementation of safety regulations for automatic pedestrian doors is slow. In the transportation door controls niche, we saw rising safety awareness (not regulation), especially in the subway train Platform Screen Doors market. Japan is considering adopting the latest European automatic door safety regulations as national industry standards by 2017. This could open a considerable new door safety control market.

We achieved strong sales growth of intrusion detection products outside our traditional UK and Western European markets, with good progress in South Africa, the Middle East and China. We significantly improved UK market share in 2014/15.

Strategy

New market penetration is a primary growth strategy in the Infrastructure Safety sector, particularly in high infrastructure investment territories such as Russia and Eastern Europe, ASEAN nations and Brazil.

In our fire products sub-sector, we continue a strategy of growth through international expansion, new products, new detection technologies and acquisitions. In 2014/15 we strengthened our fire sales presence in both India and China and we will open an ASEAN sales office in Singapore in 2015. We have changed strategy in China to focus on premium fire products.

Over 70% of our elevator product sales are door safety light curtain detectors but increasing competition is putting pressure on margins. We will continue to develop premium products for upgrade and refurbishment alongside economy ranges for the new installation market. The global market for in-car elevator telephones is estimated to be the same size as the light curtain market; the in-car display market is at least twice the size. To deliver long-term growth, we will invest in development of our telephone and display business. Elevator emergency telephone and display markets are fragmented and present an opportunity for consolidation, potentially via acquisition.

Our strategy for automatic door sensor growth focuses on expanding outside our established pedestrian and industrial door sectors into new applications such as detecting and counting flows of people and vehicles.

In Western Europe, we anticipate increasing adoption of smart security and building automation systems. During 2014/15 we increased investment in European sales resources for intrusion detection alarm systems on the back of new product approvals.

Performance

Revenue growth of 6% was in line with expectations while sector profit[1] growth was 6% higher than revenue growth as reported and 7% ahead at constant currency. We continue to exceed Group targets on Return on Capital Employed and cash generation.

Return on Sales increased to 21.4%, due primarily to successful new product launches and an effective balance between investment and cost control to maintain strong margins.

Revenue in all major markets increased during the year, with 23% growth in the UK and 44% in Africa and the Middle East. In the USA, excluding the Monitor disposal, we achieved 5% growth and this should continue as home security OEMs source increasingly from Apollo America. Our strategy of increasing investment in locally based sales and technical resources continues to pay dividends.

The Advanced Electronics business, acquired in 2014, has strengthened our position to offer small fire systems in selected markets and has broadened our understanding of fire control panels globally. We will continue to leverage the synergies we have experienced with the Advanced teams on board.

We sold Monitor Elevator Products, a New York-based manufacturer of elevator control panels to another industry player, Innovation Industries, in May 2014. Monitor did not have the international growth potential we believed was necessary to maintain growth and high returns in the medium term.

We continued the integration and reorganisation of our four elevator companies into a single business unit. New in-elevator emergency telephone products and in-car displays extended penetration of these niche markets. Trading in the elevator door sensor market has been challenging, with increasing competition from Asian light curtain manufacturers. Despite this, we maintained high elevator business Return on Sales by focusing on higher margin telephone and display products.

In the past year we strengthened our global leadership of the pedestrian and industrial high speed door sensors markets and increased market share in public transportation and security.

Outlook

Continued growth is anticipated due to rising demand driven by the demographic trends of population ageing and urbanisation, increasing regulatory pressure, technology advances and localised manufacture.

We expect to see revenue growth remaining ahead of market growth rates in most of our niches. This will be driven by geographic and market expansion, the launch of new products into established channels and by acquisition. Developing economies are an exciting market for all Infrastructure Safety businesses as buildings and homes become increasingly more complex and sophisticated.

The acquisition pipeline for the sector is very promising and we aim to add complementary businesses during the coming years.

Sector Review
Medical

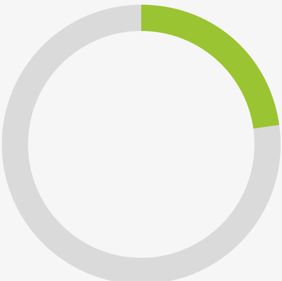
Products used to improve personal and public health. Devices used to assess eye health, assist with eye surgery and primary care applications. Fluidic components such as pumps, probes, valves and connectors used by medical diagnostic OEMs.

Adam Meyers
Sector Chief Executive, Medical

The Medical sector again delivered record revenue and profit with strong contributions both from recent acquisitions and long-established businesses. Profit performance was very strong and constant currency revenue growth was above Group target. Returns remain high and continue well above Group targets. The Medical sector set a new Return on Sales record and cash generation remained strong.

Continued investment in innovative technology and products is increasing the proportion of sector revenue from products launched in the last three years. Our Medical business acquisition pipeline is robust and we continue to focus on acquiring in this sector. In May 2015 we acquired VAS LLC which will operate within Diba Industries and brings in important new component technology.

Revenue % of Group
23%



Profit % of Group
27%

Performance

KPIs		Group target
Revenue growth[1]	**3.8%**	
Organic revenue growth[1] (constant currency)	**5.9%**	>5%
Profit growth[1]	**8.5%**	
Organic profit growth[1] (constant currency)	**9.6%**	>5%
Return on Sales[2]	**26.8%**	>18%
R&D % of Revenue[3]	**4.0%**	>4%

Contribution to Group

£m	2015	2014	2013	2012	2011
Revenue	**169**	163	136	100	82
Profit	**45**	42	36	26	20

1 Sector revenue and adjusted[4] sector profit before finance expense are compared to the equivalent prior year figures.

2 Return on Sales is defined as adjusted[4] sector profit before finance expense and taxation expressed as a percentage of sector revenue.

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

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

Market trends and growth drivers

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

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

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

For example, one in three American adults has high blood pressure which causes, or leads to, over 2.4 million American deaths annually. Rising obesity increases both hypertension-related illness and diabetes-related eye disorders. In China, people suffering from hypertension increased by 34% between 2002 and 2010, but less than 20% of those affected were controlling their condition. We expect continued growth in spending on hypertension management instruments.

1 See Note 1 to the Accounts.

The global growth rate for medical devices is expected to be 4% to 5% in the near term with developing economies offering slightly stronger growth. Within the overall medical market, cataract operations, one of the most frequent surgical procedures throughout the world and a strong focus of our ophthalmic surgery companies, are growing annually at about 5%. Eye surgeons continue to switch to the type of single-use instruments we make so our growth rate should continue to outpace the procedure growth rate.

Increasing healthcare access and ageing populations are also strong drivers in the laboratory automation market, where demand is forecast to rise annually by 6% through 2017, underpinning demand for our critical fluidic components. Ageing populations require higher level medical testing and laboratories need faster throughput and more specialised equipment. North America and Europe are the largest laboratory automation markets while growth in Asia is expected to outpace all other geographies, with forecast annual growth of over 8%. One of the fastest growing laboratory automation segments is molecular diagnostics (tests on patients' genetic codes), forecast to grow worldwide by 11% annually through 2019.

The global medical product regulatory environment continues to get tougher – higher registration costs, increasing testing and more audits. We continue to invest in personnel to address these market pressures including hiring local regulatory affairs staff in key territories. Increasingly complex medical device registration requirements, combined with current macro-economic conditions, places significantly more value on Halma's well-established Medical sector channels and market access. Each year we add staff in our Asian and South American healthcare markets, particularly in China, India, Brazil and the Middle East.

Geographic trends

Continued expansion of the global medical device market provides opportunity for sustained revenue growth but we also are prepared for market variation due to local economic conditions, government spending programmes and currency fluctuations.

US healthcare spending is forecast to continue to grow above 4% for the next few years. Over 16 million Americans have gained health insurance since the Affordable Care Act became law in 2010. This has begun to raise patient flows but has yet to drive increased market revenue, so the US market is uncertain. The market for single-use surgical devices in America is set to continue to grow, but capital equipment sales may grow more slowly until increased patient flow raises medical revenues or economic growth accelerates.

The US healthcare market was stronger than anticipated in the past year and may continue to compensate for a weaker European market. Recent Euro exchange weakness should aid US market penetration for our European businesses, but our US and Swiss businesses will face higher price pressure when selling into Europe.

The major European economies should see medical device demand grow between 2% and 6% over the next few years. However, stagnant economies and continued austerity measures are expected to challenge sales growth elsewhere in Europe. Our non-Euro Zone companies expect increased price pressure due to exchange rates.

While growth in Asia, and in particular China, may be slowing, these markets are still expected to grow faster than other regions. Our Chinese investment continues with more product registrations, more R&D engineers and development of localised products.

About 400,000 Chinese people become blind from cataracts each year but China has the lowest cataract surgery rate in Asia. China will see increasing rates of cataract surgery as access is improved, particularly in rural areas, and as more surgeons are trained to perform this surgery.

A third of China's adult population, about 330 million people, have high blood pressure with prevalence increasing particularly among the young and rural populations. Raised awareness and programmes to combat hypertension will increase demand for our diagnostic devices.

Other territories, such as South and Latin America, the Middle East and Africa are forecast to grow annually by 7% to 8% for the next few years. Medical sector companies are increasing sales and marketing collaboration here and in particular we are increasing the use of our Brazil Sector hub.

Strategy

Medical sector strategy is to increase growth organically and via acquisition by:

- increasing collaboration and shared resources to drive expansion and joint product development
- increasing R&D investment to broaden product lines and commercialise innovative new products
- further geographic penetration
- improving talent and increasing diversity
- expansion into adjacent market niches

Our Medical sector companies are increasing collaboration as they have multi-company sales and marketing teams in China, India and the Middle East and are looking to add parts of Europe and South America to the mix in 2015/16. As a result, a new collaboratively-developed product is scheduled for launch in our hypertension management niche and we have appointed a 'President of Ophthalmology, Greater China' to assist our Medical sector companies with growth in China.

R&D investment will rise to capitalise on our competitive advantage from strong sales channels in niche markets and excellent customer relationships. Medical sector R&D spend as a percentage of sales has historically been below the group target as recent acquisitions typically spent less on R&D than we did as a sector. This is being built up as we increase investment in our newer businesses and continue to pursue product development activities in our long standing businesses.

Medical sector R&D focuses on high quality components and instrumentation that will be readily accepted by our conservative customer base. However, local development and manufacture in emerging markets to satisfy local customer needs better is increasingly important and is a key strategic priority.

Acquisition of a small Swiss ophthalmic component producer in May 2014 secured important manufacturing IP and the purchase of VAS LLC in May 2015 adds important component technology. We still seek to acquire value-enhancing healthcare businesses within existing and adjacent niches and we have focused more resources on achieving this objective.

Performance

The Medical sector grew revenue by 4% to £169m (2014: £163m) and profit[1] by 9% to £45m (2014: £42m). This was virtually all organic as we only made one small acquisition in 2014/15. Organic revenue growth at constant currency was 6% and organic constant currency profit growth was 10%, both above Group targets.

Return on Sales improved to 26.8%, a new Medical sector record. Margin improvement is due to improved ratios at recent acquisitions, cost reductions and overhead control.

Currency translation had an adverse impact in 2014/15. If exchange rates remain at current levels we expect an opposite impact in 2015/16 due to reversal of the relative strength of the US Dollar and Swiss Franc against Sterling.

Outlook

Ageing populations in both developed and developing economies, increasing access and higher demand for healthcare in the developing world, and increasing prevalence of hypertension, diabetes and obesity globally, create a favourable environment of increasing demand for our high quality medical components and instrumentation.

We expect our Medical businesses to outperform the market in the medium term driven by enhanced distribution in export markets, new products and acquisitions.

We expect growth to vary across territories and market niches in developed markets due to currency volatility, government austerity and spending controls. We still see the strong short-term growth opportunities in developing markets, especially Asia and the Middle East with Latin and South America. We seek to acquire value-enhancing businesses in the healthcare market and our pipeline remains very active.

Sector Review
Environmental & Analysis

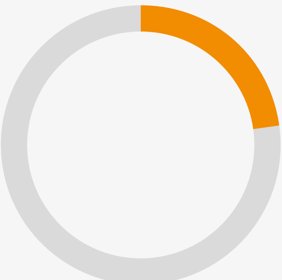
Products and technologies for analysis in safety, life sciences and environmental markets. Market-leading opto-electronic technology and gas conditioning products. Products to monitor water networks, UV technology for disinfecting water, and water quality testing products.

Chuck Dubois
Sector Chief Executive, Environmental & Analysis

This was a year of significant change for the Environmental & Analysis sector with several restructuring projects completed. Facilities were combined and businesses rationalised to focus on those areas of the market that are best poised for growth in the coming years. In addition, we established a stand-alone business in China to better pursue that geographic market. While the markets were stable or growing for the most part, we did have some headwind in the UK water market, as well as being impacted by some of the turmoil in the Middle East. We achieved strong growth in Asia.

With the restructuring largely behind us, as evidenced by the improvements in the second half of the year, we are in a strong position for growth in FY16.

Revenue % of Group
23%



Profit % of Group
16%

Performance

KPIs		Group target
Revenue growth[1]	**(1.3)%**	
Organic revenue growth[1] (constant currency)	**0.4%**	>5%
Profit growth[1]	**(13.7)%**	
Organic profit growth[1] (constant currency)	**(12.1)%**	>5%
Return on Sales[2]	**16.7%**	>18%
R&D % of Revenue[3]	**6.3%**	>4%

Contribution to Group

£m	2015	2014	2013	2012	2011
Revenue	**164**	167	152	154	136
Profit	**27**	32	30	32	26

1 Sector revenue and adjusted[4] sector profit before finance expense are compared to the equivalent prior year figures.

2 Return on Sales is defined as adjusted[4] sector profit before finance expense and taxation expressed as a percentage of sector revenue.

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

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

Market trends and growth drivers

Our products monitor and treat water, air and food. They enable the development and manufacture of new products that improve our health. We operate in sustained growth markets that are underpinned by four key drivers:

- rising demand for basic resources such as energy and water
- increasing environmental monitoring and regulation
- growing demand for healthcare
- scientific advances transferring into new industries

Today, 1.8 billion people drink faecally contaminated water and an even greater number drink water that is unsanitary. Approximately 3.5 million people die each year due to inadequate water supply, sanitation and hygiene.

According to the UN, by 2025 two thirds of the world's population could live under water stress conditions as demands are placed on water usage by agriculture, manufacturing, energy production and domestic usage. By 2050 global water withdrawals are expected to increase by 55%.

These trends and forecasts continue to drive regulation and enforcement. Some of the greatest improvements have been made in water quality and environmental monitoring in China and other developing countries. Here we see increasing demand for our pollution monitoring equipment and we have developed products to meet the specific needs of these markets.

There are also significant opportunities in new markets as our technologies developed for scientific applications are used in industrial settings for product improvement and quality control. Increasing demand for improved food safety has brought use of our spectroscopy products into food processing and even crop management.

1 See Note 1 to the Accounts.

The shipping industry is undergoing changes to its monitoring and treatment practices. Ship stack emissions monitoring has begun. Pollution and concerns over invasive species are key drivers behind the International Maritime Organization's (IMO) Ballast Water Management initiative.

Manufacture of new technologies, such as LED lighting, requires new levels of quality control, which can be met by our products. Our technology is also used to ensure the quality of pharmaceuticals, particularly as manufacturing is increasingly outsourced.

Advances in communication technologies which allow remote monitoring data collection are creating new markets for our sensors and data-loggers used to monitor water distribution networks.

Geographic trends

This sector sells into a significant number of market niches. While growth rates in the western economies are modest, our niche markets are expected to expand at rates between 4% and 7%. We see opportunities for US market growth and improved market share in the UK and Europe. In particular, the deregulation of the UK water market is beginning to provide new opportunities. We are putting resources in place to take advantage of opportunities in Europe for our products that support manufacturing.

China offers the greatest growth opportunity for our Environmental & Analysis businesses geographically. We continue to invest in China and now have over 80 employees there. We expect continued growth in the coming year as we take full advantage of our expanded R&D and production capabilities.

We have revamped some product lines that assist water quality testing by NGOs, particularly in Africa and South America, and we are seeing increased demand for these products.

Strategy

Our organic profit growth strategy centres on R&D investment in new product development, geographic expansion (with a strong focus on Asia) and diversification of existing technologies into adjacent and growing regulated markets.

R&D is focused on applications that have long-term drivers and defensible market positions. More new products are the result of collaboration between companies, and one company now has established development projects with six other companies in the sector.

An increasing number of our companies manufacture in China. Our Chinese markets continue to improve as regulations enacted in the past few years are increasingly enforced. China's advance into more technological manufacturing also benefits our quality and assurance products.

Our strategy within core geographies, such as the USA and Europe, is to grow by finding new applications for our existing technologies. For example, our spectrometers are being used on drones to monitor crop development, enabling farmers to optimise fertilisation and irrigation.

Performance

Revenue declined by 1% to £164m (2014: £167m) and profit[1] fell by 14% to £27m (2014: £32m). At constant currency, organic revenue was marginally positive and profit was down 12%. Return on Sales was 16.7% (2014: 19.1%).

The downturn was partly due to business restructuring. The cost of consolidation of our optical coatings businesses were roughly within budget (less than £1m), but ramp-up and customer qualifications took longer and were much more expensive than anticipated. We saw improvement in the second half of the year and, having further strengthened the management team, we have positioned this business for further progress in 2015/16.

The establishment of Ocean Optics Asia was an important step in our overall strategy, and met performance expectations. However, in our other spectroscopy businesses, some significant OEM customers had over-purchased in 2013, resulting in diminished orders this year. These customers are now back on track and should drive growth in the coming year.

We restructured our UV water treatment businesses and rationalised some product lines. Sensing products developed by this group have been moved to other group companies with greater market potential for these products.

Our water quality testing business continued to grow. Uptake of our products in emerging markets was brisk and should remain that way through the coming year. Overall, we enter 2015/16 with a much stronger and focused approach, and anticipate greater year-on-year growth.

Our gas conditioning businesses performed well due to the introduction of new products designed for emerging markets and continuing penetration of our existing markets. We expect these businesses to continue to grow based on these initiatives in the medium term.

Outlook

2015/16 should deliver solid growth as we capitalise on the business restructuring changes made over the last two years. The improved sector performance in the second half of 2014/15 bears this out. New products introduced towards the end of last year are having a positive impact and we expect to see markets with difficult trading conditions return to growth. These include the UK water utilities, which started a new five-year investment cycle in 2015. We expect this to have a positive impact on our water monitoring business in the second half of 2015/16 onwards.

Many new products have been launched in this sector in the last year. The proportion of sector revenue due to sales of products introduced in the last three years improved significantly in 2014/15 and we expect this to increase again in the coming year.

Sustaining growth by developing talent

Halma's innovative and entrepreneurial operating companies require that their people not only deliver what is required for success today, but can also scale with the pace of growth to deliver in the future. This is amidst an ever changing, increasingly global and complex environment. We are committed to attracting and developing highly talented individuals and promoting a culture in which they can thrive.

In the past year we have made great progress in defining our talent and leadership requirements for the future, understanding more deeply our capabilities and development needs and planning for how to close any gaps. Of particular note this year, we accelerated our efforts to foster a more diverse and inclusive culture.

Jennifer Ward
Group Talent Director

It is vital that we develop and grow our people's capabilities to match Halma's growth.

We are committed to identifying and developing the leaders that will ensure our success as our business continues to change and grow.

Corporate Responsibility

Commitment to Corporate Responsibility

Halma companies are involved in the manufacture of a wide range of products that protect and improve the quality of life for people worldwide. This report focuses on areas of progress and our performance for all areas of corporate responsibility which are considered to be material by our stakeholders and are also important to the success of our business. Halma has developed meaningful key performance indicators (KPIs) that reflect the importance the Group places on corporate responsibility and enable the Board to monitor the Group's progress in meeting its objectives and responsibilities in these areas. Further details are given on pages 25 and 43.

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

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

We recognise that our employees determine our success and therefore continue to invest in and encourage their development more and more each year, not only with a suite of Halma development programmes, but also through clear leadership and decisive action. By appointing our Group Talent Director last year, we are focusing on our teams and ensuring we have the approach and skills required to succeed so that the Group is better placed to meet the challenges of the future.

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

The Environment

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

Our products

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

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

Our impact

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

Environmental Management System (EMS)

We are committed to developing and implementing an EMS throughout the Group to measure, control and reduce our environmental impacts. We have developed performance indicators that assist local management in implementing the policy and ultimately developing an EMS. The requirement for an EMS and the related reporting has been rolled out to all UK business units, which represent approximately 37% 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 25% (2014: 18%) of the Group has ISO 14001 approval.

Group companies are also encouraged to improve energy efficiency, to reduce waste and emissions and reduce the use of materials in order to minimise their environmental impact.

The Group has identified its key environmental impacts as emissions to air and water, water and energy consumption, and waste production. We established baseline data for these impacts in 2004/05 and set targets for reductions against the baseline on a rolling three year cycle. We support innovation and investment that drives environmental performance. This is illustrated by the solar panel installations undertaken at our subsidiaries Apollo and Elfab. Apollo undertook a £250,000 solar panel installation in 2013/14 which has reduced their environmental impact, with an expected total saving of 3,000 tonnes of carbon over a 25-year period. In addition, Elfab have increased the amount of renewable energy generated on site with the introduction of a second solar panel installation and also have an active rain harvesting programme on site which is reducing consumption of mains water.

Carbon Footprint

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

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

From April 2010, we have worked with providers of energy efficiency and carbon reduction solutions to ensure compliance with the Carbon Reduction Commitment Energy Efficiency Scheme (CRC) which is the UK's mandatory energy saving scheme administered by the Environment Agency. We are in full compliance with the CRC requirements. All major UK sites have received an energy survey and set an action plan for improved energy usage. We are well positioned to comply with the new Energy Saving Opportunity Scheme (ESOS) regulations ahead of the December 2015 compliance deadline. The Group's environmental performance will continue to be reported both in the Annual Report and Accounts and on our website.

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

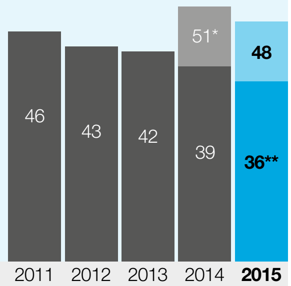
We have stepped up our activities internationally to comply with the new mandatory carbon reporting requirements which UK public listed companies are subject to under the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulation 2008 as amended in August 2013.

CO_2e emissions reduction

14% Performance
reduction over 2 years to 2015

>10% Target
reduction over 3 years to 2016

CO_2e emissions (tonnes/£m of revenue)



* Due to changes in Defra reporting guidance, the 2013/14 figure has been restated to include Well to Tank (WTT) emissions and Radiative Forcing on air travel. It is not required to restate years prior to 2013/14 due to the methodological changes.

** The 2014/15 figure has also been calculated on the same basis as prior years (excluding Well to Tank (WTT) emissions and Radiative Forcing on air travel) to allow for a direct comparison over the longer time scale.

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.

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

Greenhouse Gas Emissions (GHG) Reporting

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

GHG Emissions data for the period 29 March 2014 to 28 March 2015

	2014/15 CO_2e emission global tonnes	2013/14* CO_2e emission global tonnes
Scope 1: Combustion of fuel and operation of facilities	**4,348**	4,199
Scope 2: Electricity, heat, steam and cooling purchased for own use	**16,247**	15,960
Scope 3: Business air travel, WTT (Well to Tank)	**14,022**	14,567
Total gross emissions	**34,617**	34,726
Intensity measure of tonnes of CO_2e gross emissions per £m revenue	**47.7**	51.3

Note

* Due to changes in Defra reporting guidance, the 2013/14 figure has been restated to include Well to Tank (WTT) emissions and Radiative Forcing on air travel. It is not required to restate years prior to 2013/14 due to the methodological changes.

Corporate Responsibility continued

We have reported on all of the emission sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations for the reporting period 29 March 2014 to 28 March 2015.

We have employed the Operation Control definition to outline our carbon footprint boundary; included within that boundary are Scope 1 and 2 emissions from manufacturing sites and offices which we own and operate. Excluded from our footprint boundary are emissions from manufacturing sites and offices which we do not own and control, and emissions considered non-material by the business. We have reported on emissions from Scope 1 and 2 emissions sources with some Scope 3 emissions sources included (business air travel for all years, and Well to Tank emissions for 2013/14 and 2014/15).

We have also used the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) and guidance provided by UK's Department for Environment, Food & Rural Affairs (Defra) on voluntary and mandatory carbon reporting. Emission factors were used from UK Government's GHG Conversion Factors for Company Reporting 2013 and 2014.

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 and to demonstrate the Group's added emphasis on health and safety, the Board has endorsed the inclusion of the Group's Accident Frequency Rate (AFR) as one of our non-financial KPIs on page 25.

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

Halma has an excellent health and safety record and a culture of safety is deeply embedded within the Group. To ensure each Group company has appropriately embedded the updated Health and Safety procedures in their business, independent Health and Safety reviews were performed in each operating company in 2012/13. These reviews were conducted with a view to ensuring a consistent approach in quality of reporting, internal processes, integration in operations, appropriateness of company policies, culture of Health and Safety and also as a means of identifying any patterns or underlying causes of reported incidents. We have continued to actively promote our safety culture throughout the year using the outputs from these reviews. As a result, reporting of Health and Safety incidents and corrective action where needed has been given an even higher profile. These were all contributory factors in the group-wide reduction in the number of days lost due to specified major injury accidents and reportable work-related injuries in 2013/14. Unfortunately the Health and Safety performance this year reversed the position achieved last year and we have reviewed the incidents contributing to this but there are no specific underlying trends or causes which should cause concern or require special attention. Halma commences another cycle of independent Health and Safety reviews in mid-2015 as a continuation of the good practice and improvements driven by the 2012/13 reviews.

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

The Group collects details of its worldwide reported Health and Safety incidents, and these are available on our website at www.halma.com. We are also pleased to report that there were no work-related fatalities in 2014/15 or prior years.

Injuries recorded

	2015	2014	2013	2012
Days lost due to reportable* work-related injuries	**546**	118	382	301
Total recorded injuries to all employees	**298**	323	320	362

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

Our People

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

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

In 2006, our survey of senior managers showed that five (50%) of the values they wanted to see in our business were actually present. Since then, we have improved the accessibility of the survey by making it available in paper format as well as online, and by offering it in four languages. In the last year alone, participation grew by over a third to more than half of all Group employees and the number of matching values increased to six (60%). This indicates that the alignment between the values that employees want to see in their business and the values that are actually present is very good and increasing.

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.

"By increasing the diversity and inclusion of our workforce and leveraging the insights of our diverse talent through an inclusive environment, we enhance our ability to compete in the world's increasingly diverse marketplace."

Jennifer Ward, Group Talent Director

Diversity

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

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

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

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

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

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

Our strong preference is to develop policies and actions which support our long-term aims as well as establishing appropriate measurable targets. We believe the former evolves into being embedded into corporate culture more readily.

Each year our Board of Directors reviews these policies and their implementation to ensure that they create and maintain a diverse and inclusive organisation. To the same end, the Halma Executive Board has been investigating our KPIs on diversity and ensuring that the leadership of our companies reflects the diversity of the markets we serve.

Halma Diversity and Inclusion Policy

At Halma we recognise that the diversity of the people in our business and the inclusion of all enriches our products, performance and the lives of our employees. We believe that the diversity of our workforce contributes significantly to our aim to protect and improve the quality of life for people worldwide.

We are building a culture that encourages talented people of all backgrounds, beliefs or any form of personal identity to be involved, respected and inspired to develop to their full potential.

Our intention is to create effective team environments that enhance decision-making processes. We achieve this by encouraging the contribution of unique perspectives and capabilities to achieve superior business results through trust, collaboration and innovation of new ideas.

By ensuring fairness and equality of opportunity in recruitment, training, development, career progression and reward, Halma is committed to ensuring diversity and inclusion in the workplace and all areas of our business.

Halma believes that the diversity of our staff is a significant contributor to our success and has identified two specific areas for improvement in Halma's organisation, particularly at managerial levels:

1) Geographic diversity – to have at least 20% of our executives geographically based outside Europe and the USA to better reflect the proportion of our revenue generated within those markets; and

2) Gender diversity – to increase the overall proportion of female executives on operating company boards in each of the next five years.

A Diversity and Inclusion Committee was formed this year, with representatives from across Halma, reflecting each sector, market and function. This committee was co-chaired by Jennifer Ward and Chuck Dubois and one of the significant contributions was a revitalisation of our Diversity Policy with a new Halma Diversity and Inclusion Policy which was issued in March 2015 and is also available on our website.

The focus of our biennial Halma Innovation and Technology Exposition (HITE) in April 2015 was expanded to celebrate and encourage greater innovation, collaboration and diversity. Prior to HITE, focus groups were held across the Group to provide a forum for employees and our partner, Global Diversity Practice (GDP) to discuss the current environment, challenges and desires. The output from this fed into a half-day seminar at HITE 2015, led by GDP, in which the Halma Executive Board and our operating subsidiaries' board members all participated.

Geographic diversity

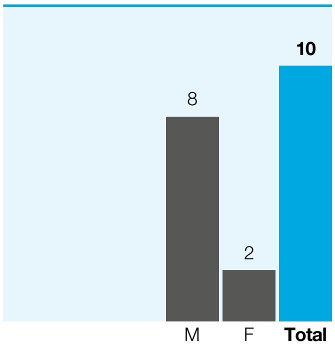
As our businesses continue to expand globally, it is imperative that the insights and perspectives of local markets be represented on our leadership teams. Several Group initiatives have been implemented to support and encourage our operating companies to put leaders on the ground in key markets. We have well-established Halma Hubs in China and India and have expanded into Brazil as well. The China hub has introduced innovative R&D programmes to incentivise local product development for local markets. We continue to seek ways to ensure that local leadership is contributing to the global business strategies.

Gender diversity

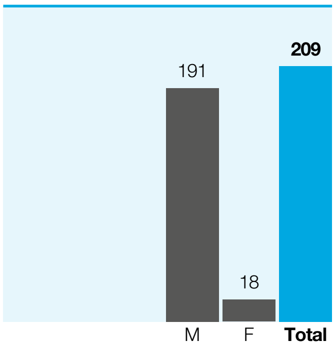
The Board of Directors responded to the consultation document that the UK's Financial Reporting Council issued in respect of 'Gender Diversity on Boards'. We are proactively identifying talented women internally and externally who could join our leadership teams. We appreciate the scale of the task ahead of us in sectors where relevant graduates are more than 85% male, so part of our strategy will involve ensuring that Halma has a culture and working practices that make it more attractive to women.

The 2014/15 year intake for the Halma Graduate Development Programme (HGDP) included graduates from four different countries. Since the programme's inception, on average 35% of recruits have been female. The HGDP is already demonstrating our success in attracting women and individuals of diverse backgrounds to Halma. We must now ensure that they continue to thrive and grow their careers with us.

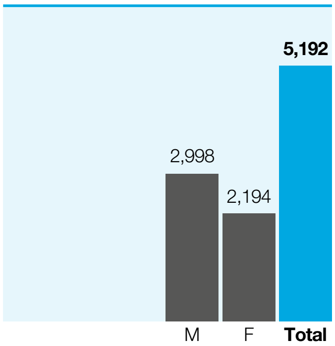
Halma plc Board Directors[1]



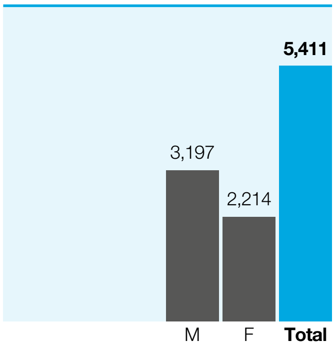
Other senior managers[2]



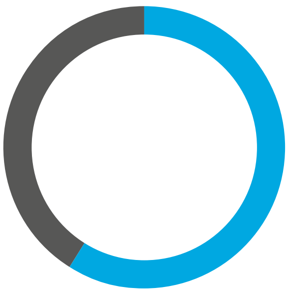
Other employees



Total



% of Total



Male	59%
Female	41%

Notes

1 Includes non-executive Directors of the Company.

2 For Halma 'senior managers' is defined as subsidiary company officers and above.

Disabled employees

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

Employee consultation

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

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

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

People development

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

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

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

There are approximately 280 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.

18 programmes have been successfully completed.

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

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.

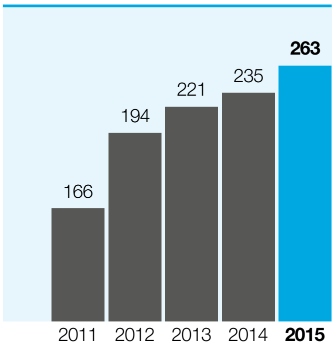
The Halma Graduate Development Programme (HGDP) was introduced during 2011/12 and the first participants started working with us in mid-2012. HGDP is targeted at engineering, science and technical graduates with the potential to become future leaders of our companies, or next generation specialists driving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

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

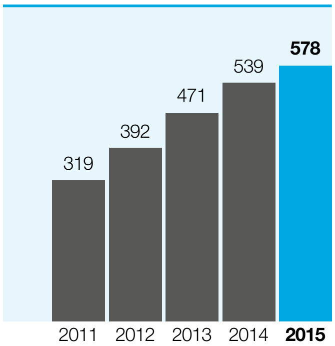
Training

Cumulative number of candidates that have completed:

HEDP



HMDP



Responsible investment

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

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

Human Rights

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

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

Ethics

The Group culture is one of openness, integrity and accountability. Halma requires its employees to act fairly in their dealings with fellow employees, customers, suppliers and business partners. Halma introduced a Code of Conduct during 2011/12 which applies to all Group employees and our external business relationships. We require suppliers to be of high quality and to operate to accepted international standards. Halma operates a confidential whistleblowing policy, which was refreshed and republicised in 2015, with an external call centre enabling all Group employees to raise any concerns they may have.

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

Financial Review

Strong record of long-term achievement

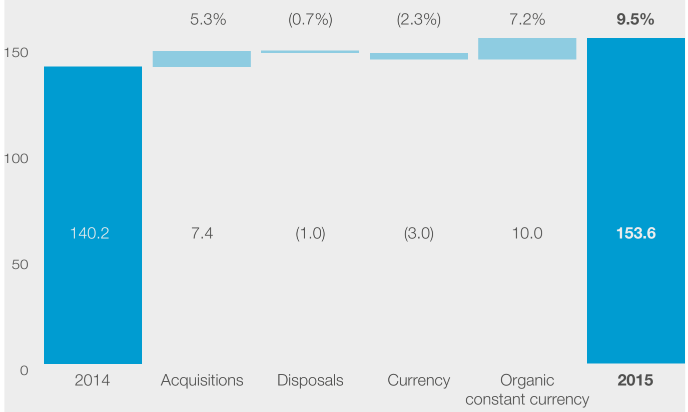
Halma aims to deliver sustainable growth and shareholder value over the long term. We have consistently delivered record profits, high returns, strong cash flow with low levels of balance sheet gearing and a long track record of growing dividends. Once again this year we continued this record of achievement, further strengthening the platform for future growth.

Kevin Thompson
Finance Director

Record results

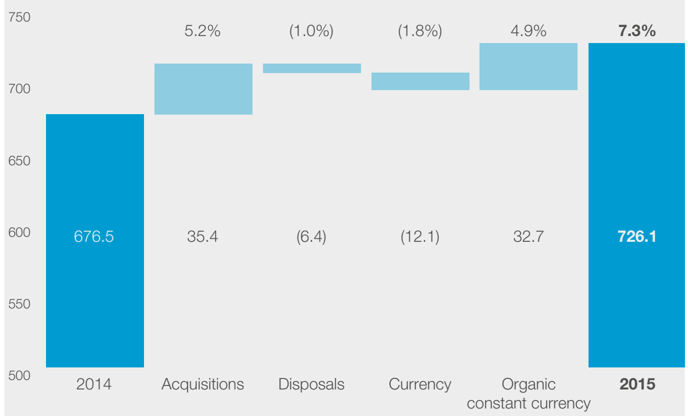
Adjusted[1] profit grew by 10% to £153.6m in 2014/15 on revenue up 7% to £726.1m. High returns and strong cash flow enabled us to continue investment in our business, spend £84m (net of cash/(debt) acquired) on three acquisitions and increase the dividend by a further 7%, the 36th consecutive year of 5% or more dividend increases. This is the twelfth consecutive year of record results.

Adjusted profit bridge £m



The revenue increase of 7% to £726.1m (2014: £676.5m) was evenly weighted between organic and acquisition growth. Organic revenue growth at constant currency and acquired growth were both 5%, in line with our KPI, offset by a 1% reduction due to the Monitor disposal. There was an adverse currency translation impact on revenue of 2%.

Revenue bridge £m



Adjusted[1] profit increased 10%, by £13.4m, to £153.6m (2014: £140.2m). Adding back the 2% adverse currency translation impact shows growth including acquisitions of 12%. Acquisitions contributed 5% to growth and so organic profit growth at constant currency was 7%, ahead of our 5% KPI target.

Statutory profit before taxation declined by 4% to £133.6m (2014: £138.7m). Statutory profit is calculated after charging the amortisation of acquired intangible assets of £19.9m (2014: £17.5m) and after charging acquisition transaction items and the movements on acquisition contingent consideration including related foreign exchange movements of £1.5m (2014: credit of £12.5m). The prior year credit relates to the revision to the estimate of deferred contingent consideration payable on the MicroSurgical Technologies acquisition. More detail on the latest estimate is given below. The credit of £4.0m in 2014 following the decision to close the two UK Defined Benefit pension plans to future accrual was the other main factor in the year-on-year reduction in statutory profit. There was also a gain in 2015 on disposal of £1.4m (2014 disposal: £0.5m loss), mainly relating to Monitor Elevator Products, Inc.

In the first half revenue grew by 2% and in the second half by 12%. There was a significant (5%) adverse currency translation impact in the first half and minimal net impact in the second half. Acquisition contribution was a little higher in the second half than the first. Organic constant currency revenue growth was 4% in the first half and increased to 6% in the second half.

Adjusted[1] profit also grew by 13% in the second half following 6% growth in the first half with a similar currency translation and acquisition profile to that of revenue. Organic constant currency profit growth was 7% in both halves. The first half/second half profit split was weighted slightly more than usual to the second half at 45%/55% due to the currency impact noted above.

Three of our four sectors grew both revenue and adjusted profit this year. Environmental & Analysis increased revenue marginally when measured at organic constant currency. The highest rate of growth came from our Process Safety sector, benefiting from the RCS acquisition but also achieving strong underlying growth. Infrastructure Safety delivered another very good performance and Medical finished the year strongly. Environmental & Analysis delivered a disappointing performance overall but achieved a much improved second half profit performance, broadly in line with the second half of the previous year and meeting our expectations.

Central administration costs increased to £9.0m (2014: £7.9m) as expected. The main elements of the increase were our investment in talent development, further expenditure on our graduate programme and the costs of support for geographic expansion. We expect a further increase in costs in 2015/16 with our biennial HITE conference and continued investment in China and other developing markets.

Revenue and profit growth

				Percentage growth		
	2015 £m	2014 £m	**Increase £m**	**Total**	**Organic growth[2]**	**Organic growth[2] at constant currency**
Revenue	**726.1**	676.5	**49.6**	**7.3%**	**3.1%**	**4.9%**
Adjusted[1] profit	**153.6**	140.2	**13.4**	**9.5%**	**5.0%**	**7.2%**

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

2 See Financial Highlights.

Financial Review continued

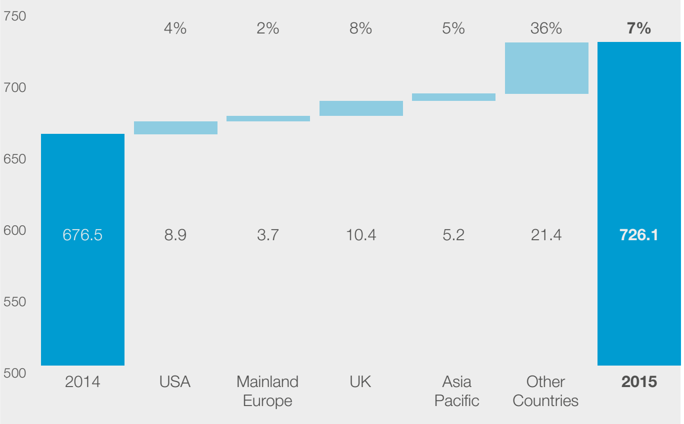
Growth in all regions

We achieved growth in all geographic regions. Currency translation had an adverse effect on the reported performance in all major regions. The USA remains our largest sales destination at 31% (2014: 32%) of total revenue. The USA grew by 4%, including growth of 7% at organic constant currency with strong growth from the Process Safety and Medical sectors. Mainland Europe saw some underlying growth in all sectors with Process Safety growing fastest. UK growth of 8% reflected a good performance in Infrastructure Safety, including the benefit of an acquisition, but offset by a decline in Environmental & Analysis due to reduced spending in the UK water market as part of its regular spending cycle. Asia Pacific growth of 5% was mixed across the sectors but Environmental & Analysis grew well. There was very strong growth in Africa, Near and Middle East and other countries, in particular in South America. The acquisition of RCS and the benefit of oil & gas related projects within Process Safety boosted demand in these regions.

We saw stronger growth in all territories in the second half compared with the first half, except the UK which had 8% growth in both periods.

In 2010 we targeted 30% of Group revenue to come from territories outside the UK/Mainland Europe/USA by 2015. This year we made further good progress by increasing the percentage to 27.1% (2014: 25.2%). In the period since we set the target we have doubled the 'Rest of World' revenue but made achievement of our target tougher by delivering 47% growth in the UK/Mainland Europe/USA. This KPI sets an important direction for investment and growth in developing global markets and we will continue to focus on international expansion and high rates of growth in developing territories as well as more economically developed regions.

Geographic revenue bridge £m



Continued high returns

Halma's Return on Sales[2] has exceeded 16% for 30 consecutive years and this year increased to 21.2% (2014: 20.7%). Our target is to deliver a Return on Sales in the range of 18% to 22% and continue our emphasis on growth. Infrastructure Safety and Medical sectors further increased their Return on Sales this year. Process Safety saw a modest increase, remaining the sector with the highest Return on Sales. Environmental & Analysis saw a reduction on its Return on Sales at 16.7% and showed improved profitability in the second half.

Gross Margin (revenue less direct material and direct labour costs) remained stable at 64.6% (2014: 64.4%) a solid performance showing our ability to achieve a good return on the high value we deliver for our customers.

Return on Total Invested Capital[2] (ROTIC), the post-tax return on the Group's total assets including all historic goodwill, was 16.3% (2014 restated: 16.7%) and this year we revised our calculation to use average Total Invested Capital as the denominator to give a calculation better reflecting each year's performance.

Volatility in currency impacts

Halma reports its results in Sterling. Our other key 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 15% in Euros.

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

This year we saw greater volatility in currencies and a currency headwind stronger than the minimal impact we experienced in 2013/14. In the first half of the year both the US Dollar and Euro were weak relative to Sterling causing a 5% adverse currency translation impact on both revenue and profit. In the second half the US Dollar strengthened, but the Euro weakened further and the net result for the year was only a 2% adverse translation impact on our results. In the full year the sectors most affected by adverse currency translation impacts were Medical and Infrastructure Safety.

Geographic revenue growth

	2015		2014				
	£m	**% of total**	£m	% of total	**Change £m**	**% growth**	**% organic growth at constant currency**
United States of America	**223.4**	**31%**	214.5	32%	**8.9**	**4%**	**7%**
Mainland Europe	**167.4**	**23%**	163.7	24%	**3.7**	**2%**	**2%**
United Kingdom	**138.3**	**19%**	127.9	19%	**10.4**	**8%**	**2%**
Asia Pacific	**116.8**	**16%**	111.6	16%	**5.2**	**5%**	**1%**
Africa, Near and Middle East	**44.0**	**6%**	33.0	5%	**11.0**	**33%**	**8%**
Other countries	**36.2**	**5%**	25.8	4%	**10.4**	**40%**	**30%**
	726.1	**100%**	676.5	100%	**49.6**	**7%**	**5%**

	Weighted average rates used in the Income Statement			Exchange rates used to translate the Balance Sheet	
		2015	2014	**2015**	2014
	First half	**Full year**	Full year	**Year end**	Year end
US$	**1.68**	**1.61**	1.59	**1.48**	1.66
Euro	**1.24**	**1.27**	1.19	**1.37**	1.21

Based on the current mix of currency denominated revenue and profit, a 1% movement in the US Dollar relative to Sterling changes revenue by £2.9m and profit by £0.6m. Similarly, a 1% movement in the Euro changes revenue by £0.9m and profit by £0.2m.

Towards the end of the year we saw significant strengthening of the US Dollar and also the Swiss Franc. In more recent weeks we have seen the US Dollar weaken somewhat and the Euro remain weak so it is difficult to predict the currency impact in 2015/16. If currencies were to continue at current levels (approximately US Dollar 1.55/Euro 1.40 relative to Sterling) and assuming constant mix of currency results, we might expect approximately 1% favourable currency translation impact on revenue and profit due to currency translation in 2015/16 compared with 2014/15. The positive impact would be greater in the first half of 2015/16 than the second half.

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, up to 24 months forward. At 28 March 2015 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.

Consistent financing cost

The net financing cost in the Income Statement of £4.9m was in line with the prior year (2014: £4.7m). The average cost of bank financing was a little higher than 2014 due to more of our borrowing being in Sterling and we had higher levels of average debt for the year, following acquisitions made in the first half year (see the 'Average debt and interest rates' table on page 52 for more information).

Interest cover (EBITDA as a multiple of net interest expense as defined by our revolving credit facility) was 51 times (2014: 53 times) which was well in excess of the four times minimum required in our banking covenants.

The net pension financing charge is included within the net financing cost. This year it decreased to £1.4m (2014: £1.9m) because the net pension deficit at the start of the year, on which the interest cost is based, was below the deficit at the prior year end.

Stable Group tax rate

The Group has major operating subsidiaries in 10 countries so the Group's effective tax rate is a blend of these national tax 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. This approach means that Halma is committed to paying in full and on time the taxes due in each relevant jurisdiction, that our tax arrangements have an underlying business purpose and, where possible, we mitigate the burden of tax in compliance with local legislation. Intercompany trading is set on a commercial arm's length basis.

The effective tax rate on adjusted[1] profit reduced slightly to 23.2% (2014: 23.3%). A significant proportion (approximately one third) of Group profit is generated and taxed in the UK and the UK Corporation tax rate fell from 23% to 21% this year, with it reducing to 20% in 2016. This reduction was offset by increased profits earned in the USA and taxed at relatively higher rates. Halma continues to benefit from the UK 'Patent Box' rules, resulting in lower tax on profit generated from the use of patents in our products.

Growing earnings per share and increasing dividends

Adjusted[1] earnings per share increased by 9% to 31.17p (2014: 28.47p) in line with the increase in adjusted[1] profit. Statutory earnings per share decreased by 2% to 27.49p (2014: 28.14p) due to the factors noted above affecting the calculation of statutory profit. A key way in which we deliver shareholder value is via consistent growth in earnings per share. Earnings per share growth will now feature more prominently in our share based incentives.

The Board is recommending a 7.2% increase in the final dividend to 7.31p per share (2014: 6.82p per share), which together with the 4.65p per share interim dividend, gives a total dividend of 11.96p (2014: 11.17p), up 7.1%. The final dividend for 2014/15 is subject to approval by shareholders at the AGM on 23 July 2015 and will be paid on 19 August 2015 to shareholders on the register at 17 July 2015. With this latest rise Halma will have increased its dividend by 5% or more for 36 consecutive years.

Over a long period we have maintained a progressive dividend policy balancing dividend increases with the rates of organic profit growth achieved, taking into account potential acquisition spend and maintaining moderate debt levels. Our policy is to maintain dividend cover (the ratio of adjusted profit after tax to dividends paid and proposed) above two times and this year dividend cover is 2.61 times (2014: 2.55 times). We continue to determine the dividend payout each year based on all of the factors noted above.

Revisions to KPIs

We report on pages 22 to 25 the Key Performance Indicators (KPIs) we use to measure the performance of the Group. The majority of these externally reported KPIs mirror those used every day in monitoring performance in our operations. In addition these include Group metrics which link to our remuneration performance measures.

This year we have updated our published KPIs and the main changes are as follows:

- Organic revenue and profit growth is stated at constant currency to give a clearer view of underlying performance;
- Adjusted[1] earnings per share are now included as this forms part of the new Directors' remuneration performance measures;
- Acquisition related profit growth is included to give a clearer picture of the contribution acquisitions are making to our overall growth;
- Return on Total Invested Capital[2] (ROTIC) is now calculated using average Total Invested Capital; and
- Health and Safety is included as a new non-financial KPI. It replaces the KPI of CO_2 emissions reduction, which is now disclosed in our Corporate Responsibility report.

In future reports we plan to replace our current international expansion metric with a KPI expressed in terms of absolute international revenue growth.

Strong cash generation

Cash generation is an important component of the Halma model allowing us to further invest in our businesses, make value enhancing acquisitions and pay an increasing dividend. Our cash performance in 2014/15 was strong. Adjusted operating cash flow was £138.7m (2014: £129.0m) and represents 87% (2014: 89%) of adjusted operating profit, ahead of our KPI target of 85% cash conversion.

Financial Review continued

Operating cash flow summary

	2015 £m	2014 £m
Operating profit	**137.1**	143.6
Net acquisition costs and contingent consideration fair value adjustments	**1.5**	(12.5)
Defined Benefit pension plan closure costs/ curtailment gain	**–**	(4.0)
Amortisation of acquisition-related acquired intangibles	**19.9**	17.5
Adjusted operating profit	**158.5**	144.6
Depreciation and other amortisation	**21.0**	18.8
Working capital movements	**(6.0)**	(10.9)
Capital expenditure net of disposal proceeds	**(22.2)**	(15.6)
Additional payments to pension plans	**(6.6)**	(5.9)
Other adjustments	**(6.0)**	(2.0)
Adjusted operating cash flow	**138.7**	129.0
Cash conversion %	**87%**	89%

Non-operating cash flow and reconciliation to net debt

	2015 £m	2014 £m
Adjusted operating cash flow	**138.7**	129.0
Tax paid	**(30.8)**	(28.3)
Acquisition of businesses and shares of associates including cash/debt acquired	**(88.2)**	(16.7)
Net movement in loan notes	**2.1**	(0.2)
Net finance costs and arrangement fees	**(3.0)**	(2.5)
Dividends paid	**(43.4)**	(40.5)
Issue of shares/treasury shares purchased	**(6.0)**	(7.3)
Disposal of businesses	**4.2**	1.9
Effects of foreign exchange	**–**	0.4
Movement in net debt	**(26.4)**	35.8
Opening net debt	**(74.5)**	(110.3)
Closing net debt	**(100.9)**	(74.5)

Net debt to EBITDA

	2015 £m	2014 £m
Adjusted operating profit	**158.5**	144.6
Depreciation and amortisation (excluding acquired intangible assets)	**21.0**	18.8
EBITDA	**179.5**	163.4
Net debt to EBITDA	**0.56**	0.46

A summary of the year's cash flow is shown in the table to the left. The largest outflows in the year were in relation to acquisitions (see below) dividends and taxation paid. Working capital movements, comprising changes in inventory, receivables and creditors, totalled £6.0m (2014: £10.9m) and reflects strong control of operations at local company level.

Capital expenditure on property, plant and computer software this year was £23.2m (2014: £17.4m). This maintains investment in our operating capability and includes investment of £5m in a property in our Medical sector with a further £5m expected in 2015/16. This year's spend represents 108% of depreciation, falling within the 100% to 125% range we expect.

Dividends totalling £43.4m (2014: £40.5m) were paid to shareholders in the year. Taxation paid increased to £30.8m (2014: £28.3m).

Strong financial position maintained

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

We use debt to accelerate the Group's development, reviewing our funding needs and the structure of borrowing facilities regularly to ensure we have ample headroom. We hold a syndicated revolving credit facility of £360m which runs to November 2018. This facility provides Halma with the financial resources to operate within its existing business model for the medium term, continuing investment in our business and with capacity for further acquisitions. Our objective is to increase the pace of acquisitions whilst maintaining the disciplined approach we have adopted over many years. Over time we expect that funding of the Group will include an element of term debt.

At the year end net debt was £100.9m (2014: £74.5m), a combination of £142.1m of debt and £41.2m of cash held around the world to finance local operations. The ratio of net debt to EBITDA was 0.56 times (2014: 0.46 times). This is well below the level of 1.25 times within which we feel comfortable operating, although we would be prepared to exceed this level temporarily if the timing of acquisitions required it. Net debt represents 4% (2014: 3%) of the Group's year end market capitalisation. The Group continues to operate well within its banking covenants with significant headroom under each financial ratio.

Average debt and interest rates

	2015	2014
Average gross debt (£m)	**164.8**	150.9
Weighted average interest rate on gross debt	**1.38%**	1.26%
Average cash balances (£m)	**45.6**	47.1
Weighted average interest rate on cash	**0.29%**	0.54%
Average net debt (£m)	**119.2**	103.8
Weighted average interest rate on net debt	**1.80%**	1.59%

Continued acquisition and disposal activity

Acquisitions and disposals are an important part of our growth strategy. We buy businesses already successful in, or adjacent to, the niches in which we operate. The acquisition pipeline remains healthy and each sector is increasing its own resource to accelerate acquisition activity.

In the year we spent £84m on three acquisitions (net of cash/(debt) acquired of £9m). In addition we paid £4m in contingent consideration and settlement of loan notes for acquisitions made in prior years.

All acquisition and disposal transactions during the 2014/15 year were completed in May 2014:

– Plasticspritzerei AG, a strategic supplier to one of our businesses in the Medical sector, was acquired for a net cash consideration of CHF6m (£4m).
– Advanced Electronics Limited, a manufacturer of networked fire detection and control systems, was acquired for our Infrastructure Safety sector. We paid an initial consideration of £14m (excluding cash and debt acquired of £2m). Contingent consideration of up to £10.1m is payable on earnings growth for the period to March 2015. Of this we have settled £2.8m and our current estimate is that a further £3.4m will be paid subject to finalisation under the acquisition contract.
– Rohrback Cosasco Systems Inc., a manufacturer of pipeline corrosion monitoring products and systems, was acquired for US$108m (£64m), net of cash acquired of US$9m (£5m). RCS adds valuable new technology and application know-how to the Process Safety sector.

We sold Monitor Elevator Products, Inc., a business within the Infrastructure Safety sector, for a consideration of US$6m (£4m). This continues our active approach to portfolio management.

We have revised our accrual for contingent consideration on recent acquisitions in line with latest best estimates. This has resulted in a reduction in our estimate payable on the ASL acquisition and an upward revision on that payable for MicroSurgical Technologies (MST) following further growth in the year.

Following the year end in May 2015, we acquired Value Added Solutions LLC (VAS) for a cash consideration of $5m (£3.2m) with contingent consideration of up to $1.5m (£1m) payable on growth to October 2016. VAS designs and manufactures fluidic-related plastic machined components and assemblies for life science and analytical instruments. VAS will become part of our US-based Diba Industries within the Medical sector.

The businesses acquired in 2014/15 and 2015/16, net of the disposal made in 2014/15, are expected to add a net amount of £6m to revenue and £1.5m (after financing costs) to profit in 2015/16, based on their run rate at the time of each transaction.

Pensions update

The Group accounts for post-retirement benefits in accordance with IAS19 Employee Benefits. The Balance Sheet reflects the net deficit on our pension plans at 28 March 2015 based on the market value of assets at that date and the valuation of liabilities using year end AA corporate bond yields.

Following consultation with all stakeholders, we announced in March 2014 that the Defined Benefit (DB) sections of the Group's UK pension plans would cease future accrual as at 1 December 2014. This change has been implemented. Members earn future pension benefits within the Group's Defined Contribution (DC) section of the pension plan with agreed transitional arrangements. This change reduces Group risk for the future.

On an IAS19 basis the deficit on the Group's DB plans at March 2015 has increased significantly to £66.8m (2014: £36.8m) before the related deferred tax asset. Plan assets increased to £224.8m (2014: £190.5m) due to further recovery in equity values and cash contributions by Halma. In total, about 50% of plan assets are invested in return seeking assets providing a higher expected level of return over the longer term. Plan liabilities increased to £291.6m (2014: £227.3m) primarily due to the significant fall in discount rates.

We continue to make extra cash contributions to the UK pension plans to eliminate the pension deficit as agreed with the trustees and in 2014/15 these contributions amounted to £7m. We are in the process of reviewing, together with the trustees, the initial results from the 2014 triennial actuarial valuation and will agree appropriate future contributions following this process.

New product investment

We continue to innovate and invest in new products across all sectors. This year R&D expenditure increased by 8% with a higher rate of investment in the second half of the year. R&D expenditure as a percentage of revenue was 4.8% (2014: 4.7%). We have a good pipeline of new products which should benefit 2015/16 and beyond. In the medium-term we expect R&D expenditure to increase broadly in line with revenue.

Under IFRS accounting rules we are required to capitalise certain development projects and amortise the cost over an appropriate period, which we determine as three years. In 2014/15 we capitalised/reclassified £7.4m (2014: £5.2m), acquired £1.2m, and amortised/impaired £5.6m (2014: £3.9m). This results in an asset carried on the Consolidated Balance Sheet, after £0.1m of foreign exchange movements, of £15.9m (2014: £13.0m). All R&D projects and particularly those requiring capitalisation, are subject to rigorous review and approval processes.

Risk management and the year ahead

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

Risk is managed closely and is spread across well-resourced companies, each of which manages risk to its individual level of materiality. There are extensive review processes in place including peer financial review and Internal Audit. The key Group risks have been referenced in this Annual Report primarily on pages 28 to 31 and in the Chief Executive's Strategic Review and Sector Reviews. In addition key risks are highlighted in the Audit Committee Report on page 66 and Auditor's Report on page 95.

The adoption of a clear four sector structure in April 2014 has enabled Sector Finance Directors to be appointed focusing on successful control and development of each sector. I have been working with them to ensure that our strong control framework is maintained as the Group's activities continue to grow.

The updated UK Corporate Governance Code issued recently by the Financial Reporting Council (FRC) requires regular monitoring of risk by the Board. As noted above, for many years we have had comprehensive and regular review of risk taking place at many levels throughout the organisation. Our focus will be to ensure that the output and actions from this review are communicated well, up and down the business, building on this strength.

We have an ethical approach to business and this is reflected in our Code of Conduct which is adopted internationally by all employees. We are conscious also of the increased risks arising in the area of cyber security and have been very active this year in monitoring such threats and acting accordingly. Awareness of these potential threats has been increased with our employees across the Group and good progress continues to be made.

Financial Review continued

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

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

In the year ahead, in addition to organic growth, we will focus on the search for further acquisition opportunities within each sector and on achieving strong cash generation to fund investment and increasing dividends. Our aim is to continue to deliver significant long-term value to shareholders.

Kevin Thompson
Finance Director

The Strategic Report was approved by the Board of Directors on 11 June 2015 and signed on its behalf by:

Andrew Williams
Chief Executive

Kevin Thompson
Finance Director

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

Chairman's introduction to Governance

"Halma is always focused on the ways in which we attract, identify, assess and develop Board-level talent..."

Paul Walker, Chairman

Dear Shareholders,

On behalf of the Board, I am pleased to present Halma's Corporate Governance report for what has been a relatively busy year for us. This report seeks to provide you with a clear and meaningful explanation of how we discharge our governance duties and apply the principles of good governance enshrined in the UK Corporate Governance Code (the Code). Halma reports in accordance to the revised September 2012 Code, the Listing Rules and the Disclosure & Transparency Rules.

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

It is my belief that we have to continually nurture talents throughout the Group to provide a stimulating work environment and to enable effective succession planning. The additional focus we have placed on talent in the past year has reinforced that belief, and has also enabled us to identify and develop both internal and external candidates to contribute to our business and aid such succession planning. With that in mind, we have continued to review our governance structures and the composition of our Board and Executive Board throughout the year. Our commitment to continuously improve the quality and performance of Halma's management talent across the world has developed a new momentum that has been embraced throughout the Group.

Reviews of management capabilities and potential are performed on a routine basis and Halma is always focused on the ways in which we attract, identify, assess and develop Board-level talent which is a critical factor for us to achieve our mid to long-term strategic goals.

I am delighted to report that we further strengthened our Board with the appointments of Roy Twite and Tony Rice following the resignations of Norman Blackwell and Steve Marshall whose other commitments precluded continuing as a Halma Director. In Roy and Tony we have identified individuals with unique contributions already evidenced in Board dialogues.

With Stephen Pettit retiring from our Board after the upcoming AGM we are losing a valuable colleague who greatly aided my own induction to the Group. I am grateful to him for extending his tenure to provide additional cover in a time of multiple Board transitions.

The April 2014 alignment of the Executive Board constitution and responsibilities with the four market sectors in which we are engaged has also proven successful and allowed for the smooth transition of responsibility for the Process Safety sector from Neil Quinn to Philippe Felten in May 2015. Such successful transitions underscore the rationale for the change and prove the agility of the structure.

With the external Board evaluation having been conducted over the past year, I would like to share my take on what we learned. It was reassuring to find that there were no surprises and that we act as a unified Board, but we were reminded that "it is about culture, ethos and personal chemistry" which your Board has repeatedly demonstrated. This tone from the top undoubtedly informs operating company boards and employees worldwide and contributes to the Group's implacable progress. I am proud to chair Halma's Board and oversee the Group with each of my fellow Directors.

Lastly, I would like to encourage all shareholders to find the time to attend our AGM on 23 July 2015. It is an excellent opportunity to meet the Board and the Executive Board.

Paul Walker
Chairman
11 June 2015

Board of Directors

Paul Walker
Non-executive Chairman
Location UK

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

Andrew Williams
Chief Executive
Location UK

Andrew was appointed Chief Executive of Halma plc in February 2005. He was promoted to Director of the Halma plc Board in 2004. Andrew joined 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. He 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. Andrew is a non-executive director of Capita plc.

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.

Make-up of our Board (as at 11 June 2015)

Board tenure (number of years)

0-1	22%
2-3	11%
3-4	11%
6-10	22%
>10	34%

Gender

Male	78%
Female	22%

Board composition

Chairman	11%
Executive Director	33%
Non-executive Director	56%
Company Secretary	

Nationality

UK	78%
USA	11%
Brazil	11%

Committee membership

	Audit	Nom[1]	Rem[2]
Paul Walker		Chairman	Member
Andrew Williams		Member	
Kevin Thompson			
Stephen Pettit	Member	Member	Chairman[3]
Adam Meyers			
Jane Aikman	Chairman	Member[4]	Member[4]
Daniela Barone Soares	Member	Member[4]	Member[4]
Roy Twite[5]	Member	Member	Member
Tony Rice[6]	Member	Member	Member

• Chairman • Member

1 Nomination
2 Remuneration
3 Appointed Chairman following Steve Marshall's retirement in July 2014
4 Appointed in April 2014
5 Appointed in July 2014
6 Appointed in August 2014

Adam Meyers

Sector Chief Executive, Medical
Location USA

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

Jane Aikman

Non-executive Director
Location UK

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

Daniela Barone Soares

Non-executive Director
Location UK

Daniela was appointed a non-executive Director of Halma in November 2011. She is Chief Executive Officer of Impetus – The Private Equity Foundation. She is also a non-executive Director of Evora S.A. in Brazil and sits on the advisory board of a number of non-listed, social sector organisations in the UK and Brazil. Daniela is a member of the UK National Advisory Board, which advises the G8 Social Impact Investment Taskforce. She has previously held senior roles at Save the Children, BancBoston Capital, Inc., 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.

Stephen Pettit

Senior Independent Director
Location UK

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

Tony Rice

Non-executive Director
Location UK

Tony was appointed a non-executive Director of Halma in August 2014. He is the Senior Independent Director and remuneration committee Chairman of Spirit Pub Company plc. Tony was formerly chief executive officer of Cable & Wireless Communications plc. Earlier in his career, Tony was CEO of Tunstall Plc and held a number of senior roles in BAE Systems plc (including British Aerospace). Tony has a BA in Business Studies from City of London College, an MBA from Cranfield School of Management and is a member of both the Association of Corporate Treasurers and the Chartered Institute of Management Accountants.

Roy Twite

Non-executive Director
Location UK

Roy was appointed a non-executive Director of Halma in July 2014. He is an executive director at IMI plc, having been appointed to the plc board in February 2007. During his career with IMI, Roy has led all of the divisions including Severe Service (2011), Fluid Power (2009), Beverage and Merchandising (2007) and Indoor Climate (2004). Roy has a BEng in Engineering from Nottingham University and gained his Masters in Manufacturing Business Leadership from Cambridge University in 1998.

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. She qualified as a Chartered Accountant with Arthur Andersen and is a mathematics graduate of Randolph-Macon Woman's College, Virginia. Carol is a non-executive director of Renishaw plc where she chairs the Audit Committee.

Executive Board

Andrew Williams
Chief Executive
Location UK

Andrew was appointed Chief Executive of Halma plc in February 2005. He was promoted to Director of the Halma plc Board in 2004. Andrew joined 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. He 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. Andrew is a non-executive director of Capita plc.

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.

Adam Meyers
Sector Chief Executive, Medical
Location USA

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

Nigel Trodd
Sector Chief Executive, Infrastructure Safety
Location UK

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

Chuck Dubois
Sector Chief Executive, Environmental & Analysis
Location USA

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

Philippe Felten
Sector Chief Executive, Process Safety
Location Belgium

Philippe was appointed to the Executive Board in April 2012 and is Sector Chief Executive of the Process Safety sector. He joined the Group as Sales Director of BEA Europe when that company was acquired in 2002 and was later Chief Executive of BEA Group. Philippe completed the Programme for Executive Development at IMD Lausanne, holds a Bachelor degree in Marketing and Management (ICHEC – Brussels) and is an Electro-Mechanical Engineer (ECAM – Brussels).

Jennifer Ward
Group Talent Director
Location UK

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

Martin Zhang
President – Halma China
Location China

Martin is a member of the Halma Executive Board since 2010 and, prior to that, an adviser to that Board from February 2008. He joined the Group in June 2006 and has since successfully established and expanded Halma China's operations. 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. Martin attended the Advanced Management Program at Wharton Business School, University of Pennsylvania in 2014 and is also a Certified Management Accountant.

Corporate Governance Report

Compliance with the Code of best practice

As required by the Listing Rules this Report explains how the Company applies the principles and complies with the provisions of the Corporate Governance Code (the Code) that was published in 2012 by the Financial Reporting Council which applied to the Company throughout the year ended 28 March 2015.

Throughout the year, the Company has fully complied with the provisions as set out in the Code. The Group's internal controls are summarised on pages 26 and 27.

The Board has determined its ideal composition as a Chairman, five independent non-executive Directors and, more recently, three executive Directors. The Board views 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 underwent some changes during the year with two non-executive Directors retiring after the July 2014 AGM, but the position was restored to five non-executive Directors following Roy Twite's appointment in July 2014 and Tony Rice's appointment in August 2014. Nevertheless, the Board and committee compositions remained compliant throughout the year.

With the exception of Stephen Pettit, in accordance with the Code each of the Directors, being eligible, will offer themselves for election or re-election at the AGM. Stephen Pettit will be retiring from the Board with effect from the end of the AGM and the Board is in the process of appointing a successor. Further details on their resignations and appointment are provided on pages 62, 70 and 71.

Annual Report and Accounts

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

Reporting Requirements Chart

Reporting requirement	Location
Description of the business model and strategy.	Chief Executive's Strategic Review and Sector Reviews See pages 6 to 25 and 32 to 39
Description of the significant issues that the Audit Committee considered in relation to the financial statements and how these issues were addressed, having regard to the matters communicated to it by the external audit team.	Audit Committee Report See page 69
Explanation of how the Audit Committee has assessed the effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor to enable shareholders to understand why it recommended reappointing or changing the auditor.	Audit Committee Report See page 68
Identification of search consultancies used and any connections with the Company.	Corporate Governance Report and Nomination Committee report See pages 62 and 71
Statement that the Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides information necessary for shareholders to assess the Company's business model and strategy.	Corporate Governance Report and Audit Committee Report See pages 59 and 69
Future policy table and notes, performance scenario charts, remuneration obligations in service contracts and statement of shareholder vote on the 2013/14 remuneration report.	Remuneration Committee Report See pages 72 to 90
Implementation report, remuneration paid to service advisers, single total figure tables, CEO pay comparison to company performance and relative importance of spend on pay.	Remuneration Committee Report See pages 72 to 90
Directors' shareholdings and variable pay awarded in the year.	Remuneration Committee Report See pages 72 to 90

Corporate Governance Report continued

The Board

The Board considered the independence of the Chairman and each of the non-executive Directors and subjected Stephen Pettit's term as a non-executive Director to particular rigorous review. Details are given on pages 64, 70 and 71. The Board continues to regard Stephen Pettit, who retires after the AGM in July 2015, as independent and considers the Chairman and all non-executive Directors to be independent of management and free from business and other relationships which could interfere with the exercise of independent judgment now and in the future. The Board believes that any shareholdings of the Chairman and non-executive Directors serve to align their interests with those of shareholders.

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

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

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

Board meeting attendance

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

		Committees			
Board attendance	**Board**	**Audit**	**Remuneration**	**Nomination[1]**	**Overall attendance %**
Paul Walker	6/6	–	4/4	4/4	100%
Andrew Williams	6/6	–	–	4/4	100%
Kevin Thompson	6/6	–	–	–	100%
Stephen Pettit[1]	5/6	3/3	4/4	4/4	94%
Neil Quinn	6/6	–	–	–	100%
Jane Aikman	6/6	3/3	3/3	3/3	100%
Adam Meyers	6/6	–	–	–	100%
Daniela Barone Soares[2]	5/6	2/3	2/3	2/3	73%
Roy Twite	3/3	2/2	2/2	1/1	100%
Tony Rice	3/3	2/2	2/2	1/1	100%
Lord Blackwell	3/3	1/1	2/2	3/3	100%
Steve Marshall[3]	2/3	0/1	1/2	2/3	56%

1 Stephen Pettit was unable to attend the Board meeting on 30 September 2014, due to commitments made prior to the extension of his current term.

2 Daniela Barone Soares was unable to attend the committee and Board meetings held on 13 November 2014 due to illness.

3 Steve Marshall was unable to attend the committee and Board meetings held on 5 June 2014, due to executive chairman responsibilities elsewhere.

Chairman's responsibilities

Governance

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

Strategy

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

People

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

Chief Executive's responsibilities

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

Corporate Governance Report continued

Board constitution

Halma refreshed the composition and diversity of its Board with the appointment of Roy Twite and Tony Rice as non-executive Directors in July 2014 and August 2014. The Nomination Committee considered a wide and diverse range of candidates and the Board, having given each Director the opportunity to meet Roy Twite and Tony Rice, confirmed their independence upon appointment. The Board unanimously decided to appoint Roy effective following the conclusion of the July 2014 AGM and Tony a month later.

Succession planning for the Senior Independent Director and Remuneration Committee chairman has been conducted and Halma is in the process of identifying Stephen Pettit's successor. The Board search for a new independent non-executive Director is led by our Chairman, Paul Walker. A global search firm, Lygon Group, which has no other connection to Halma was appointed. The Board is considering a wide and diverse range of candidates.

These matters are discussed in the Nomination Committee Report on pages 70 and 71.

Board induction

Newly appointed non-executive Directors follow an induction programme which includes dedicated time with Group executives and 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.

Roy Twite and Tony Rice both met with the Company Secretary to review their tailored induction pack which included Halma's governance and risk management structure, Board evaluations, Board and Committee meeting minutes, strategy papers, recent analyst and broker reports on Halma, and access to Halma's policies and procedures manual was also provided. As well as providing a schedule of meetings with executives and company visits, Roy Twite and Tony Rice also attended the biennial Halma Innovation and Technology Exposition (HITE) in 2015 to gain a better understanding of the Halma group, its strategy, its operating companies, the management teams and their products.

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. The Board agrees that a manufacturing and technology company such as Halma needs to adopt policies to attract a greater number of females into management roles. The Board has reinforced this necessity through the repositioning, adoption and implementation of Halma's Diversity and Inclusion Policy (detailed on page 45) rather than by setting quotas. Halma aims to improve the representation of women in senior roles and on the Board of Directors by applying our newly repositioned policy and reviewing implementation to ensure that Halma maintains a diverse and inclusive culture. To assist these efforts, operating company boards are being encouraged to invite local personnel, with diverse skillsets, to attend local board meetings when their disciplines are under review. Such exposure to the boardroom will develop these individuals but also provide these boards with a fresh perspective.

The Group also conducted diversity and inclusiveness awareness training for approximately 250 senior executives at HITE in 2015.

As at year end, the Board had a total of 10 Directors. The skill set of the non-executive Directors includes financial, economics, banking, engineering, technology, IT, communications and consumer expertise. They included eight British, one American and one Brazilian nationals. Currently, 22% 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. The diversity of all other employees is detailed on page 45 within the Corporate Responsibility report.

Board activity throughout the financial year

April 2014

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

June 2014

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

July 2014

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

October 2014

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

Board activity throughout the year 2014/15

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

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

Board performance and evaluation

The Board considers the evaluation of its performance as a whole and that of the Audit, Nomination and Remuneration Committees annually, with each Committee also evaluating its own performance. The aim of the evaluations is to improve the effectiveness of the Board and its members as well as the performance of the Company. The Board ensures that an external facilitator is engaged at least every third year. Dr Tracy Long of Boardroom Review performed the first external review in 2011/12 covering the full Board and Committee evaluations. For 2012/13 and 2013/14, the Company Secretary facilitated an internal evaluation of Board performance and that of the Audit, Nomination and Remuneration Committees. Therefore, for 2014/15, the Board underwent an externally-facilitated review of the Board and its Committees conducted by EquityCommunications, an independent consultancy firm.

This evaluation was conducted between November 2014 and January 2015 by way of interviews with each Director. The interviews were based on 14 questions that EquityCommunications developed in consultation with the Chairman and Company Secretary, focusing on the Board's strategic priorities. The outcome was first discussed with the Chairman and subsequently presented to the full Board. The evaluation results were circulated to the Board in February 2015 and then prioritised at the April 2015 Board meeting.

November 2014

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

February 2015

- Budget (initial)
- Remuneration Committee proposals
- Results of Board effectiveness survey and meetings
- Trading update
- Risk management review
- Cyber security

The Board members' fulsome and constructive responses indicated that whilst there are several areas in which behaviours could be modified, or practices tweaked to increase the effectiveness of the Board, the overall assessment concluded that the Board exhibits excellence across many areas of its responsibilities with levels of functionality that are uniformly impressively high.

The report noted that the Board behaves as one team but with each individual having a valued voice; an atmosphere of robust but positive challenge is evident.

The timing of the external review provided an opportunity for the Board members to reflect on the organisational and reporting changes that have occurred over the previous 18 months. These changes include, not only the structural changes to the four sectors and the appointment of the Group Talent Director, but the way Board, committee and Executive Board meetings are conducted. The Board's enthusiastic support for these changes has also been reinforced by the Group's performance and how Halma is now positioned to capitalise on its increased agility both for centrally based executives and sector executives.

The report also commented on the strength of Halma's senior management, with their rise through the ranks being a model for others, but also endowing the Board with a refreshing combination of invaluable service coupled with immense loyalty with no signs of fatigue. However, the Board recognises that exposure to other operating boards can benefit Halma, so additional encouragement for senior executives to seek an external non-executive Director appointment was recommended.

The future size and composition of the Board was one area that produced a divergence of opinion which, ultimately, helped inform the Board's view on executive succession in the lead up to Neil Quinn's retirement from the Board. Whilst previously the Board had considered the ideal composition to be four executive Directors, Neil's retirement, combined with the new organisational structure afforded the Board time to consider its options and time to provide additional Board exposure to the executive team on a rotational basis.

The Board was united in its view about future Board skills and experiences. More diversity would be welcome, and for Halma this goes deeper than gender, geography and age. Whilst Halma would welcome extending female membership of the Board, and non-executive Directors with native geographic experience, especially in the Far East, the Board values diversity of experience and outlook just as highly as gender. Developing this diversity further is a goal for most.

In common with many boards, executive succession was noted during the interviews as being of utmost importance; greater discussion with the entire Board was encouraged.

In terms of strategic planning, the Board concluded that its comprehensive programme ensured alignment of short to medium-term priorities.

Performance evaluation cycle

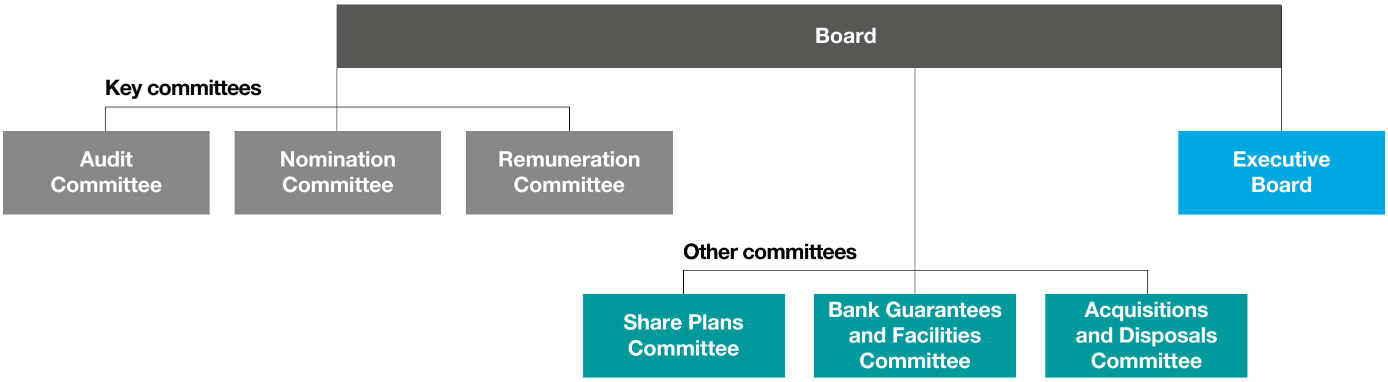
Year 1
External evaluation facilitation

Year 2
Internal review

Year 3
Internal review

Corporate Governance Report continued

Board governance structure



As in prior years, the Board also met in February 2015 before the scheduled Board meeting to provide a forum for discussion of the Board evaluation outside the formal Board meeting. This forum has proven useful for a number of years. The Chairman and non-executive Directors also meet at least once each year without executive Directors present to ensure there is an opportunity to discuss potentially sensitive matters. The Chief Executive will join this Group for part of these meetings at least once per annum. The Senior Independent Director is also available to meet with the non-executive Directors without the Chairman present. The Executives are also given the opportunity to meet with the Chairman and/or the Senior Independent Director separately. The outcome of these meetings is fed back to individuals by the Chairman, Senior Independent Director or Chief Executive, as appropriate.

Committees of the Board

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

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

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

The Executive Board, whilst not a sub-committee of the Board nonetheless provides another means of reinforcement of the Company's operational and corporate governance structure operating within guidelines that reflect the Matters Reserved for 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 56 and 57. The responsibilities of the key Board Committees and the key issues and activities during 2014/15 are set out in the following Committee reports on pages 66 to 90.

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.

During the year, the Remuneration Committee conducted a review of the remuneration policies and practices of the Company and consulted the top 10 shareholders regarding its proposals. More details related to this process are included on pages 72, 73 and 80.

All shareholders are encouraged to attend the annual general meeting where they can gain a better understanding of the Company. Shareholders are able to pose questions to the Board on the matters put to the meeting, including the Annual Report and Accounts and the management of the Company. Major shareholders are also invited to briefings following the half-year and annual results. This year, the Board hosted a dinner on 5 March 2015 in London at which analysts and institutional investors had the opportunity to meet with members of the Group's Executive Board. No new material financial information nor update on current trading is provided at such events. 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.

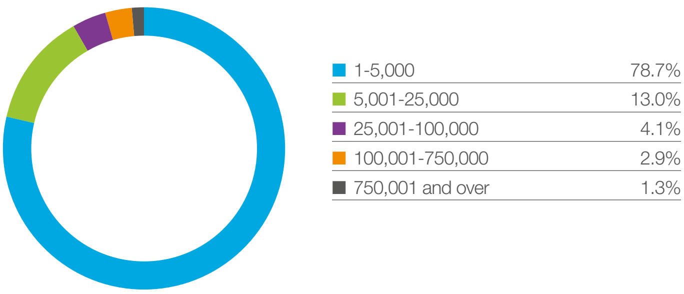
Shareholders can keep up to date with the latest Halma financial news, on the move, with our Investor Relations iPad app. This is available as a free download from the Apple iTunes store, as detailed below. The app is updated at the same time as our website and delivers news releases, regulatory announcements,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

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

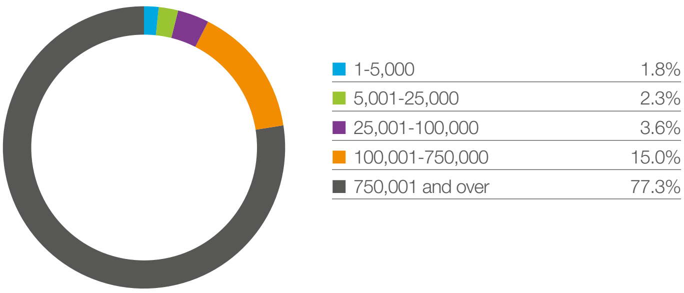
Type this link into your browser to go to the Halma Investor Relations app download page on iTunes: http://goo.gl/4W91y

The Financial calendar is set out on page 164.

Shareholders (number) at 13 May 2015



Analysis of shares (number) at 13 May 2015



Results of our 2014 annual general meeting

		Total votes for %	Total votes against %	Votes withheld %
1	Report and Accounts	99.8	0.0	0.2
2	Dividend	99.8	0.0	0.2
3	Remuneration Policy	96.2	1.0	2.8
4	Remuneration Report	98.9	0.3	0.8
5–12	Directors	92.6 to 99.5	0.2 to 7.1	0.3
13	Reappointment of Auditor	99.8	0.0	0.2
14	Auditor's remuneration	99.8	0.0	0.2
15	Authority to allot shares	98.9	0.9	0.2
16	Disapplication of pre-emption rights	99.6	0.1	0.3
17	Authority to purchase own shares	99.7	0.1	0.2
18	Notice of general meetings	93.1	6.7	0.2

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 26 and 27. The Group's principal risks and uncertainties are detailed on pages 28 to 31.

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 FRC guidance on risk management and internal control. The Board made several enhancements in the conduct of the process during the year and will continue to review the system routinely to ensure that the system of internal control and risk management remains fit for purpose.

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

Going concern

The Group's business activities, together with the main trends and factors likely to affect its future development, performance and position, and the financial position of the Group, its cash flows, liquidity position and borrowing facilities, are set out in the Strategic Report. In addition, note 26 to the financial statements includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposures to currency and liquidity risks.

The Group has considerable financial resources (including a £360m five-year revolving credit facility, of which £220m was undrawn at 28 March 2015) 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. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully.

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

Audit Committee Report

> "The Audit Committee continued to challenge and engage with management, internal audit and the external Auditor to fulfil its expanded role."

Jane Aikman, Chairman, Audit Committee

Audit Committee Chairman overview

During the previous year, the Audit Committee focused on the integrity of the Group's financial reporting including the processes to make our Annual Report and Accounts 'fair, balanced and understandable', the effectiveness and appropriateness of our system of risk management and internal controls as well as our internal and external audit processes, in accordance with the revised Corporate Governance Code.

In 2014/15, the Audit Committee continued to challenge and engage with management, internal audit and the external Auditor to fulfil its expanded role; timely circulation of reports and information also enabled the Committee to continue to discharge its duties and responsibilities effectively. During the course of the year, the Committee considered the approach to the group's upcoming viability statement, the effectiveness of the Group's internal controls and risk management systems and whether there is any scope for improvements in our already integrated and robust approach. As a result of the additional scrutiny there is an increase in the awareness and monitoring of principal risks at all levels – in the subsidiary companies, our sectors and at the Halma Board.

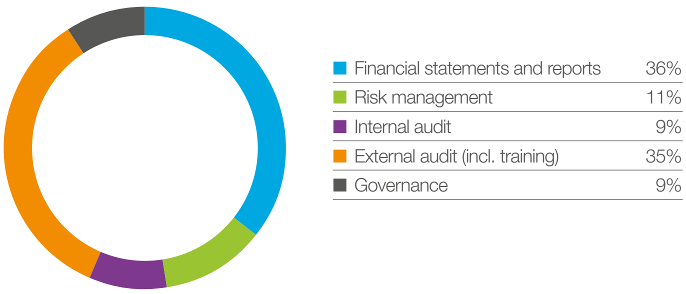
Recent changes in legislation led the Committee to reassess the timing of the external auditor tender and the effectiveness of the process and their conclusions are explained further on in this Report.

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

Audit Committee members

- Jane Aikman (Chairman)
- Stephen Pettit
- Daniela Barone Soares
- Roy Twite (Appointed 24 July 2014)
- Tony Rice (Appointed 8 August 2014)

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 June 2014 (including the recommendations of the Institute of Chartered Secretaries and Administrators (ICSA) June 2013 audit committee terms of reference guidance) and refreshed again in April 2015. Further emphasis is now placed on the increased work scope of the Committee as envisaged by the revised September 2014 FRC Corporate Governance Code and Risk Management and Internal Control Guidance as well as the Competition & Markets Authority Order and other relevant EU guidance relating to auditor tender and tenure. The terms of reference can be found on the Company's website or can be obtained from the Company Secretary.

The primary responsibilities of the Audit Committee are to:

- monitor the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance and review significant financial reporting judgments contained therein;
- have oversight of risk management, including the review of the Group's financial, operational and compliance internal controls, as well as whistleblowing and fraud prevention procedures;
- monitor and review the effectiveness of the Group's Internal Audit function;
- review the tenure of the external auditor in the context of retendering requirements and make recommendations to the Board on the timing of any process;

- make recommendations to the Board, for a resolution to be put to the shareholders for their approval at the general meeting, on the appointment of the external auditor and the approval of the remuneration and terms of engagement of the external auditor;
- review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration the periodic rotation of audit personnel and relevant UK professional and regulatory requirements; and
- develop and implement a policy on the engagement of the external auditor to supply non-audit services, taking into account relevant guidance regarding the provision of non-audit services by the external audit firm.

Key issues and activities

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

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

Audit Committee activities

Financial statements and reports

- reviewed the March 2015 Annual Report and Accounts, the September 2014 Half Year Report and the trading updates issued in July 2014 and February 2015. As part of these reviews the Committee received a report from the external auditor on the audit of the Annual Report and Accounts;
- reviewed the effectiveness of the Group's risk management and internal controls and disclosures made in the Annual Report and financial statements;
- considered acquisition valuation and accounting methodology;
- reviewed pension fund accounts;
- reviewed treasury policy;
- reviewed currency exposure and hedging policies; and
- reviewed 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 and internal control in the Group; and
- considered export controls and other compliance-related matters.

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, via the Company Secretary, to receive, in confidence, complaints on accounting, risk issues, internal controls, auditing issues and related matters; and
- reviewed the resourcing of Internal Audit.

External auditor and non-audit work

- considered the timing and process for external auditor tender;
- reviewed, considered and agreed the scope and methodology of the audit and non-audit work to be undertaken by the external auditor;
- evaluated the independence and objectivity of the external auditor; and
- agreed the terms of engagement and fees to be paid to the external auditor for the audit of the 28 March 2015 financial statements.

Governance

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

Training

Last year the Audit Committee extended its meetings by an hour, which provided capacity to facilitate additional in-depth discussions, presentations and training on topics relating to risk management and internal control, valuation and accounting for acquisitions and disposals, financial reporting (including additional coverage of audit procedures, scope and methodology), fraud, cyber security and governance.

Engagement of the external auditor

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

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

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

External auditor tendering

In accordance with UK regulations, the Company's Auditor adheres to a rotation policy based on best practice and a new Group lead engagement partner is appointed in place of the previous lead engagement partner once he has completed a term of five years in that role. Following a rigorous evaluation of the audit service and a change in audit partner in 2010/11, the Audit Committee agreed that a full tender was not required for the 2013/14 audit. The Committee reconsidered its review during 2014/15 and concluded that a full tender is not currently required. In making this assessment the Committee focused on the robustness of the audit, the quality of delivery of audit services and the effectiveness, objectivity and independence of the Auditor in its reviews. The Committee is satisfied that Deloitte continues to provide an effective audit and appropriate independent challenge to the Group's senior management.

The Committee has noted the revisions to the UK Corporate Governance Code introduced by the Financial Reporting Council (FRC) and is supportive of the recommendation to put the external audit out to tender at least once every 10 years. The recent Competition & Markets Authority's (CMA) Final Order which is now designed to align with the new EU Regulation 547/2014 allows companies greater flexibility over the timing of both their external audit tender and the required five-yearly cycle of partner rotation.

Audit Committee Report continued

Halma is now required to conduct a competitive audit tender by June 2023. Due to these changes in transitional arrangements, the timing of our audit partner rotation next year and the current Audit Committee Chairman planning to step down in 2016/17, the Committee now intends for the incoming Audit Committee Chairman to lead the external tender and the process will be completed before the end of December 2018.

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 with requirement to tender if fees >£100,000

- 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.

Auditor independence

The Group's 'Policy on Auditor Independence and Services provided by the External Auditor' sets out restrictions on the categories of non-audit services which the external auditor is allowed to provide to the Group, a summary of which is provided in the table above. 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 Deloitte, and appointments are made taking into account factors including expertise and fees. The Committee regularly reviews the amount and nature of the non-audit work Deloitte performs. The Audit Committee is notified of all of Deloitte's non-audit services with fees between £50,000 and £100,000. The policy also sets a fee level per project of £100,000 above which non-audit services are subject to a tendering process. The above fee levels for non-audit services are also subject to an annual cap equal to 70% of 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 2014/15 were £803,000 (2014: £759,000) and non-audit service fees were £172,000 (2014: £65,000). The principal non-audit service is tax-advisory related. A summary of fees paid to the external Auditor is set out in note 6 to the Accounts on page 119.

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

Accordingly, the Committee unanimously recommended to the Board that a resolution for the reappointment of Deloitte LLP as the Company's independent Auditor be proposed to shareholders at the AGM in July 2015 and the Board has accepted and endorsed this recommendation.

External audit effectiveness

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

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

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

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

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

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

Taken together, the Committee believes that sufficient and appropriate information is obtained to form an overall judgment on the effectiveness of the external audit process. The external audit effectiveness process findings from last year's review were also incorporated into our audit processes this year.

Risk management and internal controls

Further details of risk management and internal controls are set out on pages 26 to 31. Through monitoring of the effectiveness of its internal controls and risk management, the Committee is able to maintain a good understanding of business performance, key areas of judgment and decision-making processes within the Group.

Significant issues in relation to financial reporting matters in 2014/15

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

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

These issues were discussed with management at various stages during 2014/15 and during the preparation and finalisation of the financial statements. After reviewing the presentations and reports from management the Committee is satisfied that the financial statements appropriately address the critical judgments and key estimates, both in respect of the amounts reported and the disclosures made. The Committee is also satisfied that the significant assumptions used for determining the value of assets and liabilities have been appropriately scrutinised, challenged and are sufficiently robust. The Committee has discussed these issues with the Auditor during the audit planning process and at the finalisation of the year end audit and is satisfied that its conclusions are in line with those drawn by the Auditor in relation to these issues.

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

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

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

- the treatment and valuation of the contingent consideration payable in relation to ASL, Advanced and MST;
- review of the fair value of acquired intangible assets for Advanced and RCS;
- composition of the cash generating units and related calculations;
- the evidence supporting the going concern basis of accounts preparation, the new viability statement to be introduced in 2015/16 and the risk management and internal control disclosure requirements;
- the relative value of projects in development and completed projects comprising the capitalised development costs balance and the coverage of these values by expected future cash flows to test the assertion of management that no projects were at risk of impairment; and
- accounting assumptions and disclosures of the Defined Benefit pension plans following the closure of the plans to future benefit accrual.

Fair, balanced and understandable report and accounts

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

These focused exercises can be summarised as follows:

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

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

On behalf of the Audit Committee

Jane Aikman
Chairman
11 June 2015

Nomination Committee Report

"...the Board succession plan [is] to refresh the Board over a two-year period when both the current Senior Independent Director/Remuneration Committee Chairman and Audit Committee Chairman will be stepping down."

Paul Walker, Chairman, Nomination Committee

Nomination Committee Chairman overview

The role of the Nomination Committee is to:

- review the balance and composition of the Board and its Committees, ensuring that they remain appropriate;
- be responsible for overseeing the Board's succession planning requirements including the identification and assessment of potential Board candidates and making recommendations to the Board for its approval; and
- keep under review the leadership needs of, and succession planning for, the Group in relation to both its executive Directors and other senior executives. This includes the consideration of recommendations made by the Chief Executive for changes to the executive membership of the Board.

During 2014/15 the Committee has focused heavily on executive and Board succession with the following key outcomes.

- The April 2014 appointment of Jennifer Ward as Group Talent Director, an Executive Board position;
- The April 2014 decision to appoint each non-executive Director to each of the Nomination, Audit and Remuneration Committees reflecting the Board's emphasis on full transparency;
- The appointment on 24 July 2014 of Roy Twite and Tony Rice on 8 August 2014 as non-executive Directors following the resignations of Steve Marshall and Norman Blackwell, each due to other external commitments;
- In light of the unanticipated Board resignations, the assessment of Stephen Pettit's independence prior to inviting him to remain on the Board as Senior Independent Director and Chairman of the Remuneration Committee until, no later than, the 2015 AGM;
- Review and implementation of the Board succession plan to refresh the Board over a two-year period when both the current Senior Independent Director/Remuneration Committee Chairman and Audit Committee Chairman will be stepping down. This has been aimed at balancing Board evolution with stability and in keeping with the Board's composition principles including promoting diversity including in terms of gender and experience. Good progress has been made on this during the year with the appointment of two new non-executive Directors while robust progress to identify Stephen Pettit's successor is ongoing.

Board succession and composition will remain a priority for the coming year as the Board continues to execute its succession plan.

Nomination Committee members

- Paul Walker (Chairman)
- Andrew Williams
- Stephen Pettit
- Jane Aikman (appointed 10 April 2014)
- Daniela Barone Soares (appointed 10 April 2014)
- Roy Twite (appointed 24 July 2014)
- Tony Rice (appointed 8 August 2014)

Allocation of time %

Succession planning and recruitment	41%
Governance and reporting	17%
Independence and (re-)election of Directors	25%
Composition of the Board	17%

Responsibilities

The Nomination Committee is appointed by the Board from the non-executive Directors of the Group and the Chief Executive. The Nomination Committee's terms of reference include all matters indicated by the UK Corporate Governance Code. The terms of reference are considered annually by the Nomination Committee and are then referred to the Board for approval. The full terms of reference were reviewed during the year and updated in April 2015. The terms of reference can be found on the Company's website or can be obtained from the Company Secretary.

The primary responsibilities of the Nomination Committee are to:

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

Governance

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

Steve Marshall and Norman Blackwell were members of the Committee prior to their retirements on 24 July 2014.

Key issues and activities

The Committee met on several occasions during the year and considered:

- the re-election of all Directors at the July 2014 annual general meeting;
- succession planning;
- external board evaluation;
- Steve Marshall and Norman Blackwell's resignations;
- the independence of non-executive Directors;
- Stephen Pettit's re-election to the Board and its Committees and appointment as SID and Chairman of the Remuneration Committee;
- the nominations and appointments of Jane Aikman and Daniela Barone Soares to the Nomination and Remuneration Committees; and
- the nomination and appointment of Roy Twite and Tony Rice as non-executive Directors and members of the Nomination, Audit 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.

The Nomination Committee, led by Paul Walker, conducted the non-executive Director succession searches. A global search firm, JCA Associates, which had no other connection to Halma, was appointed. A wide range of high calibre candidates was considered for each role. The Committee and Board confirmed both Roy Twite's and Tony Rice's independence upon appointment and were unanimous in their decisions to appoint them. The current search is being conducted similarly with the assistance of the Lygon Group.

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

Following Stephen Pettit's retirement after the 2015 AGM, and based upon the Committee's recommendations, Tony Rice will assume the roles of Senior Independent Director and Chairman of the Remuneration Committee.

With Neil Quinn's resignation from the Board in May 2015, the Nomination Committee has the opportunity to give further consideration to the executive composition of the Board in light of the structural changes made to the Executive Board in April 2014 aligning it with the four market sectors. As the structural changes have proven successful, we have the luxury of being able to take some time to make a considered assessment.

As noted on page 60 and on pages 62 to 64, the process of appointments to the Board is paramount in ensuring the Company's performance is maintained and continually improved upon.

On behalf of the Nomination Committee

Paul Walker
Chairman
11 June 2015

Remuneration Committee Report
Chairman's Statement

> "...the main elements of the remuneration policy are robust and have stood the test of time."

Stephen Pettit, Remuneration Committee Chairman

Remuneration Committee Chairman Overview

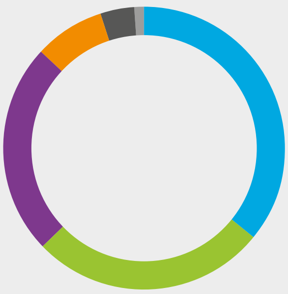
On behalf of the Board I am pleased to present the Directors' Remuneration Report for the year ended 28 March 2015.

As set out on page 2, Halma's strategy is to build a strong competitive advantage in specialised safety, health and environmental technology markets with resilient growth drivers. This strategy has long been underpinned by the Group's remuneration framework which balances a short-term cash incentive related to improvements in the Economic Value Added (EVA) in a financial year with a longer-term share incentive related to returns on Total Invested Capital (ROTIC) and Total Shareholder Return (TSR).

Remuneration Committee members

- Paul Walker (Chairman)
- Stephen Pettit
- Jane Aikman (appointed 10 April 2014)
- Daniela Barone Soares (appointed 10 April 2014)
- Roy Twite (appointed 24 July 2014)
- Tony Rice (appointed 8 August 2014)

Allocation of time %



Governance and reporting	36%
Remuneration framework	27%
Shareholder consultation	24%
Incentive targets	8%
Equity incentives	4%
Pension arrangements	1%

Review of executive remuneration and link to strategy

In late 2014, the Committee conducted the most comprehensive review of remuneration practice at Halma for 10 years. I am pleased to say that we have concluded that the principles and main elements of the remuneration policy are robust and have stood the test of time. We have, however, identified areas where our executives' contributions are undervalued, areas where we can better link long term performance and reward, and areas where we can improve the control framework around executive pay.

The review of our remuneration practice has followed on logically from the Board strategy review, which took place in late 2013. This strategy review was focused particularly on the scalability and robustness of the Halma business model. During this review, it became clear that, whilst the fundamental elements of our strategy are sound, the company is much larger, has become more complex and requires more sophisticated ways of managing it. In April 2014, therefore, we announced a new organisational construct of four discrete sectors, each with its own Sector CEO, and each a significant business in its own right.

This new organisational construct, together with the expiry of the 10-year life of our present Performance Share Plan in 2015, triggered the need for the full review of our remuneration practice.

Halma has enjoyed a high level of continuity of service amongst its high performing executive team, which is unusual amongst its peers. But this continuity has meant that we have not tested the external market for remuneration, because we have not had to recruit from outside the business at these senior levels. As part of the remuneration review, we have therefore undertaken an external benchmarking exercise, with the help of our new remuneration advisers. External recruitment of Sector Vice Presidents immediately below the Sector CEO level and the benchmarking highlighted the fact that our remuneration policy has lagged behind the market in important areas and has become uncompetitive, particularly taking account of the increased complexity of the business and the executives' roles.

I would like to emphasise that we do not support frequent benchmarking of salaries and other elements of remuneration for the top team. For the future, we would expect any further adjustments to reflect practice for the general Halma workforce, barring exceptional circumstances.

The structural changes to the incentive plans provide for a higher proportion of long-term share-based remuneration and a tighter link between incentive payments and the business strategy. These provide a more robust link between what the executives are paid and the long-term interests of shareholders.

Rather than try and introduce the review at the same time as the changes to the executive structure in April 2014, the Committee deferred such a review so that a new policy would apply from April 2015. This deferral allowed the management changes and, indeed Board level changes to the Chairman and non-executive Directors, to become embedded and also coincided with the time to renew the Company's Performance Share Plan, which has reached the end of its 10-year life. Taking such a period to reflect on what we are trying to achieve is sensible and consistent with the Halma operating culture.

The changes that the Committee proposes are detailed within this report, but, in formulating these proposals, the Committee ensured that any increases to potential earnings were self-financing from the additional performance, and continue to be measured objectively and transparently.

As an important part of the remuneration review, the Committee consulted the Company's major shareholders and their representative bodies on the proposed changes, which I can summarise as:

– executive salaries are proposed to increase to align to market median levels and then be fixed to workforce inflationary increases (barring further significant changes to role and complexity);
– the annual bonus incentive opportunity will increase from 100% of salary to 125%-150% of salary;
– one third of any annual bonus earned will be payable in shares and deferred for two years;
– performance share awards will increase from 140% to a maximum award limit of 200% (250% in exceptional circumstances) of base salary (with awards lower than the 200% level initially other than for the CEO);
– a stretching EPS growth metric will replace the TSR metric in the Performance Share Plan;
– robust recovery and withholding provisions will apply; and
– shareholding requirements will be introduced at a 200% of base salary level for executive Directors.

In addition, during the year we ceased any future accrual within the Defined Benefit pension plan on 1 December 2014, through which a number of executives accrued benefits.

Remuneration outcomes in 2014/15

The Company has delivered another year of strong performance. In particular adjusted profit before tax improved by 10% and with tight controls on capital the Economic Value Added performance condition generated annual bonus payments to executive Directors of 53% to 100% of base salary.

Performance was similarly strong over the three-year performance period for the Performance Share awards granted in the 2011/12 financial year, with ROTIC averaging at 16.2% and total shareholder return of 56.7%, placing Halma in the second quartile against our comparator group. Accordingly 73.7% of the Performance Share awards vested in August 2014. The performance conditions for the awards vesting in August 2015 were met at approximately 75% overall when measured at year end.

Shareholder voting at the 2015 AGM

The changes we have made to our remuneration policy require Halma to seek binding shareholder approval at the 2015 AGM to approve this policy for up to three years from the date of the AGM. There will also be the usual advisory resolution to approve the Annual Report on Remuneration, which focuses on the remuneration outcomes for the year under review, and how the Remuneration Committee intends to implement the new policy next year. Finally, there will be a separate resolution to approve the new Performance Share Plan.

My colleagues on the Remuneration Committee and I hope that you are supportive of our new remuneration policy, the Annual Report Remuneration and new Performance Share Plan resolutions, which have been the product of a rigorous review and investor consultation.

Finally, as announced previously I am retiring from the Board at this year's AGM, with Tony Rice taking over as Chairman of the Remuneration Committee from me.

Stephen Pettit
Remuneration Committee Chairman
11 June 2015

Remuneration Committee Report continued
Remuneration Policy

This section of the report details the policy for executive and non-executive Directors which shareholders are asked to approve at the 2015 AGM. This policy will formally come into effect from 23 July 2015, being the date of the 2015 AGM, and be effective for up to three years.

Compliance Statement

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

In line with the Regulations, the following parts of the Annual Report on Remuneration are audited: the single figure for total remuneration for each Director, including annual bonus and performance share plan outcomes for the financial year ending 28 March 2015; plan interests awarded during the year; pension entitlements; payments to past Directors and payments for loss of office; and Directors' shareholdings and share interests. All other parts of the Directors' Remuneration Report are unaudited.

Remuneration Policy

The remuneration policy is designed to promote the long-term interests of the Company by securing the high calibre executives needed to manage the Group successfully, and to align their interests with those of our shareholders by rewarding them for enhancing shareholder value. The policy also seeks to reward achievement of stretching performance targets without driving unacceptable behaviours or encouraging excessive risk-taking.

Element and objective	Operation and process
Executive Directors	
Salary A fair, fixed remuneration reflecting the size and scope of the executive's responsibilities which attracts and retains high calibre talent necessary for the delivery of the Group's strategy.	Reviewed annually or following a material change in responsibilities. Salary is benchmarked periodically against appropriate comparators of similar size and operating in a similar sector, and is linked to individual performance and contribution. Salary is the only element of remuneration that is pensionable.
Benefits To provide benefits that are competitive within the relevant market.	Benefits are appropriate to the location of the executive and typically comprise (but are not limited to) a company car, life insurance, permanent disability insurance, private medical insurance, relocation and tax advice for international assignments.
Pension To provide competitive post-retirement benefits, or the cash allowance equivalent, to provide the opportunity for executives to save for their retirement.	Executive Directors participate in either a Group Defined Contribution pension plan or the US 401k money purchase arrangement. Cash supplements in lieu of Company pension contributions may be made to some individuals at a level dependent upon seniority and length of service. To the extent the pension contributions exceed the local tax allowance, the contributions may be paid to the executive, subject to taxes and social charges. Some executives are deferred members of the Group Defined Benefit pension plan which closed to future accrual in December 2014.

The Committee carried out a comprehensive review of remuneration during the year coincident with the expiry of the life of the current Performance Share Plan (PSP). It noted that there were aspects of the current policy that work well and should therefore be retained. However, it also noted that both the Company and market practice have moved on in the past 10 years since the last formal review. Accordingly, it concluded that there should be changes to the policy to reinforce the link between executive remuneration and the Company's long-term performance so as to enhance the executives' alignment with the long-term interests of shareholders.

There are six elements of the remuneration policy for executive Directors, which are summarised in the table below.

Opportunity	Performance measures
Base salary increases will be applied in line with the outcome of the review (normally with effect from 1 April). Salaries for the financial year under review (and the following year) are disclosed in the Annual Report on Remuneration. Salary increases for executive Directors will not normally exceed the average of the wider employee population other than in exceptional circumstances. Where increases are awarded in excess of the wider employee population, for example where there is a material change in the responsibility, size or complexity of the role, the Committee will provide the rationale in the relevant year's Annual Report on Remuneration.	Not applicable
Benefits may vary by role, and the level is determined to be appropriate for the role and circumstances of each individual executive Director. The maximum value will equate to the reasonable market cost of such benefits. It is not anticipated that the current cost of benefits (as set out in the Annual Report on Remuneration) would increase materially over the period for which this policy will apply. The Committee retains the discretion to approve a higher cost in exceptional circumstances (e.g. relocation expenses or an expatriation allowance on recruitment, etc.) or in circumstances where factors outside the Company's control have changed materially (e.g. market increases in insurance costs). The rationale behind the exercise of such discretion will be provided in the relevant year's Annual Report on Remuneration.	Not applicable
Defined Contribution: maximum contribution of 20% of pensionable salary which is capped at £155,528 (2014/15: £153,684). The maximum contribution rate for executives joining prior to 2014/15 was 27.5%. Cash supplement: Halma contributes up to 26% of full salary if the executive Director is a former active member of the Defined Benefit pension plan. Defined Contribution members whose contributions exceed the local tax allowance are paid the excess contributions, on the capped pensionable salary, as a cash supplement. 401k: contributions of 3% of salary with a discretionary 2% profit share component subject to IRS caps. Defined Benefit: now closed to future accrual, but provides a maximum pension equivalent to two thirds of final pensionable salary, up to a CPI-indexed cap; £155,528 for 2015/16.	Not applicable

Remuneration Committee Report continued
Remuneration Policy continued

Element and objective	Operation and process
Executive Directors	
Annual Incentive To incentivise and focus management on the achievement of an objective annual target which supports the short- to medium-term strategy of the Group.	The structure of the Annual Incentive is reviewed at the start of the year to ensure that the performance measures and their weightings remain appropriately aligned with the Group's strategy and are sufficiently challenging. Performance targets are calibrated and set at the start of the year, with reference to a range of relevant reference points including the annual budget agreed by the Board. At the end of the year, the Committee determines the extent to which these targets have been achieved. Payment of one third of any bonus is in the form of an award of shares that is deferred for two years, with vesting normally subject to continued service. Dividend equivalents accrue over the vesting period. Dividend equivalents are paid in cash or shares at the end of the vesting period. Deferral into shares provides a link to the long-term strategy of the Group and enhances the retentiveness of the policy. A recovery and withholding provision enables the Company to recoup overpayments in the event of misstatement, error or misconduct, either through withholding future remuneration or requiring the executive to repay the requisite amount.
Performance Share Plan (PSP) To incentivise executives to achieve superior returns to shareholders over a three-year period rewarding them for sustained performance against challenging long-term targets; to retain key individuals and align interests with shareholders, reflecting the sustainability of the business model over the long-term and the creation of shareholder value.	Executive Directors are granted annual awards over Halma plc shares or a cash equivalent where required by regulation as determined by the Committee; awards vest after a period of at least three years based on Group performance. Dividend equivalents accrue over the vesting period. Dividend equivalents are paid in cash or shares at the end of the vesting period, and only on those shares which vest. A recovery and withholding provision enables the Company to recoup overpayments in the event of misstatement, error or misconduct, either through withholding future remuneration or requiring the executive to repay the requisite amount.
Share Incentive Plan (SIP) To encourage share ownership across all UK-based employees using HMRC-approved schemes.	The SIP is an HMRC-approved arrangement. It entitles all UK-based employees to receive Halma shares in a potentially tax-advantageous manner.
Chairman and non-executive Directors	
Chairman and non-executive Director fees To attract individuals with the requisite skills, experience and knowledge to contribute to the Board.	Non-executive Director fees are determined by the Board and may comprise a base fee, chairmanship fee and Senior Independent Director fee. The Chairman's fee is determined by the Committee.

Notes to the Policy Table
Payments from Existing Awards
The Committee will honour any commitment entered into, and executive Directors will be eligible to receive payment from any award made, prior to the approval and implementation of the Remuneration Policy detailed in this report, i.e. before 23 July 2015. Details of these awards are disclosed in the Annual Report on Remuneration.

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

In the annual bonus, the use of EVA, in summary, profit less a charge for capital employed (definition is provided on page 83) reinforces the Group's business objective to double Group revenue and profit every five years through a mix of acquisitions and organic growth. Profit is a function of the extent to which the Company has achieved both its organic growth target and its success in identifying appropriate acquisition targets in current and past years. Ensuring that the cost of funding acquisitions is reflected in the bonus model means that executives share the benefit of an acquisition that outperforms expectations, but equally bear the cost of overpaying for an acquisition. Good or poor management of working capital is also reflected in the calculation of EVA.

In the PSP, EPS provides a disciplined focus on increasing profitability and thereby provides close shareholder alignment through incentivising shareholder value creation, and ROTIC reinforces the focus on capital efficiency and delivery of strong returns, thereby further strengthening the alignment of remuneration with the Group strategy.

Opportunity	Performance measures
Maximum opportunity: 150% of base salary for the Chief Executive and Finance Director and 125% of base salary for other Directors. Target opportunity: 60% of maximum. Bonus payable at threshold: 0% of salary. In exceptional circumstances, the Committee has the ability to exercise discretion to override the formulaic bonus outcome within the limits of the scheme where it believes the outcome is not truly reflective of performance and to ensure fairness to both shareholders and participants.	The bonus is based 100% on the achievement of financial performance targets. The primary measure used to determine bonus outcomes is EVA, although the Committee may, in its discretion and from time to time, supplement EVA with additional financial measures that reflect Halma's strategic priorities for the year, provided any such additional measure accounts for no more than 30% of the overall bonus opportunity. Details of the measures, weightings and targets applicable for the financial year under review are provided in the Annual Report on Remuneration.
Maximum opportunity: Up to 200% of salary. In exceptional circumstances, such as to facilitate the recruitment of an external candidate, the Committee may, in its absolute discretion, exceed this maximum annual opportunity, subject to a limit of 250% of salary. Threshold performance will result in the vesting of 25% of the maximum award.	Vesting of PSP awards is subject to continued employment and the Company's performance over a three-year performance period. To the extent performance conditions are not met, awards will lapse. The performance measures will be Earnings per Share (EPS) and Return on Total Invested Capital (ROTIC), and subject to a minimum weighting of 25% on either of these measures. Details of the weightings and targets applicable for awards made in the financial year under review are provided in the Annual Report on Remuneration.
Participation limits are in line with those set by HMRC from time to time.	Not applicable.
Fees are normally reviewed annually in April, but typically only reset triennially. Increases are effective from 1 April. The fee paid to the Chairman is determined by the Committee, and fees to NEDs are determined by the Board. The fees are calculated by reference to market levels and take account of the time commitment and the responsibilities of the NEDs. Additional fees are payable for acting as Senior Independent Director and for being the Chairman of a Board Committee, as appropriate. Fees are paid in cash.	The fees paid to non-executive Directors in respect of the year under review (and for the following year) are disclosed in the Annual Remuneration Report.

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

Remuneration Policy for Other Employees

Our approach to salary reviews is consistent across the Group, with consideration given to the level of responsibility, experience, individual performance, market levels and the Company's ability to pay. The Committee considers remuneration surveys to establish market rates, as appropriate, but uses such data carefully so as to avoid an upward ratchet.

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

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

Approach to Recruitment Remuneration

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

Remuneration Committee Report continued
Remuneration Policy continued

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

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

In addition to the elements of remuneration set in the policy table, in exceptional circumstances the Committee may consider it appropriate to grant an incentive award under a different structure in order to facilitate the recruitment of an individual, to replace incentive arrangements forfeited on leaving a previous employer. In making such awards, the Committee will look to replicate the arrangements being forfeited as closely as possible and in doing so consider relevant factors including any performance conditions attached to these awards, the payment mechanism, expected value and the remaining vesting period of these awards.

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

Share Ownership Guidelines
To ensure alignment between the interests of executive Directors and those of shareholders, the Company requires executive Directors to progressively build up and maintain a beneficial holding of Halma plc shares equivalent to a minimum of 200% of salary (2014/15: 100%). Until such time as this threshold is achieved, executive Directors are required to retain no less than 50% of the net of tax value of any vested PSP or deferred share bonus award.

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

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

* Neil Quinn has resigned from his employment with the Company effective 31 March 2016 and from the Board effective 14 May 2015; as such he will not be seeking re-election to the Board at the 2015 AGM.

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

When considering termination payments under incentive schemes, the Committee reviews all potential incentive outcomes to ensure they are fair to both shareholders and participants. The table below summarises how the awards under the annual bonus and PSP are treated in specific circumstances under the rules of the relevant plan and the extent to which the Committee has discretion:

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

Pay-for-Performance: Scenario Analysis

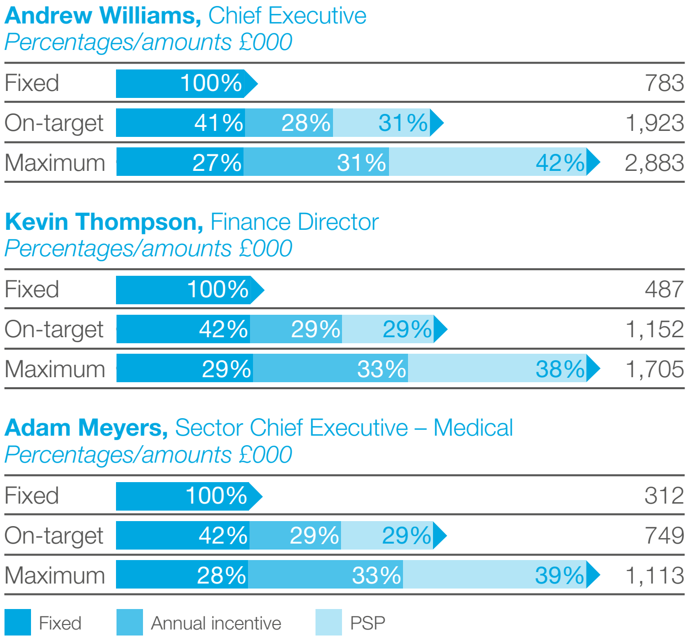
The following charts provide an estimate of the potential future rewards for executive Directors, and the potential split between different elements of pay, under three different performance scenarios: 'Fixed', 'On-target' and 'Maximum'.

Potential reward opportunities are based on Halma's remuneration policy, applied to salaries as at 1 April 2015. In the case of the Chief Executive, Finance Director and other executive Directors this assumes a PSP award level of 200%, 175% and 150% of salary respectively (which is the basis on which the policy will be applied In the first year). The projected values exclude the impact of any share price movements and dividend equivalents.

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

The 'On-target' scenario shows fixed remuneration as above, plus a target pay out of 60% of the maximum under the annual bonus and vesting of 50% of a single year's award under the PSP.

The 'Maximum' scenario reflects fixed remuneration, plus maximum payout of annual bonus and PSP awards.



Non-executive Directors

Unless otherwise indicated, all non-executive Directors (NEDs) have a specific three-year term of engagement, subject to annual re-election at the AGM, which may be renewed for further three-year terms if both the Director and the Board agree. The remuneration of the Chairman and the NEDs is determined by the Committee and the Board in accordance with the shareholder approval policy.

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

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

Non-executive Director	Date of appointment	Notice period
Paul Walker	April 2013	6 months
Stephen Pettit	September 2003	3 months*
Jane Aikman	August 2007	3 months
Daniela Barone Soares	November 2011	3 months
Roy Twite	July 2014	3 months
Tony Rice	August 2014	3 months

* Stephen Pettit has given notice of his intention to retire from the Board effective at the close of the 2015 AGM. As such, he is not seeking re-election to the Board.

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

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

Details of the policy on NED fees are set out in the table on pages 76 and 77.

NED Recruitment

In recruiting a new Chairman or NED, the Committee will use the policy as set out in the table on pages 76 and 77.

Considerations of Conditions Elsewhere in the Group

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

Considerations of Shareholder Views

When determining remuneration, the Committee takes into account the views of our shareholders and 'best practice' guidelines set by shareholder representative bodies. As part of their consideration of the new remuneration policy the Committee consulted widely with the Company's major institutional shareholders and their representative bodies. The Committee always welcomes feedback from shareholders on the Company's remuneration policy. Detail on the votes received on the remuneration policy and Annual Report on Directors' Remuneration at the prior annual general meeting is provided in the Annual Remuneration Report.

External Directorships

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

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

During the year, Andrew Williams was appointed a non-executive director of Capita plc. Fees paid to him during the period to 28 March 2015 were £16,000.

Annual Remuneration Report

The following section provides details of how Halma's remuneration policy was implemented during the financial year ending 28 March 2015, and how it will be implemented in 2015/16.

The Remuneration Committee

The primary responsibilities of the Remuneration Committee are to:

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

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

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

As at 28 March 2015, the Committee comprised the following non-executive Directors:

– Stephen Pettit (Chairman)
– Paul Walker
– Jane Aikman (from 10 April 2014)
– Daniela Barone Soares (from 10 April 2014)
– Tony Rice (from 24 July 2014)
– Roy Twite (from 8 August 2014)

Steve Marshall and Norman Blackwell were members of the Committee during the year, until their retirement from the Board at the July 2014 annual general meeting.

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

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

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

External Advisers

New Bridge Street acted as the independent remuneration adviser to the Committee during the latter part of the year, having been appointed by the Committee in October 2014; prior to that date, Kepler Associates advised the Committee. New Bridge Street (NBS) attends Committee meetings, as appropriate, and provides advice on remuneration for executives, analysis on all elements of the remuneration policy and regular market and best practice updates. NBS reports directly to the Committee Chairman and is a signatory to the Code of Conduct for Remuneration Consultants of UK-listed companies (which can be found at www.remunerationconsultantsgroup.com). NBS provides no other services to the Company, and is therefore considered independent. NBS's fees for the year were £47,000.

Shareholder Vote at 2014 annual general meeting

The following table shows the results of the voting at the 24 July 2014 annual general meeting.

	For	Against	Total	Withheld
Remuneration Policy				
Number of votes cast	261,662,093	2,751,401	264,413,494	7,524,717
% of votes cast	99.0%	1.0%	100%	
Directors' Remuneration Report				
Total number of votes	268,861,782	728,429	269,590,211	2,348,001
% of votes cast	99.7%	0.3%	100%	

Annual Remuneration Report continued

Single Figure of Total Remuneration for Directors

The tables below set out the single figure of total remuneration received by Directors for the year to 28 March 2015 and the prior year.

2015

Executive Directors	Salary[1] £000	Benefits[2] £000	Pension[3] £000	Annual bonus[4] £000	PSP[5] £000	SOS/SIP[6] £000	Total remuneration £000
Andrew Williams	515	27	134	271	743	180	1,870
Kevin Thompson	330	14	186	173	514	256	1,473
Adam Meyers[7]	279	9	12	270	432	170	1,172
Non-executive Directors							
Paul Walker[8]	180	–	–	–	–	–	180
Stephen Pettit	59	–	–	–	–	–	59
Jane Aikman	56	–	–	–	–	–	56
Daniela Barone Soares	48	–	–	–	–	–	48
Roy Twite[8]	33	–	–	–	–	–	33
Tony Rice[8]	31	–	–	–	–	–	31
Past Directors							
Norman Blackwell[9]	16	–	–	–	–	–	16
Steve Marshall[9]	18	–	–	–	–	–	18
Neil Quinn[10]	250	14	–	250	372	225	1,111
							6,067

2014

Executive Directors	Salary[1] £000	Benefits[2] £000	Pension[3] £000	Annual bonus[4] £000	PSP[5] £000	SOS/SIP[6] £000	Total remuneration £000
Andrew Williams	482	27	146	178	707	3	1,543
Kevin Thompson	310	14	101	114	443	3	985
Adam Meyers[7]	261	12	12	105	379	–	769
Non-executive Directors							
Paul Walker[8]	133	–	–	–	–	–	133
Stephen Pettit	55	–	–	–	–	–	55
Jane Aikman	52	–	–	–	–	–	52
Daniela Barone Soares	45	–	–	–	–	–	45
Past Directors							
Geoff Unwin[8]	44	–	–	–	–	–	44
Norman Blackwell[9]	50	–	–	–	–	–	50
Steve Marshall[9]	54	–	–	–	–	–	54
Neil Quinn[10]	241	14	–	235	346	3	839
							4,569

1 Salary: amount earned for the year.

2 Benefits: company car and private medical insurance.

3 Pension: value based on increase in accrued pensions (net of inflation) multiplied by a factor of 20, and/or the Company's pension contribution during the year. Neil Quinn had reached the Normal Retirement Date and therefore no future pension contribution or cash supplement was payable.

4 Annual bonus: payment for performance during the year.

5 PSP: the value of awards vesting on performance during the years ending 28 March 2015 (estimated) and 29 March 2014 (actual).

6 SOS: gains on awards vesting in the period; SIP: valued based on the face value of shares at grant.

7 Remunerated in US dollars and translated at the average exchange rate for the year (2015: US$1.61; 2014: US$1.59).

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

9 Norman Blackwell and Steve Marshall retired from the Board on 24 July 2014.

10 Neil Quinn retired from the Board on 14 May 2015.

Other Payments

No payments were made to former Directors after their retirement, nor were any payments made on cessation during the year under review.

Incentive Outcomes for 2015

Annual bonus in respect of 2015

In 2015, the maximum bonus opportunity for executive Directors was 100% of salary, linked to performance as measured by an Economic Value Added (EVA) calculation (100%).

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

EVA calculation:

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

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

Bonuses for 2015 are based on the sectoral allocation that existed throughout 2015. Transitional provisions exist for restructuring to ensure Sector CEOs remain appropriately incentivised. Subsidiary executives participate in bonus arrangements similar to those established for senior executives.

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

Executive Director	EVA threshold 000	EVA actual 000	Overall bonus outcome (% of salary)	EVA maximum 000
Andrew Williams	£84,160	£97,236	53%	£102,306
Kevin Thompson	£84,160	£97,236	53%	£102,316
Neil Quinn	£29,959	£37,096	100%	£36,922
Adam Meyers	$27,804	$34,680	97%	$34,806

No discretion was applied by the Committee in determining the annual bonus outcome calculation for 2015. The EVA maximum column represents the EVA performance at which 100% of salary is payable as a bonus (the maximum for 2014/15).

Performance Share Plan (PSP): 2012 Awards (vesting during the year to 2 April 2016)

In August 2012, the executive Directors received awards of performance shares under the PSP. The performance targets for the 2012 awards are illustrated below and the vesting criteria are 50% TSR-related and 50% ROTIC-related.

Performance conditions for awards made in 2012/13 to 2014/15

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

The three-year period over which these two independent performance metrics is measured ends on 1 August 2015. ROTIC is 16.10% (the average ROTIC for 2013, 2014 and 2015) and TSR relative to the FTSE 250 excluding financial companies was 59th percentile through year end, which results in vesting of 75% of the maximum award. The vesting estimate included in the single figure of Total Remuneration for Directors for 2015 is detailed in the table below:

Executive Director	Interest held	Face value at grant £000	Vesting %	Interest vesting	Average price at year end	Vesting value £000
Andrew Williams	141,658	572	75%	106,244	698.93p	**743**
Kevin Thompson	98,066	396		73,550		**514**
Neil Quinn	70,954	286		53,216		**372**
Adam Meyers	82,408	333		61,806		**437**

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

Performance Share Plan: Awards (granted during 2014/15)

On 12 August 2014, the executive Directors were granted awards under the PSP, the size of which reflects an assessment of each individual executive's achievement of their objectives (agreed at the start of the 2014 financial year).

Executive Director	Awards made during the year	Market price at date of award	Face value at date of award	Face value at date of award (% of salary)	Maximum award permitted
Andrew Williams	117,748	569.9p	£671,046	130.3%	140%
Kevin Thompson	77,829		£443,547	134.4%	140%
Neil Quinn	59,203		£337,398	135.5%	140%
Adam Meyers	62,821		£358,017	126.5%	140%

The percentages above are relative to base salaries.

The three-year performance period over which ROTIC performance will be measured is April 2014 to March 2017. TSR performance is measured between 1 May 2014 and 1 August 2017 due to three-month averaging of TSR at 1 August 2014 being compared to the three-month average at 1 August 2017. The ROTIC element will be based on the average ROTIC for 2015, 2016 and 2017. The award is eligible to vest in its entirety on the third anniversary of the date of grant (i.e. 12 August 2017), subject to 50% on ROTIC and 50% on TSR performance. The independent performance targets applicable to awards granted in 2014 are as stated above for awards made from 2012/13 to 2014/15.

Implementation of Remuneration Policy for 2016

Salary

The Committee conducted a consultation of the top 10 shareholders in February and March 2015. The consultation was highlighted as necessary in last year's report to shareholders and was deferred until this year in order to accommodate changes in the Board constitution and to coincide with the necessity to replace the Performance Share Plan. As stated last year, the Committee had identified that, whilst Halma's performance had been strong in recent years, salaries for Halma's executive Directors (and the value of the total package) were not competitive for a group of Halma's size and complexity. The Committee believed it was appropriate to move salaries above market lower quartile and closer to a market median level. The robust review conducted this year makes those necessary adjustments; for the remainder of the policy period, it is anticipated that salary increases will align with those awarded across the Group more generally. The Committee recognises the need to continue to exercise restraint on executive remuneration, and notes that the resulting packages remain at or below median for companies of our size and sector. Therefore, the Committee approved the following salary increases with effect from 1 April 2015. By way of comparison, the average salary increase across the sectors for 2016 was between 2% and 4%.

Executive Director	Salary from 1 April 2015	**Salary from 1 April 2014**	% change
Andrew Williams	£600,000	**£515,000**	16.5%
Kevin Thompson	£375,000	**£330,000**	13.6%
Neil Quinn*	£250,000	**£250,000**	–%
Adam Meyers	$470,000	**$450,000**	4.4%

* As mentioned above, Neil Quinn has given the Company notice of his resignation effective 31 March 2016. Accordingly he will be paid his salary to that date and be entitled to receive a pro rata bonus and will not be receiving a PSP award for 2015/16. PSP awards from earlier years will vest on their third anniversary and be subject to pro-ration for service and performance conditions always subject to good leaver status being confirmed.

Pension and benefits

No change to the executive Directors' current pension and benefits arrangements is anticipated for 2015/16.

Annual bonus

The maximum annual bonus opportunity 2016 will increase to 150% for the Group CEO and FD and 125% for other executive Directors (2015: 100%) with one third being payable in shares which are deferred for two years.

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

Bonus payments will be subject to recovery and withholding provisions during a period of three years from the date of payment.

PSP

Subject to shareholder approval, PSP awards will be made after the 2015 AGM. The number of shares over which awards will be made is determined by the share price leading up to the award, but the value of each award, relative to salary has been fixed as follows:

Executive Director	Salary for 2015/16	PSP fixed award	Value of 2015 award
Andrew Williams	£600,000	200%	£1,200,000
Kevin Thompson	£375,000	175%	£656,250
Adam Meyers	$470,000	150%	$705,000

The PSP awards to be granted in August 2015 will be subject to an earnings per share performance target for 50% of the award and a ROTIC target for 50% of the award. The performance targets are set out below:

Performance targets for 2015/16 PSP award

ROTIC* (post tax)	% of award vesting**
<11.0%	0%
11.0%	12.5%
17.0% or more	50%

* Average ROTIC over the performance period.

** There is straight line vesting in between threshold and maximum vesting.

EPS*	% of award vesting**
<5%	0%
5%	12.5%
12% or more	50%

* Adjusted earnings per share growth over the three-year performance period.

** There is straight line vesting in between threshold and maximum vesting.

Remuneration Committee Report continued
Annual Remuneration Report continued

Chairman and non-executive Director fees
The Chairman's and the NEDs' fees, as detailed below, were last increased by the Board in April 2014. Fees are subject to an annual review each April, but resetting is expected to be triennial. The next resetting is anticipated to be in 2016.

Fees	**Fees from 1 April 2015**	Fees from 1 April 2014
Chairman	**£180,000**	£180,000
Base fee	**£48,000**	£48,000
Senior Independent Director	**£5,000**	£5,000
Audit Committee Chair	**£7,500**	£7,500
Remuneration Committee Chair	**£7,500**	£7,500
Committee Member	**£nil**	£nil

The committee membership fee was consolidated into the base fee with effect from 1 April 2014 and appropriate adjustments made to committee chair fees.

Percentage Change in CEO Remuneration
The table below shows the percentage change in the CEO's remuneration from the prior year compared to the average percentage change in remuneration for other employees. To provide a meaningful comparison, the analysis includes only salaried management employees and is based on a consistent set of employees, i.e. the same individuals appear in the 2015 and 2014 populations.

	2015	2014		
	CEO £000	CEO £000	**CEO % change**	**Other employees % change**
Salary	**515**	482	6.8%	6.4%
Taxable benefits	**27**	27	–%	–%
Annual bonus	**271**	178	52.2%	44.5%

Relative importance of spend on pay
The table below shows the percentage change in total employee pay expenditure and shareholder distributions (i.e. dividends and share buybacks) from the financial year ended 29 March 2014 to the financial year ended 28 March 2015.

	2015 £m	2014 £m	**% change**
Distribution to shareholders	**45.3**	42.2	7.1%
Employee remuneration (gross)	**199.8**	180.9	10.4%
Employee remuneration (pro-rated)	**199.8**	192.9	3.6%

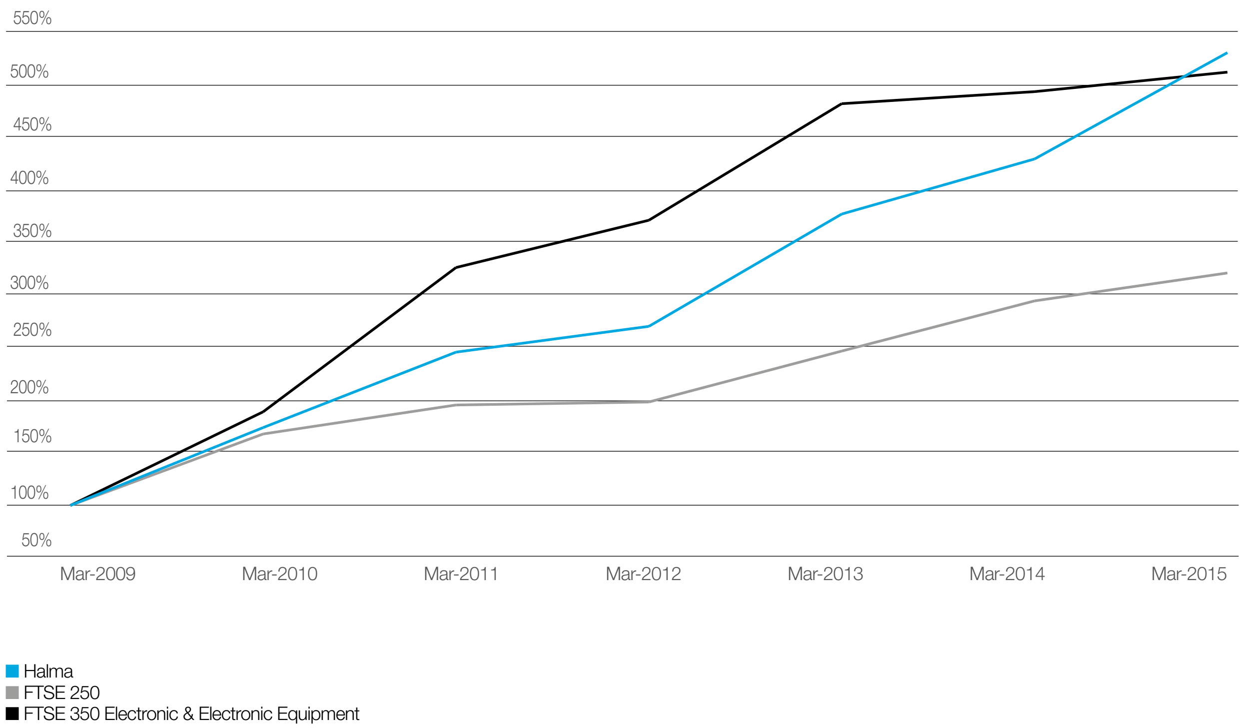
The Directors are proposing a final dividend for the year ended 28 March 2015 of 7.31p per share (2014: 6.82p).

Pro-rated employee remuneration represents a restatement of the prior year employee remuneration for the current year number of employees.

Pay for performance
The six-year graph on the next page shows the Company's TSR performance over the six years to 28 March 2015 as compared to the FTSE 250 and the FTSE 350 Electronic & Electrical Equipment indices. Over the period indicated, the Company's TSR was 525% compared to 318% for the FTSE 250 and 507% for the FTSE 350 Electronic & Electrical Equipment Index.

The FTSE 250 has been selected as a broad market comparator, and the FTSE 350 Electronic & Electrical Equipment index has been selected because the Company believes that the constituent companies of this index are the most appropriate for this comparison as they are affected by similar commercial and economic factors to Halma. The table below the chart details the CEO's single figure remuneration and actual variable pay outcomes over the same period.

Total Shareholder Return (six years)



	2010	2011	2012	2013	2014	2015
CEO single figure remuneration (£000)	£1,472	£1,999	£1,715	£1,958	£1,543	**£1,870**
Annual bonus outcome (% of maximum)	19%	100%	40%	48%	37%	**53%**
PSP vesting outcome (% of maximum)	96%	100%	100%	98%	74%	**75%**

Directors' Interests in Halma Shares

The interests of the Directors in office at 28 March 2015 and their families in the ordinary shares of the Company at the following dates were as follows:

	Shares 28 March 2015	Shares 29 March 2014
Paul Walker	**30,000**	30,000
Andrew Williams	**541,130**	522,029
Kevin Thompson	**369,112**	357,711
Stephen Pettit	**2,000**	2,000
Neil Quinn	**311,865**	301,264
Jane Aikman	**2,000**	2,000
Adam Meyers	**318,480**	296,953
Daniela Barone Soares	**1,319**	1,319
Roy Twite	**2,000**	–
Tony Rice	**7,665**	–

The executive Directors each meet the new guideline for 2015/16 of holding Company shares to the value of at least two times salary (2015 and prior: one times salary). Roy Twite and Tony Rice held no interests in the Company's shares upon their appointment. There are no other non-beneficial interests of Directors. There were no changes in Directors' interests from 28 March 2015 to 11 June 2015.

Details of Directors' interests in shares and options under Halma long-term incentives are set out in the sections below.

Directors' Interests in Halma Share Plans

Details of Directors' outstanding performance shares under the PSP free shares under the SIP and share options under the Share Option Plan) are outlined in the tables below.

	Date of grant	As at 29 March 2014	Granted/(vested) in the year	Five-day average share price on grant (p)	**As at 28 March 2015**
Performance Share Plan					
Andrew Williams	12 Aug 11	164,912	(121,526)	362.34	–
	8 Aug 12	141,658		403.70	**141,658**
	7 Aug 13	114,646		557.60	**114,646**
	12 Aug 14		117,748	569.90	**117,748**
Kevin Thompson	12 Aug 11	103,571	(76,322)	362.34	–
	8 Aug 12	98,066		403.70	**98,066**
	7 Aug 13	71,041		557.60	**71,041**
	12 Aug 14		77,829	569.90	**77,829**
Neil Quinn	12 Aug 11	80,810	(59,549)	362.34	–
	8 Aug 12	70,954		403.70	**70,954**
	7 Aug 13	57,054		557.60	**57,054**
	12 Aug 14		59,203	569.90	**59,203**
Adam Meyers	12 Aug 11	88,552	(65,255)	362.34	–
	8 Aug 12	82,408		403.70	**82,408**
	7 Aug 13	62,767		557.60	**62,767**
	12 Aug 14		62,821	569.90	**62,821**

The performance conditions for PSP shares awarded in August 2011 differ from those awarded in August 2012, 2013 and 2014. The performance conditions attached to the latter awards are outlined on page 84. The August 2011 awards had the same performance conditions as the 2012 to 2014 awards; however, the ROTIC vesting range began at 9.5% and fully rested at 14.0%.

As at year end, the vesting expectations for grants made in 2012 is 75%; for grants made 2013, 84%, and for grants made in 2014, 89%.

	Date of grant	As at 29 March 2014	Granted/ (withdrawn) in the year	Share price on award (p)	**As at 28 March 2015**
Share Incentive Plan					
Andrew Williams	1 Oct 10	857		319.60	**857**
	1 Oct 11	921		315.60	**921**
	1 Oct 12	695		431.10	**695**
	1 Oct 13	528		567.50	**528**
	1 Oct 14		601	598.50	**601**
Kevin Thompson	1 Oct 10	882		319.60	**882**
	1 Oct 11	949		315.60	**949**
	1 Oct 12	695		431.10	**695**
	1 Oct 13	528		567.50	**528**
	1 Oct 14		601	598.50	**601**
Neil Quinn	1 Oct 10	882		319.60	**882**
	1 Oct 11	949		315.60	**949**
	1 Oct 12	695		431.10	**695**
	1 Oct 13	528		567.50	**528**
	1 Oct 14		601	598.50	**601**

The SIP shares are held in an external trust and become the employee's absolutely after three years. There are tax benefits for retaining the shares in the trust for at least five years.

Details of Directors' outstanding share options as at 28 March 2015 are outlined in the table below.

	As at 29 March 2014	Exercised in the year	**As at 28 March 2015**	**Gain on exercise (£)**
Share Option Plan				
Andrew Williams	39,367	(39,367)	**–**	**176,725**
Kevin Thompson	56,239	(56,239)	**–**	**252,466**
Neil Quinn	49,209	(49,209)	**–**	**220,908**
Adam Meyers	69,470	(69,470)	**–**	**343,955**

There were no share option grants or lapses during the financial year.

After publication of the 2014 Annual Report and Accounts, the upper quartile EPS performance condition was met and Directors' share options over 182,878 shares, at an exercise price of 142.25p, were exercised on 24 June 2014 at a price of 591.17p per share.

The Company's Register of Directors' Interests, which is open to inspection at the Registered Office, contains full details of Directors' shareholdings and share options. There have been no variations to the terms and conditions or performance criteria for share options during the financial year.

Directors' pensions

As noted below, two UK executive Directors are deferred members of the Halma Group Pension Plan ('Plan'). Their benefit is a funded final salary occupational pension from a plan registered with HMRC providing 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 £155,528).

Bonuses and other fluctuating emoluments and benefits-in-kind are not pensionable nor subject to any pension supplement. The Plan also provides for life cover of three times salary, pensions in the event of early retirement through ill-health and dependants' pensions of one-half of the member's prospective pension. Where an executive has a form of pension protection, life cover is provided by a separate trust.

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.

UK executive Directors receive pension supplements to compensate them for the fact that their pension accrual entitlement under the Halma Group Pension Plan is limited by the pensionable salary cap introduced from 6 April 2006 or the Lifetime Allowance. The Company introduced a pensionable salary cap in order to address changes affecting the Plan made in the Pension Act 2006.

During the year, the Company closed the DB section to future accrual with effect from 1 December 2014. The Company obtains external advice regarding the changes to the Plan and executive pension arrangements and provides educational seminars on the impact of pension legislation changes (annual and lifetime allowances) on individuals. Otherwise, executive Directors are responsible for obtaining advice specific to their circumstances.

Prior to drawing his pension, to the extent that an executive's current salary exceeds the Plan salary cap, the Company compensates him at an annual rate of 26% of the excess. In April 2006, Kevin Thompson chose to cease future service accrual in the Plan in return for the pension supplement on his full salary. In April 2014, Andrew Williams chose to cease future service accrual in the Plan in return for the pension supplement on his full salary. This change is, broadly, cost neutral.

Neil Quinn has reached the Normal Retirement Date and is drawing his pension, therefore no future pension contribution or cash supplement is payable.

Two Directors accrued benefits under the Company's Defined Benefit pension plan during the year as follows.

Executive Director	**Age at 28 March 2015**	**Years of pensionable service at 28 March 2015**	**Increase in accrued benefits £000**	**Increase in accrued benefits net of inflation £000**	**Accrued benefits at 28 March 2015 £000**
Andrew Williams	47	20	–	1	**61**
Kevin Thompson	55	18	5	1	**118**

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

Executive Director	Transfer value at 29 March 2014 £000	**Transfer value at 28 March 2015 £000**	**Director contribution in the year £000**	**Transfer value increase/ (decrease) after deducting Director contribution £000**
Andrew Williams	864	**1,149**	**–**	**1,149**
Kevin Thompson	2,262	**2,599**	**–**	**2,599**

The transfer values disclosed above do not represent a sum paid or payable to the individual Director. Instead they represent a potential liability of the pension plan. The transfer values are Gilt-related and depend upon the relative standings of the Gilt market at the respective valuation dates. The increase in transfer values in recent years is predominantly due to the significant reduction in the yields available on UK Gilts. Other factors that have increased the transfer values are the impact of any additional service, revaluation in line with inflation and any real salary increases as well as the anticipated ageing of the member. These values have been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11.

Adam Meyers is a member of the US 401k money purchase scheme. Company contributions paid in the year were $18,863 (£11,716) (2014: $18,600 (£11,698)).

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 160 to 163.

Ordinary dividends

The Directors recommend a final dividend of 7.31p per share and, if approved, this dividend will be paid on 19 August 2015 to ordinary shareholders on the register at the close of business on 17 July 2015. Together with the interim dividend of 4.65p per share already paid, this will make a total of 11.96p (2014: 11.17p) 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.

The Company's existing Performance Share Plan (the '2005 PSP') will reach the end of its 10-year life in 2015. This resolution therefore seeks approval to introduce a new Executive Share Plan to replace the 2005 PSP. The new Plan will share many of the features of the 2005 PSP but has been updated to reflect current legislation, best practice and corporate governance requirements including recovery and withholding provisions. In addition, the new Plan will include flexibility to grant performance-related share awards, other share awards and deferred bonus awards.

The new Plan will be used primarily to grant performance-related awards and deferred bonus awards to executive Directors and selected senior employees. The Remuneration Committee believes that the ability to continue to grant long term share-based incentives as part of a balanced remuneration package will create a strong alignment of long term interest between senior management and shareholders.

No awards have been made under the 2005 PSP in 2015. It is intended that initial performance awards will be made to executive Directors and selected senior management shortly following shareholder approval of the Plan. The first grants of the deferred bonus awards will be made in 2016, following determination of bonuses for the 2015/16 financial year.

Dilution limits

The existing PSP has awarded shares, before lapses, over a ten-year period totalling 4.0% of the Company's issued share capital; this is within the 10.0% overall limit and the 7.5% limit for discretionary share awards agreed in 2005. The Company has utilised treasury shares to satisfy all such awards.

The new 2015 Executive Share Plan provides that overall dilution through the issuance of new shares for employee share schemes (including treasury shares) should not exceed an amount equivalent to 10% of the Company's issued share capital over a ten-year period and for discretionary share awards to senior management 5% over a ten-year period. As at the date of this report, the Company remains within these limits.

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 election at that meeting. Therefore, in accordance with the UK Corporate Governance Code each of the Directors, being eligible, will offer themselves for election or 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.

Other Statutory Information continued

Power of Directors

The powers of Directors are described in the Matters Reserved for the Board, copies of which are available on request from the Company Secretary, and the Corporate Governance Report on pages 59 to 65.

Essential contracts and change of control

There are a number of agreements that take effect, alter or terminate upon a change of control of the Company, principally bank loan agreements and employee share plans.

The only significant agreement, in terms of its likely impact on the business of the Group as a whole, containing such provisions is that governing the £360m syndicated revolving credit facility which, if within 10 days of a change of control notice to the Loan agent, can result in 30 days' notice being given to the Company by any Lender, for all amounts outstanding to that Lender, to be immediately due and payable, at which time the commitment of that Lender will be cancelled. If all of the Lenders give this notice the whole facility would be cancelled.

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

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

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

Allotment authority

Under the Companies Act 2006 the Directors may only allot shares if authorised by shareholders to do so. At the Annual General Meeting an ordinary resolution will be proposed which, if passed, will authorise the Directors to allot and issue new shares up to an aggregate nominal value of £12,500,000 (up to 125,000,000 new ordinary shares of 10p each), being just less than one third of the issued share capital of the Company (excluding treasury shares) as at 8 June 2015 (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 2016. 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 8 June 2015 (the latest practicable date prior to the publication of the Notice of Meeting), the Company had 379,645,332 ordinary shares of 10p each in issue of which 1,371,785 were held as treasury shares, which is equal to approximately 0.36% 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 10% of the aggregate nominal value of the issued share capital of the Company as at 8 June 2015 (the latest practicable date prior to the publication of the Notice of Meeting). The resolution will also modify statutory pre-emption rights to deal with legal, regulatory or practical problems that may arise on a rights issue or other pre-emptive offer or issue. The authority will expire at the same time as the resolution conferring authority on the Directors to allot shares. The Directors consider this authority necessary in order to give them flexibility to deal with opportunities as they arise, subject to the restrictions contained in the resolution. There are no present plans to issue shares, except under share plans previously approved in general meeting.

Directors

The names of the Directors of the Company who served throughout the year, with brief biographies, are set out on pages 56 and 57.

Directors' indemnities

The Company has entered into deeds of indemnity with each of the current Directors, which remain in force at the date of this report. These are qualifying third-party indemnity provisions for the purposes of the Companies Act 2006.

Purchase of the Company's own shares

The Company was authorised at the 2014 annual general meeting to purchase up to 37,700,000 of its own 10p ordinary shares in the market. This authority expires at the end of the 2015 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 8 June 2015 (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 28 March 2015, 1,076,865 shares, with a nominal value of £107,686.50, which is 0.36% of the Company's issued share capital as at 8 June 2015 (the latest practicable date prior to the publication of the Notice of Meeting), were purchased in the market for treasury. Under the proposed 2015 Executive Share Plan, shares vesting may be satisfied with market purchased shares held in trust or in treasury or with new issue shares. 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 8 June 2015, which is the latest practicable date prior to the publication of the Notice of Meeting, no further options were outstanding.

Annual General Meeting

The Company's Annual General Meeting will be held on 23 July 2015. The Notice of Meeting, together with an explanation of the proposed resolutions, is enclosed with this Annual Report and Accounts and is also available on the Company's website at www.halma.com.

Substantial shareholdings

On 8 June 2015, 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.

	28 March 2015		8 June 2015		
	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	37,841,275	10.00	37,841,275	10.00	Indirect
Sprucegrove Investment Management Ltd	18,776,510	4.96	18,776,510	4.96	Indirect
Norges Bank	11,338,891	3.00	11,338,891	3.94	Direct
BlackRock Inc	14,646,007	3.87	14,646,007	3.87	Indirect
Mawer Investment Management	15,149,012	4.00	15,149,012	4.00	Direct
Capital Group	15,431,693	4.08	17,340,346	4.58	Indirect

Special Business

The Board will propose four special resolutions under Special Business at the Annual General Meeting. One of these is to permit the Company to retain the ability to call general meetings (other than annual general meetings) at 14 days' notice rather than 21 days' notice, in accordance with the EU Shareholder Rights Directive implemented in August 2009. Another special resolution is to amend the Company's Articles of Association to fix Directors' fees at an aggregate maximum of £750,000.

Auditor

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

- so far as the Director is aware, there is no relevant audit information of which the Company's Auditor is unaware; and
- the Director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Deloitte LLP has expressed its willingness to continue in office as Auditor and a resolution to reappoint Deloitte LLP will be proposed at the forthcoming Annual General Meeting.

Scope of the reporting in this Annual Report and Accounts

The Board has prepared a Strategic Report (including the Chairman's Statement and the Chief Executive's Strategic Review) which provides an overview of the development and performance of the Company's business in the year ended 28 March 2015 and its position at the end of that year, and which covers likely future developments in the business of the Company and the Group.

For the purposes of compliance with DTR 4.1.5 R(2) and DTR 4.1.8 R, the required content of the management report can be found in the Strategic report and these Regulatory disclosures, including the sections of the Annual Report and Accounts incorporated by reference.

For the purposes of LR 9.8.4C R, the following items are not applicable: (1) interest capitalised; (2) publication of unaudited financial information; (5) waiver of emoluments by a Director; (6) waiver of future emoluments by a Director; (7) non pre-emptive issues of equity for cash; (8) item (7) in relation to major subsidiary undertakings; (9) parent participation in a placing by a listed subsidiary; (11) provisions of services by a controlling shareholder; (13) shareholder waivers of future dividends; and (14) agreements with controlling shareholders.

Applicable items can be located as follows: (4) details of long-term incentive schemes – note 23 to the Financial Statements; (10) contracts of significance and (12) shareholder waiver of dividends – Other Statutory Information, page 91.

Adoption of Financial Reporting Standard (FRS) 101 – Reduced Disclosure Framework

Following the publication of FRS 100 Application of Financial Reporting Requirements by the Financial Reporting Council, Halma plc is required to change its accounting framework for its Company financial statements (published on pages 151 to 157 in this Annual Report and Accounts), which is currently UK GAAP, for its financial year commencing 29 March 2015. The Board considers that it is in the best interests of the group for Halma plc to adopt the FRS 101 Reduced Disclosure Framework, which is intended for use by parent and subsidiary companies of groups reporting under IFRS on a consolidated basis. No disclosures in the current UK GAAP Company financial statements would be omitted on adoption of FRS 101. A shareholder or shareholders holding in aggregate 5% or more of the total allotted shares in Halma plc may serve objections to the use of the disclosure exemptions on Halma plc, in writing, to its registered office (Misbourne Court, Rectory Way, Amersham, Buckinghamshire, UK, HP7 0DE) not later than 31 August 2015.

By order of the Board

Carol Chesney
Company Secretary
11 June 2015

Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have chosen to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the parent company financial statements, the Directors are required to:

– select suitable accounting policies and then apply them consistently;
– make judgments and accounting estimates that are reasonable and prudent;
– state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
– prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:

– properly select and apply accounting policies;
– present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
– provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
– make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' responsibility statement

We confirm that to the best of our knowledge:

– the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
– the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
– the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

By order of the Board

Andrew Williams
Chief Executive
11 June 2015

Kevin Thompson
Finance Director

Independent Auditor's Report to the Members of Halma plc

Opinion on financial statements of Halma plc

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 28 March 2015 and of the Group's profit for the 52 week period then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practices; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The financial statements comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group and parent company Balance Sheets, the Group Cash Flow Statement, the Group Statement of Changes in Equity and the related notes 1 to 31. The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the parent company financial statements, applicable law and United Kingdom Generally Accepted Accounting Practices, as applied in accordance with the provisions of the Companies Act 2006.

Going concern

As required by the Listing Rules we have reviewed the directors' statement on page 65 that the Group is a going concern. We confirm that:

- we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
- we have not identified any material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.

Risk	How the scope of our audit responded to the risk
Valuation of goodwill and intangible assets At 28 March 2015, the net book value of goodwill and intangible assets was £545m (2014: £448m). Assessment of the carrying value of goodwill and intangible assets is a significant risk due to the quantum of the balance recorded on the Consolidated Balance Sheet. There is also a risk relating to the key assumptions and assertions used by management to support their assessment of the carrying value of goodwill and intangible assets due to the number of judgments involved in determining recoverable amounts. In assessing the carrying value, management has made a number of key assumptions, including short-term and long-term growth rates, discount rates, the forecast trading performance based on management's view of future business prospects and the use of 10 individual cash generating units. *The associated disclosure is included in notes 11 and 12. The Audit Committee has included their assessment of this risk on page 69 and it is included in the key accounting estimates and judgments on pages 106 and 107.*	We agreed the cash generating unit (CGU) groupings to information reviewed by management to make decisions about their business. We also challenged the forecast cashflows used in the model against historical performance and post period trading data. There are 10 CGU groups. We compared short-term growth rates against the short-term historical achieved rates, which were adjusted for specific outliers. We confirmed the agreed rates and challenged management on the appropriateness of any outliers. We recalculated the long-term growth rates cap at the weighted average of market specific GDP growth rates, which we agreed to external sources. We agreed the Group discount rate was within a range of external party calculations. We also checked the sector specific premiums against the prior year comparatives and concluded on any variances using external input data movements. Furthermore, we benchmarked the discount rates against published rates for the external peer group. We recalculated management's sensitivity analysis and replaced key assumptions with alternative scenario values. This includes: replacing the discount rate with the highest discount rate identified in our benchmarking of peer group companies, capping the short-term growth rates at FY15 growth levels and amending forecasts to reflect any FY15 adverse variances of actual versus budget. We have checked the arithmetical accuracy of the impairment model. We also assessed whether the Annual Report disclosure includes specific growth and discount rates for those deemed to be significant CGUs.

Independent Auditor's Report to the Members of Halma plc continued

Risk	Our response
Acquisition accounting There were three acquisitions in the period with a total consideration of £97m. The acquisitions were Rohrback Cosasco Systems Inc. (RCS), Advanced Electronics Limited (Advanced), and Plasticspritzerei AG (Plasticspritzerei). There is a risk that acquisitions are not accounted for correctly in line with IFRS 3 'Business combinations'. The risk relates to the assumptions and assertions used by management to fair value the acquired assets and liabilities. Judgments include the forecast future trading (an output of growth rates, useful life and customer ratios) as well as future contingent consideration payments including the treatment of future amounts based on employment conditions. In determining the fair value of intangible assets acquired management use a valuation model that incorporates their assumptions in respect of forecast revenues, useful life, forecast margins and discount rates. These acquisition accounting judgments are key as the fair value of the acquired intangible assets are included in the balance sheet and the residual goodwill balance is not amortised. *Details of the acquisitions are disclosed in note 24 to the accounts. The Audit Committee has included their assessment of this risk on page 69 and it is included in the key accounting estimates and judgments on pages 106 and 107.*	We obtained the models for the acquisitions in the period and reviewed the fair value adjustments and the calculation of acquired intangibles. We agreed key opening balance sheet values to supporting schedules and evidence where applicable. We challenged the key assumptions in the acquired intangibles model including growth rates, useful lives and percentage of key customers, plus churn rates. We discussed these variables with informed individuals at the acquired entity and at head office, obtaining appropriate supporting evidence. We also agreed some of the key customer order levels to historical supporting data to prove validity and confirmed the churn rate calculation completeness via agreeing historical orders placed by a selection of key customers. We benchmarked the output of the acquisition models, including the goodwill to intangible asset ratio, to similar prior year acquisitions challenging any significant variances and considering the business rationale. For historical acquisitions we compared the forecast contingent consideration positions to post year end trading results, approved budgets and historical levels of settlement. We agreed the underlying data in the contingent consideration calculation to signed sale and purchase agreements and the trading performance applied in the calculation to the audited entity's trial balance for the current period. We assessed whether management's treatment of contingent consideration payment arrangements for former owners, as either additional purchase consideration or post-acquisition remuneration, is appropriate by reviewing the sale and purchase agreements.
Defined benefit pension plan assumptions At 28 March 2015 the net retirement benefit liability recognised in the Consolidated Balance Sheet was £67m (2014: £37m). There is a risk relating to judgments made by management in valuing the defined benefit pension plans including the use of key model input assumptions such as discount rates, mortality assumptions and inflation levels. These variables can have a material impact in calculating the quantum of the retirement benefit liability. Management utilise the services of third party actuarial advisers to determine their key assumptions. *Details of the defined benefit pension plans are disclosed in note 28 to the accounts. The Audit Committee has included their assessment of this risk on page 69 and it is included in the key accounting estimates and judgments on pages 106 and 107.*	We used our internal actuarial experts to assess the assumptions applied in determining the pension obligations, particularly given recent market volatility, and determined whether the key assumptions are reasonable. This included reviewing available yield curves and inflation data to recalculate a reasonable range for the key assumptions. We challenged management to understand the sensitivity of changes in assumptions and quantify a range of reasonable rates that could be used in their calculation. We discussed the output of sensitivity analysis with management and their third party actuarial advisers. We checked the arithmetical accuracy of the pension calculation model. Additionally we benchmarked key assumptions against other listed companies to check for any outliers in the data used.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

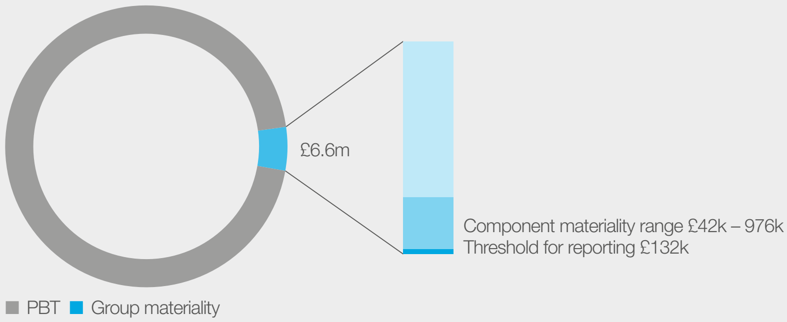
Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the Group to be £6.6m (2014: £9.8m), which is 5% (2014: 7%) of statutory pre-tax profit, and below 2% (2014: below 3%) of equity. The percentage change was to align more closely with comparable companies.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £132,000 (2014: £196,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

Materiality



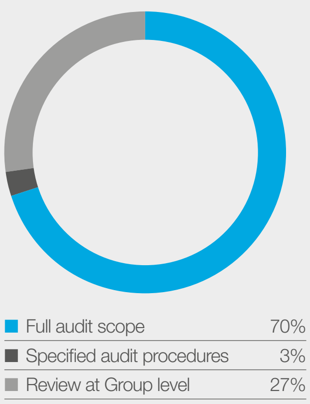
An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. Based on that assessment, we focused our Group audit scope primarily on the audit work for 52 out of 88 trading entities (2014: 52 out of 81). The increase in total trading entities was a result of the acquisitions in the period, offset by the disposal of Monitor Elevator Products Inc. 47 (2014: 46) of these were subject to a full audit, whilst the remaining five (2014: 6) were subject to specified audit procedures where the extent of our testing was based on our assessment of the risks of material misstatement and of the materiality of the Group's operations at those locations. The full scope audit entities represent the principal business units and account for 70% (2014: 71%) of the Group's revenue, 73% (2014: 73%) of the Group's profit before tax and 78% (2014: 78%) of the Group's net assets. The specified audit procedures entities account for 3% (2014: 3%) of the Group's revenue, 0% (2014: 0%) of the Group's profit before tax and 0% (2014: 2%) of the Group's net assets. They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. Our audit work on the 52 entities was executed at levels of materiality applicable to each individual entity which were lower than Group materiality and ranged from £42,000 to £976,000 (2014: £36,000 to £1,025,000).

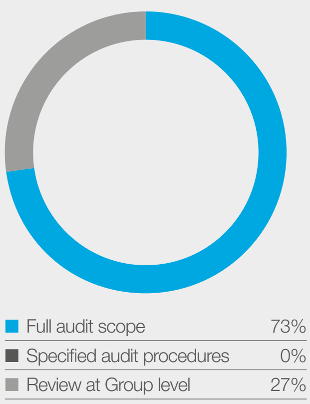
At the parent entity level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or specified audit procedures. These procedures also included, at a minimum, obtaining the bank reconciliations and statements for all entities above a £132,000 threshold. For a selection of relevant entities, based on a risk threshold criteria, we also performed revenue cut-off, subsequent cash receipt and inventory provision testing necessary to conclude on these balances.

The Group audit team have established a programme of planned component visits that has been designed so that a senior member of the Group audit team visits each of the significant components where the Group audit scope was focused at least once every three years and the most significant of them at least once a year (defined as contributing greater than 10% of Group profit or revenue). In years when we do not visit a significant component we will include the component audit team in our team briefing, discuss their risk assessment, and review documentation of the findings from their work.

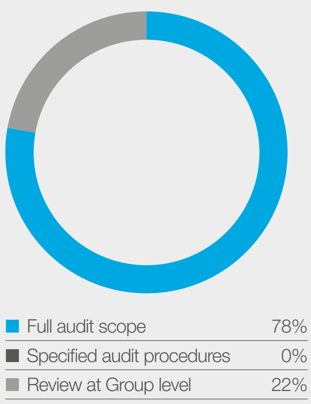
Revenue



Profit before tax



Net assets



Independent Auditor's Report to the Members of Halma plc continued

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns. We have nothing to report arising from these matters.

Corporate Governance Statement

Under the Listing Rules we are also required to review the part of the Corporate Governance Statement relating to the company's compliance with 10 provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

Our duty to read other information in the Annual Report

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the Annual Report is fair, balanced and understandable and whether the Annual Report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Alexander Butterworth ACA (Senior statutory auditor)

for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Reading, UK
11 June 2015

Consolidated Income Statement

	Notes	52 weeks to 28 March 2015 Before adjustments* £000	52 weeks to 28 March 2015 Adjustments* (note 1) £000	52 weeks to 28 March 2015 Total £000	52 weeks to 29 March 2014 Before adjustments* £000	52 weeks to 29 March 2014 Adjustments* (note 1) £000	52 weeks to 29 March 2014 Total £000
Continuing operations							
Revenue	1	**726,134**	**–**	**726,134**	676,506	–	676,506
Operating profit		**158,500**	**(21,437)**	**137,063**	144,660	(1,089)	143,571
Share of results of associates	14	**64**	**–**	**64**	307	–	307
Profit/(loss) on disposal of operations	29	**–**	**1,430**	**1,430**	–	(483)	(483)
Finance income	4	**167**	**–**	**167**	622	–	622
Finance expense	5	**(5,113)**	**–**	**(5,113)**	(5,340)	–	(5,340)
Profit before taxation	6	**153,618**	**(20,007)**	**133,611**	140,249	(1,572)	138,677
Taxation	9	**(35,706)**	**6,096**	**(29,610)**	(32,685)	335	(32,350)
Profit for the year attributable to equity shareholders	1	**117,912**	**(13,911)**	**104,001**	107,564	(1,237)	106,327
Earnings per share	2						
From continuing operations							
Basic		**31.17p**		**27.49p**	28.47p		28.14p
Diluted				**27.48p**			28.13p
Dividends in respect of the year	10						
Paid and proposed (£000)				**45,252**			42,235
Paid and proposed per share				**11.96p**			11.17p

* Adjustments include the amortisation of acquired intangible assets; acquisition items; profit or loss on disposal of operations; the effects of closure to future benefit accrual of the defined benefit pension plans net of associated costs (prior year only); and the associated taxation thereon.

Consolidated Statement of Comprehensive Income and Expenditure

	Notes	52 weeks to 28 March 2015 £000	52 weeks to 29 March 2014 £000
Profit for the year		**104,001**	106,327
Items that will not be reclassified subsequently to the Income Statement:			
Actuarial (losses)/gains on defined benefit pension plans	28	**(34,795)**	2,060
Tax relating to components of Other comprehensive income that will not be reclassified	9	**6,791**	(1,570)
Items that may be reclassified subsequently to the Income Statement:			
Effective portion of changes in fair value of cash flow hedges	26	**71**	499
Exchange gains/(losses) on translation of foreign operations and net investment hedge		**30,900**	(31,379)
Exchange losses transferred to Income Statement on disposal of operation	29	**189**	–
Tax relating to components of Other comprehensive income that may be reclassified	9	**(23)**	(129)
Other comprehensive income/(expense) for the year		**3,133**	(30,519)
Total comprehensive income for the year attributable to equity shareholders		**107,134**	75,808

The exchange gain of £30,900,000 (2014: loss of £31,379,000) includes gains of £862,000 (2014: losses of £2,200,000) which relate to net investment hedges as described on page 110.

Consolidated Balance Sheet

	Notes	28 March 2015 £000	29 March 2014 £000
Non-current assets			
Goodwill	11	**406,190**	335,278
Other intangible assets	12	**138,691**	112,754
Property, plant and equipment	13	**86,303**	74,417
Interests in associates	14	**4,236**	5,088
Deferred tax asset	21	**28,596**	20,677
		664,016	548,214
Current assets			
Inventories	15	**79,734**	71,034
Trade and other receivables	16	**156,464**	135,177
Tax receivable		**20**	172
Cash and bank balances		**41,230**	34,531
Derivative financial instruments	26	**1,069**	496
		278,517	241,410
Total assets		**942,533**	789,624
Current liabilities			
Trade and other payables	17	**102,717**	88,291
Borrowings	18	**1,705**	4,136
Provisions	19	**11,746**	4,482
Tax liabilities		**12,405**	11,340
Derivative financial instruments	26	**636**	167
		129,209	108,416
Net current assets		**149,308**	132,994
Non-current liabilities			
Borrowings	18	**140,419**	104,891
Retirement benefit obligations	28	**66,790**	36,849
Trade and other payables	20	**3,756**	3,564
Provisions	19	**1,549**	6,777
Deferred tax liabilities	21	**51,862**	43,127
		264,376	195,208
Total liabilities		**393,585**	303,624
Net assets		**548,948**	486,000
Equity			
Share capital	22	**37,965**	37,902
Share premium account		**23,608**	22,778
Treasury shares		**(8,450)**	(7,054)
Capital redemption reserve		**185**	185
Hedging and translation reserve		**45,500**	14,363
Other reserves		**(4,073)**	(2,745)
Retained earnings		**454,213**	420,571
Shareholders' funds		**548,948**	486,000

The financial statements of Halma plc, company number 40932, were approved by the Board of Directors on 11 June 2015.

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 29 March 2014	**37,902**	**22,778**	**(7,054)**	**185**	**14,363**	**(2,745)**	**420,571**	**486,000**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**104,001**	**104,001**
Other comprehensive income and expense:								
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**–**	**30,900**	**–**	**–**	**30,900**
Exchange losses transferred to Income Statement on disposal of operation	**–**	**–**	**–**	**–**	**189**	**–**	**–**	**189**
Actuarial losses on defined benefit pension plans	**–**	**–**	**–**	**–**	**–**	**–**	**(34,795)**	**(34,795)**
Effective portion of changes in fair value of cash flow hedges	**–**	**–**	**–**	**–**	**71**	**–**	**–**	**71**
Tax relating to components of other comprehensive income	**–**	**–**	**–**	**–**	**(23)**	**–**	**6,791**	**6,768**
Total other comprehensive income and expense	**–**	**–**	**–**	**–**	**31,137**	**–**	**(28,004)**	**3,133**
Share options exercised	**63**	**830**	**–**	**–**	**–**	**–**	**–**	**893**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**–**	**(43,399)**	**(43,399)**
Share-based payments	**–**	**–**	**–**	**–**	**–**	**(1,619)**	**–**	**(1,619)**
Deferred tax on share-based payment transactions	**–**	**–**	**–**	**–**	**–**	**291**	**–**	**291**
Excess tax deductions related to share-based payments on exercised options	**–**	**–**	**–**	**–**	**–**	**–**	**1,044**	**1,044**
Net movement in treasury shares	**–**	**–**	**(1,396)**	**–**	**–**	**–**	**–**	**(1,396)**
At 28 March 2015	**37,965**	**23,608**	**(8,450)**	**185**	**45,500**	**(4,073)**	**454,213**	**548,948**
At 30 March 2013	37,888	22,598	(4,534)	185	45,372	(1,484)	353,242	453,267
Profit for the year	–	–	–	–	–	–	106,327	106,327
Other comprehensive income and expense:								
Exchange differences on translation of foreign operations	–	–	–	–	(31,379)	–	–	(31,379)
Actuarial gains on defined benefit pension plans	–	–	–	–	–	–	2,060	2,060
Effective portion of changes in fair value of cash flow hedges	–	–	–	–	499	–	–	499
Tax relating to components of other comprehensive income	–	–	–	–	(129)	–	(1,570)	(1,699)
Total other comprehensive income and expense	–	–	–	–	(31,009)	–	490	(30,519)
Share options exercised	14	180	–	–	–	–	–	194
Dividends paid	–	–	–	–	–	–	(40,485)	(40,485)
Share-based payments	–	–	–	–	–	(1,556)	–	(1,556)
Deferred tax on share-based payment transactions	–	–	–	–	–	295	–	295
Excess tax deductions related to share-based payments on exercised options	–	–	–	–	–	–	997	997
Net movement in treasury shares	–	–	(2,520)	–	–	–	–	(2,520)
At 29 March 2014	37,902	22,778	(7,054)	185	14,363	(2,745)	420,571	486,000

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 28 March 2015 the number of treasury shares held was 1,371,785 (2014: 1,278,148) and their market value was £9,616,000 (2014: £7,394,000). The net increase in treasury shares of £1,396,000 (2014: increase of £2,520,000) comprises the purchase of treasury shares of £6,843,000 (2014: £7,515,000) offset by the transfer to Other reserves of £5,447,000 (2014: £4,995,000).

The Hedging and translation reserve is used to record differences arising from the retranslation of the financial statements of foreign operations and the portion of the cumulative net change in the fair value of cash flow hedging instruments that are deemed to be an effective hedge. Other than a net credit of £202,000 (2014: credit of £123,000), 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 28 March 2015 £000**	52 weeks to 29 March 2014 £000
Net cash inflow from operating activities	25	**137,231**	121,538
Cash flows from investing activities			
Purchase of property, plant and equipment	13	**(22,164)**	(15,838)
Purchase of computer software	12	**(1,021)**	(1,529)
Purchase of other intangibles	12	**(382)**	–
Proceeds from sale of property, plant and equipment		**1,411**	1,708
Development costs capitalised	12	**(7,213)**	(5,196)
Interest received		**134**	252
Acquisition of businesses, net of cash acquired	24	**(87,743)**	(16,685)
Disposal of operations, net of cash disposed	29	**4,248**	1,917
Net cash used in investing activities		**(112,730)**	(35,371)
Financing activities			
Dividends paid		**(43,399)**	(40,485)
Proceeds from issue of share capital		**893**	194
Purchase of treasury shares		**(6,843)**	(7,515)
Interest paid		**(3,118)**	(2,716)
Proceeds from borrowings	25	**68,962**	7,498
Repayment of borrowings	25	**(35,341)**	(57,791)
Net cash used in financing activities		**(18,846)**	(100,815)
Increase/(decrease) in cash and cash equivalents	25	**5,655**	(14,648)
Cash and cash equivalents brought forward		**33,126**	49,723
Exchange adjustments		**744**	(1,949)
Cash and cash equivalents carried forward		**39,525**	33,126

	2015 £000	2014 £000
Reconciliation of net cash flow to movement in net debt		
Increase/(decrease) in cash and cash equivalents	**5,655**	(14,648)
Cash (inflow)/outflow from (drawdown)/repayment of borrowings	**(33,621)**	50,293
Net debt acquired	**(468)**	–
Loan notes issued*	**(657)**	(2,731)
Loan notes repaid*	**2,731**	2,515
Exchange adjustments	**(38)**	365
	(26,398)	35,794
Net debt brought forward	**(74,496)**	(110,290)
Net debt carried forward	**(100,894)**	(74,496)

* The £2,731,000 loan note issued in the prior year was converted at par into cash on 2 June 2014. New loan notes were issued totalling £657,000 on 14 May 2014, 3 September 2014 and 26 November 2014 in respect of the acquisition of Advanced Electronics Limited (see note 24). These loan notes, which attract interest at 1%, are convertible into cash at par on each anniversary of the acquisition date until 14 May 2019.

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 28 March 2015 and 29 March 2014 other than those noted below.

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

New Standards and Interpretations not yet applied

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

- IFRS 9 'Financial Instruments: Classification and measurement' – effective for accounting periods beginning on or after 1 January 2018.
- IFRS 15 'Revenue from Contracts with Customers' – effective for accounting periods beginning on or after 1 January 2017.
- IFRS 10 and IAS 28 (amended) 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture' – effective for accounting periods beginning on or after 1 January 2016.
- IAS 16 and IAS 38 (amended) 'Clarification of Acceptable Methods of Depreciation and Amortisation' – effective for accounting periods beginning on or after 1 January 2016.
- IAS19 (amended) 'Defined Benefit Plans: Employee Contributions' – effective for accounting periods beginning on or after 1 July 2014.
- Annual Improvements 2010-2012 Cycle – effective for accounting periods beginning on or after 1 July 2014, specifically amendments to IFRS 2 'Share Based Payments' and IFRS 8 'Operating Segments'.
- Annual Improvements 2011-2013 – effective for accounting periods beginning on or after 1 July 2014, specifically amendments to IFRS 3 'Business Combinations' and IFRS 13 'Fair Value Measurement'.
- Annual Improvements 2012-2014 Cycle – effective for accounting periods beginning on or after 1 January 2016, specifically amendments to IAS 34 'Interim Financial Reporting'.
- IFRIC 22 'Levies' – effective for accounting periods beginning on or after 17 June 2014.
- Amendments to IAS 1 – effective for accounting periods beginning on or after 1 January 2016.
- Amendments to IAS 27 'Equity Method in Separate Financial Statements' – applicable for accounting periods beginning on or after 1 January 2016.
- Amendments to IFRS 11 'Accounting for Acquisitions of Interests in Joint Operations' – applicable for accounting periods beginning on or after 1 January 2016.

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group except for IFRS 9 'Financial Instruments', which will introduce a number of changes in the presentation of financial instruments, and IFRS 15 'Revenue from Contracts with Customers', which may change the timing of revenue recognition for some companies within the Group.

New Standards and Interpretations applied for the first time

The following Standards with an effective date of 1 January 2014 have been adopted without any significant impact on the amounts reported in these financial statements:

IFRS 10 'Consolidated Financial Statements'
IFRS 10, IFRS 12 and IAS 27 (amended) 'Investment Entities'
IFRS 11 'Joint Arrangements'
IAS 12 (amended) 'Deferred Tax: Recovery of Underlying Assets'
IAS 27 (revised) 'Separate Financial Statements'
IAS 28 (revised) 'Investments in Associates and Joint Ventures'
IAS 32 (amended) 'Offsetting Financial Assets and Financial Liabilities'
IAS 39 (amended) 'Novation of Derivatives and Continuation of Hedge Accounting'

Key accounting policies

Below we set out our key accounting policies, with a list of all other accounting policies thereafter.

Going concern

The Directors have, at the time of approving the financial statements, a high level of confidence that despite the current economic uncertainty the Company has the necessary liquid resources to meet its liabilities as they fall due and will be able to sustain its business model, strategy and operations and remain solvent for the foreseeable future. Thus, the Directors continue to adopt the going concern basis in preparing these financial statements. Further detail is contained on page 65.

Accounting Policies continued

Business combinations and goodwill
Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred. Any contingent consideration payable may be accounted for as either:

a) Consideration transferred, which is recognised at fair value at the acquisition date. If the contingent purchase consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent purchase consideration are recognised in the Consolidated Income Statement; or
b) Remuneration, which is expensed in the Income Statement over the associated period of service. An indicator of such treatment includes when payments to employees of the acquired company are contingent on a post-acquisition event, but may be automatically forfeited on termination of employment.

For acquisitions between 4 April 2004 (the date from which the financial statements were reported under IFRS) and 2 April 2010, goodwill represents the difference between the cost of the acquisition, including acquisition costs and the fair value of the net identifiable assets acquired. Goodwill is not amortised, but is tested annually for impairment.

Goodwill is recognised as an intangible asset in the Consolidated Balance Sheet. Goodwill therefore includes non-identified intangible assets including business processes, buyer-specific synergies, know-how and workforce-related industry-specific knowledge and technical skills. Negative goodwill arising on acquisitions would be recognised directly in the Consolidated Income Statement. On closure or disposal of an acquired business, goodwill would be taken into account in determining the profit or loss on closure or disposal.

As permitted by IFRS 1, the Group elected not to apply IFRS 3 'Business Combinations' to acquisitions prior to 4 April 2004 in its consolidated accounts. As a result, the net book value of goodwill recognised as an intangible asset under UK GAAP at 3 April 2004 was brought forward unadjusted as the cost of goodwill recognised under IFRS at 4 April 2004 subject to impairment testing on that date; and goodwill that was written off to reserves prior to 28 March 1998 under UK GAAP will not be taken into account in determining the profit or loss on disposal or closure of previously acquired businesses from 4 April 2004 onwards.

Intangible assets
(a) Product development costs
Research expenditure is written off in the financial year in which it is incurred.

Development expenditure is written off in the financial year in which it is incurred, unless it relates to the development of a new or substantially improved product, is incurred after the technical feasibility and economic viability of the product has been proven and the decision to complete the development has been taken, and can be measured reliably. Such expenditure is capitalised as an intangible asset in the Consolidated Balance Sheet at cost and is amortised through the Consolidated Income Statement on a straight-line basis over its estimated economic life of three years.

(b) Acquired intangible assets
An intangible resource acquired with a subsidiary undertaking is recognised as an intangible asset if it is separable from the acquired business or arises from contractual or legal rights, is expected to generate future economic benefits and its fair value can be measured reliably. Acquired intangible assets, comprising trademarks and customer relationships, are amortised through the Consolidated Income Statement on a straight-line basis over their estimated economic lives of between three and ten years.

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

For defined benefit plans, the asset or liability recorded in the balance sheet is the difference between the fair value of the plan's assets and the present value of the defined obligation at that date. The defined benefit obligation is calculated separately for each plan 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 plans' assets are recognised within finance income in the Consolidated Income Statement.

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

Critical accounting judgments and key sources of estimation uncertainty
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:

Critical accounting judgments

Goodwill impairment

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

Intangible assets

IFRS 3 (revised) 'Business Combinations' requires that goodwill arising on the acquisition of subsidiaries is capitalised and included in intangible assets. IFRS 3 (revised) also requires the identification of other intangible assets at acquisition. The assumptions involved in valuing these intangible assets require the use of estimates and judgments which may differ from the actual outcome.

IAS 38 'Intangible Assets' requires that development costs, arising from the application of research findings or other technical knowledge to a plan or design of a new or substantially improved product, are capitalised, subject to certain criteria being met. Determining the technical feasibility and estimating the future cash flows generated by the products in development requires judgments which may differ from the actual outcome.

The estimates and judgments made in relation to both acquired intangible assets and capitalised development costs, cover future growth rates, expected inflation rates and the discount rate used.

Key sources of estimation uncertainty

Contingent consideration

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

Defined benefit pension plan 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.

Other accounting policies

Basis of consolidation

The Group accounts include the accounts of Halma plc and all of its subsidiary companies made up to 28 March 2015, 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.

Investments in associates

An associate is an entity over which the Group is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee. Significant influence is the power to participate in the financial and operating policy decisions of the investee but without control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Investments in associates are carried in the Consolidated Balance Sheet at cost as adjusted by post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the fair values of the identifiable net assets of the associate at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any deficiency of the cost of acquisition below the Group's share of the fair values of the identifiable net assets of the associate at the date of acquisition (i.e. discount on acquisition) is credited in profit or loss in the year of acquisition.

Where a Group company transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate. Losses may provide evidence of an impairment of the asset transferred in which case appropriate provision is made for impairment.

Other intangible assets

(a) 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.

(b) 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) 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 plan liabilities, contingent purchase consideration, all components of net cash/borrowings and derivative financial instruments.

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.

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.

Adjusting items

When items of income or expense are material and they are relevant to an understanding of the entity's financial performance, they are disclosed separately within the financial statements. Such adjusting items include material costs or reversals arising from acquisitions or disposals of businesses, including acquisition costs, material creation or reversals of provisions related to changes in estimates for contingent consideration on acquisition, amortisation of acquired intangible assets, and other one-off items that may arise.

Taxation

Taxation comprises current and deferred tax. Tax is recognised in the Consolidated Income Statement except to the extent that it relates to items recognised directly in Shareholders' funds, in which case it too is recognised in Shareholders' funds. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or subsequently enacted at the balance sheet date, along with any adjustment to tax payable in respect of previous years. Taxable profit differs from net profit as reported in the Consolidated Income Statement because it excludes items that are never taxable or deductible.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes and is accounted for using the balance sheet liability method, apart from the following differences which are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and differences relating to investments in subsidiaries to the extent they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amounts of assets and liabilities, using tax rates and laws, which are expected to apply in the year when the liability is settled or the asset is realised. Deferred tax assets are only recognised to the extent that recovery is probable.

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 remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in the Consolidated Income Statement, unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the Consolidated Income Statement depends on the nature of the hedge relationship. The Group designates certain derivatives as hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investments in foreign operations.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Accounting Policies continued

Cash flow hedge accounting

The Group designates certain hedging instruments as cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument has been or is expected to be highly effective in offsetting changes in fair values or cash flows of the hedged item.

Note 26 sets out details of the fair values of the derivative instruments used for hedging purposes and the movements in the hedging reserve in equity.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in Other comprehensive income. The gain or loss relating to the ineffective portion as a result of being over hedged is recognised immediately in the Consolidated Income Statement.

Amounts previously recognised in Other comprehensive income and accumulated in equity are reclassified to the Consolidated Income Statement in the periods when the hedged item is recognised in the Consolidated Income Statement. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. Any gain or loss recognised in Other comprehensive income at that time is accumulated in equity and is recognised, when the forecast transaction is ultimately recognised, in the Consolidated Income Statement. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in the Consolidated Income Statement.

Net investment hedge accounting

The Group uses foreign currency denominated borrowings as a hedge against the translation exposure on the Group's net investment in overseas companies. Where the hedge is fully effective at hedging the variability in the net assets of such companies caused by changes in exchange rates, the changes in value of the borrowings are recognised in the Statement of Comprehensive Income and accumulated in the Hedging and translation reserve. The ineffective part of any change in value caused by changes in exchange rates is recognised in the Consolidated Income Statement.

Employee share plans

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.

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.

Deferred government grant income
Government grant income that is linked to capital expenditure is deferred to the Consolidated Balance Sheet and credited to the Consolidated Income Statement over the life of the related asset. In addition, the Group claims research and development expenditure credits arising on qualifying expenditure in its UK-based subsidiaries and shows these 'above the line' in Operating profit. Where the credits arise on expenditure that is capitalised as part of Internally generated capitalised development costs, the income is deferred to the Consolidated Balance Sheet and credited to the Consolidated Income Statement over the life of the related asset in line with the policy stated above.

Operating profit
Operating profit is stated after charging restructuring costs but before the share of results of associates, profit or loss on disposal of operations, finance income and finance costs.

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.

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

Freehold property	2%
Leasehold properties:	
Long leases (more than 50 years unexpired)	2%
Short leases (less than 50 years unexpired)	Period of lease
Plant, equipment and vehicles	8% to 33.3%

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

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

Notes to the Accounts

1 Segmental analysis

Sector analysis

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

Segment revenue and results

	Revenue (all continuing operations)	
	52 weeks to 28 March 2015 £000	52 weeks to 29 March 2014 £000
Process Safety	**158,372**	126,704
Infrastructure Safety	**234,063**	220,254
Medical	**169,333**	163,181
Environmental & Analysis	**164,412**	166,547
Inter-segmental sales	**(46)**	(180)
Revenue for the year	**726,134**	676,506

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 28 March 2015 £000	52 weeks to 29 March 2014 £000
Segment profit before allocation of adjustments*		
Process Safety	**44,772**	34,878
Infrastructure Safety	**49,992**	44,445
Medical	**45,385**	41,826
Environmental & Analysis	**27,403**	31,740
	167,552	152,889
Segment profit after allocation of adjustments*		
Process Safety	**40,280**	34,125
Infrastructure Safety	**49,585**	45,010
Medical	**31,981**	41,554
Environmental & Analysis	**25,699**	27,574
Segment profit	**147,545**	148,263
Central administration costs excluding the effects of closure to future benefit accrual of the defined benefit pension plan net of associated costs**	**(8,988)**	(7,922)
Effects of closure to future benefit accrual of the defined benefit pension plan net of associated costs**	**–**	3,054
Net finance expense	**(4,946)**	(4,718)
Group profit before taxation	**133,611**	138,677
Taxation	**(29,610)**	(32,350)
Profit for the year	**104,001**	106,327

* Adjustments include the amortisation of acquired intangible assets; acquisition items; profit or loss on disposal of operations; the effects of closure to future benefit accrual of the defined benefit pension plans net of associated costs (prior year only); and the associated taxation thereon.

** The defined benefit plan referred to here is the Halma Group Pension Plan only, which is not practical to allocate by sector (see adjustments table on page 113 for more details).

The accounting policies of the reportable segments are the same as the Group's accounting policies. Acquisition transaction costs, release of fair value adjustments to inventory and adjustments to contingent consideration (collectively 'acquisition items') are recognised in the Consolidated Income Statement. Segment profit, before these acquisition items and the other adjustments, is disclosed separately above as this is the measure reported to the Chief Executive for the purpose of allocation of resources and assessment of segment performance.

These adjustments are analysed as follows:

2015

		Acquisition items					
	Amortisation of acquired intangible assets £000	**Transaction costs £000**	**Adjustments to contingent consideration £000**	**Release of fair value adjustments to inventory £000**	**Total amortisation charge and acquisition items £000**	**Disposal of operations (note 29) £000**	**Total £000**
Process Safety	**(3,026)**	**(928)**	**–**	**(538)**	**(4,492)**	**–**	**(4,492)**
Infrastructure Safety	**(765)**	**(486)**	**(102)**	**(130)**	**(1,483)**	**1,076**	**(407)**
Medical	**(12,156)**	**(21)**	**(1,581)**	**–**	**(13,758)**	**354**	**(13,404)**
Environmental & Analysis	**(4,007)**	**–**	**2,303**	**–**	**(1,704)**	**–**	**(1,704)**
Total Segment & Group	**(19,954)**	**(1,435)**	**620**	**(668)**	**(21,437)**	**1,430**	**(20,007)**

The transaction costs arose mainly on the acquisitions (see note 24) of Rohrback Cosasco Systems Inc. (RCS), Advanced Electronics Limited (Advanced) and Plasticspritzerei AG, which were acquired on 30 May 2014, 14 May 2014 and 2 May 2014 respectively. The charge of £1,581,000 to contingent consideration related mainly to a revision in the estimate of the remaining MST payable from $6,504,000 to $9,061,000. The £2,303,000 credit to contingent consideration related to a revision in the estimate of the remaining ASL payable from £2,500,000 to £197,000. The release of fair value adjustments to inventory arises from revaluing the inventory of RCS and Advanced at acquisition.

2014

		Acquisition items					
	Amortisation of acquired intangible assets £000	Transaction costs £000	Adjustments to contingent consideration £000	Total amortisation charge and acquisition items £000	Disposal of operations (note 29) £000	Effects of closure to future benefit accrual of defined benefit pension plans* £000	Total £000
Process Safety	(598)	–	(17)	(615)	(138)	–	(753)
Infrastructure Safety	(144)	(140)	–	(284)	(45)	894	565
Medical	(12,530)	102	12,456	28	(300)	–	(272)
Environmental & Analysis	(4,243)	(53)	130	(4,166)	–	–	(4,166)
Total Segment	(17,515)	(91)	12,569	(5,037)	(483)	894	(4,626)
Central administration costs	–	–	–	–	–	3,054	3,054
Total Group	(17,515)	(91)	12,569	(5,037)	(483)	3,948	(1,572)

* The effects of closure to future benefit accrual of defined benefit pension plans, which were gains of £894,000 and £3,054,000, arose on the closure of the Apollo Pension and Life Assurance Plan and Halma Group Pension Plan respectively. It is not practical to apportion the latter gain by Segment.

The £12,456,000 credit to contingent consideration related mainly to a revision in the estimate of the MicroSurgical Technology, Inc. payable from US$25,000,000 to US$6,504,000.

Notes to the Accounts continued

1 Segmental analysis continued
Segment assets and liabilities

Before goodwill, interests in associates and acquired intangible assets are allocated to specific segment assets/liabilities	Assets 2015 £000	Assets 2014 £000	Liabilities 2015 £000	Liabilities 2014 £000
Process Safety	**65,141**	50,518	**21,842**	18,463
Infrastructure Safety	**97,424**	88,688	**33,112**	28,896
Medical	**62,981**	54,428	**23,947**	18,457
Environmental & Analysis	**72,599**	68,866	**26,288**	26,413
Total segment assets/liabilities excluding goodwill, interests in associates and acquired intangible assets	**298,145**	262,500	**105,189**	92,229
Goodwill	**406,190**	335,278	**–**	–
Interests in associates	**4,236**	5,088	**–**	–
Acquired intangible assets	**119,541**	96,955	**–**	–
Total segment assets/liabilities including goodwill, interests in associates and acquired intangible assets	**828,112**	699,821	**105,189**	92,229

After goodwill, interests in associates and acquired intangible assets are allocated to specific segment assets/liabilities	Assets 2015 £000	Assets 2014 £000	Liabilities 2015 £000	Liabilities 2014 £000
Process Safety	**154,677**	68,428	**21,842**	18,463
Infrastructure Safety	**191,351**	170,540	**33,112**	28,896
Medical	**286,990**	275,109	**23,947**	18,457
Environmental & Analysis	**194,744**	185,744	**26,288**	26,413
Total segment assets/liabilities including goodwill and acquired intangible assets	**827,762**	699,821	**105,189**	92,229
Cash and bank balances/borrowings	**41,230**	34,531	**142,124**	109,027
Derivative financial instruments	**1,069**	496	**636**	167
Other unallocated assets/liabilities	**72,472**	54,776	**145,636**	102,201
Total Group	**942,533**	789,624	**393,585**	303,624

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 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 2015 £000	Additions to non-current assets 2014 £000	Depreciation and amortisation 2015 £000	Depreciation and amortisation 2014 £000
Process Safety	**71,846**	4,403	**6,743**	3,872
Infrastructure Safety	**28,995**	10,311	**8,490**	6,458
Medical	**13,403**	4,575	**15,509**	15,742
Environmental & Analysis	**5,499**	6,209	**9,708**	9,733
Total segment additions/depreciation and amortisation	**119,743**	25,498	**40,450**	35,805
Unallocated	**513**	354	**461**	505
Total Group	**120,256**	25,852	**40,911**	36,310

Non-current asset additions comprise acquired and purchased goodwill, other intangible assets and property, plant and equipment.

An impairment loss of £236,000 was recognised during the year within Environmental & Analysis (2014: £nil).

Geographic information
The Group's revenue from external customers (by location of customer) and its non-current assets by geographic location are detailed below:

	Revenue by destination		Non-current assets	
	2015 £000	2014 £000	**2015 £000**	2014 £000
United States of America	**223,374**	214,493	**72,766**	63,996
Mainland Europe	**167,363**	163,707	**29,836**	28,134
United Kingdom	**138,312**	127,877	**526,953**	429,923
Asia Pacific	**116,842**	111,572	**5,828**	5,429
Africa, Near and Middle East	**44,037**	33,037	**–**	–
Other countries	**36,206**	25,820	**37**	55
	726,134	676,506	**635,420**	527,537

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 378,328,541 shares in issue during the year (net of shares purchased by the Company and held as treasury shares) (2014: 377,805,248). Diluted earnings per ordinary share are calculated using the weighted average of 378,475,804 shares (2014: 378,035,662), which includes dilutive potential ordinary shares of 147,263 (2014: 230,414). Dilutive potential ordinary shares are calculated from those exercisable share options where the exercise price is less than the average price of the Company's ordinary shares during the year.

Adjusted earnings are calculated as earnings from continuing operations excluding the amortisation of acquired intangible assets; acquisition items; profit or loss on disposal of operations; the effects of closure to future benefit accrual of the defined benefit pension plans net of associated costs (prior year only); and the associated taxation thereon. The Directors consider that adjusted earnings represent a more consistent measure of underlying performance. A reconciliation of earnings and the effect on basic earnings per share figures is as follows:

			Per ordinary share	
	2015 £000	2014 £000	**2015 pence**	2014 pence
Earnings from continuing operations	**104,001**	106,327	**27.49**	28.14
Cessation of DB pension accrual	**–**	(3,040)	**–**	(0.80)
Amortisation of acquired intangible assets (after tax)	**14,121**	11,820	**3.73**	3.14
Acquisition transaction costs (after tax)	**1,423**	91	**0.38**	0.02
Release of fair value adjustments to inventory (after tax)	**474**	–	**0.13**	–
Adjustments to contingent consideration (after tax)	**(1,162)**	(8,104)	**(0.31)**	(2.15)
(Profit)/loss on disposal of operations (after tax)	**(945)**	470	**(0.25)**	0.12
Adjusted earnings	**117,912**	107,564	**31.17**	28.47

Notes to the Accounts continued

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 Total Invested Capital, Return on Capital Employed, Organic growth at constant currency, Adjusted operating profit and Adjusted operating cash flow.

Return on Total Invested Capital

	2015 £000	(Restated)* 2014 £000
Post-tax profit before adjustments**	**117,912**	107,564
Total shareholders' funds	**548,948**	486,000
Add back retirement benefit obligations	**66,790**	36,849
Less associated deferred tax assets	**(13,085)**	(7,372)
Cumulative amortisation of acquired intangible assets	**83,958**	61,324
Historical adjustments to goodwill***	**89,549**	89,549
Total Invested Capital	**776,160**	666,350
Average Total Invested Capital	**721,255**	645,819
Return on Total Invested Capital (ROTIC)	**16.3%**	16.7%

Return on Capital Employed

	2015 £000	(Restated)* 2014 £000
Operating profit before adjustments, but after share of results of associates**	**158,564**	144,967
Computer software costs within intangible assets	**2,835**	2,810
Capitalised development costs within intangible assets	**15,865**	12,981
Other intangibles within intangible assets	**450**	8
Property, plant and equipment	**86,303**	74,417
Inventories	**79,734**	71,034
Trade and other receivables	**156,464**	135,177
Trade and other payables	**(102,717)**	(88,291)
Current provisions	**(11,746)**	(4,482)
Net tax liabilities	**(12,385)**	(11,168)
Non-current trade and other payables	**(3,756)**	(3,564)
Non-current provisions	**(1,549)**	(6,777)
Add back contingent purchase consideration	**9,650**	7,562
Capital Employed	**219,148**	189,707
Average Capital Employed	**204,428**	189,204
Return on Capital Employed (ROCE)	**77.6%**	76.6%

* The ROTIC and ROCE measures are now expressed as a percentage of the average of the current year's and prior year's Total Invested Capital and Capital Employed respectively. Using an average as the denominator is considered to be more representative. The 2013 Total Invested Capital and Capital Employed balances were £625,287,000 and £188,701,000 respectively.

** Adjustments include the amortisation of acquired intangible assets; acquisition items; profit or loss on disposal of operations; and the effects of closure to future benefit accrual of the defined benefit pension plans net of associated costs (prior year only).

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

Organic growth at constant currency

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

	Revenue			Adjusted profit* before taxation		
	2015 £000	2014 £000	% growth	**2015 £000**	2014 £000	% growth
Continuing operations	**726,134**	676,506		**153,618**	140,249	
Acquired and disposed revenue/profit	**(35,489)**	(6,441)		**(7,394)**	(983)	
Organic growth	**690,645**	670,065	**3.1%**	**146,224**	139,266	**5.0%**
Constant currency adjustment	**12,114**	–		**3,071**	–	
Organic growth at constant currency	**702,759**	670,065	4.9%	**149,295**	139,266	7.2%

* Adjustments include the amortisation of acquired intangible assets; acquisition items; profit or loss on disposal of operations; and the effects of closure to future benefit accrual of the defined benefit pension plans net of associated costs (prior year only).

Adjusted operating profit

	2015 £000	2014 £000
Operating profit	**137,063**	143,571
Add back:		
Acquisition items	**1,483**	(12,478)
Effects of closure to future benefit accrual of defined benefit pension plans	**–**	(3,948)
Amortisation of acquired intangible assets	**19,954**	17,515
Adjusted operating profit	**158,500**	144,660

Adjusted operating cash flow

	2015 £000	2014 £000
Net cash from operating activities (note 25)	**137,231**	121,538
Add back:		
Taxes paid	**30,824**	28,351
Proceeds from sale of property, plant and equipment	**1,411**	1,708
Less:		
Purchase of property, plant and equipment	**(22,164)**	(15,838)
Purchase of computer software and other intangibles	**(1,403)**	(1,529)
Development costs capitalised	**(7,213)**	(5,196)
Adjusted operating cash flow	**138,686**	129,034
Cash conversion % (adjusted operating cash flow/adjusted operating profit)	**87%**	89%

4 Finance income

	2015 £000	2014 £000
Interest receivable	**134**	252
Fair value movement on derivative financial instruments	**33**	370
	167	622

5 Finance expense

	2015 £000	2014 £000
Interest payable on bank loans and overdrafts	**3,090**	2,691
Amortisation of finance costs	**530**	599
Net interest charge on pension plan liabilities	**1,419**	1,875
Other interest payable	**28**	25
	5,067	5,190
Unwinding of discount on provisions	**46**	150
	5,113	5,340

6 Profit before taxation

Profit before taxation comprises:

	2015 £000	2014 £000
Revenue	**726,134**	676,506
Direct materials/direct labour	**(257,231)**	(240,584)
Production overhead	**(85,641)**	(81,403)
Selling costs	**(98,788)**	(87,385)
Distribution costs	**(15,868)**	(15,448)
Administrative expenses	**(131,543)**	(108,115)
Operating profit	**137,063**	143,571
Share of results of associates	**64**	307
Profit/(loss) on disposal of operations	**1,430**	(483)
Net finance expense	**(4,946)**	(4,718)
Profit before taxation	**133,611**	138,677

Included within administrative expenses are the amortisation of acquired intangible assets, acquisition items, and the effects of closure to future benefit accrual of the defined benefit pension plans (prior year only).

		2015 £000	2014 £000
Profit before taxation is stated after charging/(crediting):			
Depreciation		**14,005**	13,625
Amortisation		**26,670**	22,685
Impairment of internally generated capitalised development costs		**236**	–
Research and development*		**27,394**	26,929
Foreign exchange (gain)/loss		**(1,765)**	1,385
(Profit)/loss on disposal of operations		**(1,430)**	483
Profit on sale of property, plant and equipment and computer software		**(590)**	(26)
Cost of inventories recognised as an expense		**348,170**	326,917
Staff costs (note 7)		**199,763**	180,905
Auditor's remuneration	Audit services to the Company	**162**	159
	Audit of the Company's subsidiaries	**641**	600
	Total audit fees	**803**	759
	Interim agreed upon procedures	**18**	20
	Tax compliance services	**–**	1
	Tax advisory services	**133**	11
	Other services	**1**	18
	Total non-audit fees	**152**	50
	Audit of Group pension plan	**20**	15
	Total fees	**975**	824
Operating lease rents:	Property	**8,888**	8,027
	Other	**921**	942

* A further £7,213,000 (2014: £5,196,000) of development costs has been capitalised in the year. See note 12.

7 Employee information

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

	2015 Number	2014 Number
United States of America	**1,609**	1,538
Mainland Europe	**797**	794
United Kingdom	**1,895**	1,723
Asia Pacific	**1,011**	936
Other countries	**16**	8
	5,328	4,999

7 Employee information continued

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

	2015 Number	2014 Number
United States of America	**1,491**	1,512
Mainland Europe	**770**	782
United Kingdom	**1,947**	1,660
Asia Pacific	**1,064**	994
Other countries	**56**	51
	5,328	4,999

Group employee costs comprise:

	2015 £000	2014 £000
Wages and salaries	**164,581**	148,286
Social security costs	**23,429**	21,428
Pension costs (note 28)	**7,117**	6,695
Share-based payment charge (note 23)	**4,636**	4,496
	199,763	180,905

8 Directors' remuneration

The remuneration of the Directors is set out on pages 81 to 90 within the Remuneration Report described as being audited and forms part of these financial statements.

Directors' remuneration comprises:

	2015 £000	2014 £000
Wages, salaries and fees	**3,063**	2,671
Pension costs	**12**	56
Share-based payment charge	**1,233**	1,227
	4,308	3,954

9 Taxation

	2015 £000	2014 £000
Current tax		
UK corporation tax at 21% (2014: 23%)	**9,397**	9,465
Overseas taxation	**24,064**	20,872
Adjustments in respect of prior years	**62**	(492)
Total current tax charge	**33,523**	29,845
Deferred tax		
Origination and reversal of timing differences	**(4,075)**	2,626
Adjustments in respect of prior years	**162**	(121)
Total deferred tax (credit)/charge	**(3,913)**	2,505
Total tax charge recognised in the Consolidated Income Statement	**29,610**	32,350
Reconciliation of the effective tax rate:		
Profit before tax	**133,611**	138,677
Tax at the UK corporation tax rate of 21% (2014: 23%)	**28,058**	31,896
Overseas tax rate differences	**8,047**	5,665
Permanent differences	**(6,719)**	(4,598)
Adjustments in respect of prior years	**224**	(613)
	29,610	32,350
Effective tax rate after adjustments*	**22.2%**	23.3%

	2015 £000	2014 £000
Profit before tax and adjustments*	**153,618**	140,249
Total tax charge on profit before adjustments*	**35,706**	32,685
Effective tax rate	**23.2%**	23.3%

* Adjustments include the amortisation of acquired intangible assets; acquisition items; profit or loss on disposal of operations; the effects of closure to future benefit accrual of the defined benefit pension plans net of associated costs (prior year only).

Notes to the Accounts continued

9 Taxation continued

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

	2015 £000	2014 £000
Deferred tax (note 21)		
Retirement benefit obligations	**(6,791)**	1,570
Short-term timing differences	**23**	129
	(6,768)	1,699

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:

	2015 £000	2014 £000
Current tax		
Excess tax deductions related to share-based payments on exercised options	**1,044**	997
Deferred tax (note 21)		
Change in estimated excess tax deductions related to share-based payments	**291**	295
	1,335	1,292

10 Dividends

	Per ordinary share			
	2015 pence	2014 pence	2015 £000	2014 £000
Amounts recognised as distributions to shareholders in the year				
Final dividend for the year to 29 March 2014 (30 March 2013)	**6.82**	6.37	**25,799**	24,049
Interim dividend for the year to 28 March 2015 (29 March 2014)	**4.65**	4.35	**17,600**	16,436
	11.47	10.72	**43,399**	40,485
Dividends declared in respect of the year				
Interim dividend for the year to 28 March 2015 (29 March 2014)	**4.65**	4.35	**17,600**	16,436
Proposed final dividend for the year to 28 March 2015 (29 March 2014)	**7.31**	6.82	**27,652**	25,799
	11.96	11.17	**45,252**	42,235

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 23 July 2015 and has not been included as a liability in these financial statements.

11 Goodwill

	2015 £000	2014 £000
Cost		
At beginning of year	**335,278**	351,785
Additions (note 24)	**53,026**	1,649
Exchange adjustments	**17,886**	(18,156)
At end of year	**406,190**	335,278
Provision for impairment		
At beginning and end of year	**–**	–
Carrying amounts	**406,190**	335,278

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

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

	2015 £000	2014 £000
Process Safety		
Gas Detection	**–**	–
Bursting Discs	**7,826**	6,977
Safety Interlocks and Corrosion Monitoring	**51,826**	7,357
	59,652	14,334
Infrastructure Safety		
Fire	**22,711**	12,172
Doors, Security and Elevators	**63,912**	68,465
	86,623	80,637
Medical		
Health Optics	**125,581**	117,571
Fluid Technology	**34,746**	31,095
	160,327	148,666
Environmental & Analysis		
Water	**28,089**	27,252
Photonics	**58,931**	53,184
Environmental Monitoring	**12,568**	11,205
	99,588	91,641
Total Group	**406,190**	335,278

Goodwill values have been tested for impairment by comparing them against the value in use in perpetuity of the relevant CGUs. The value in use calculations were based on projected cash flows, derived from the latest budget approved by the Board, discounted at CGU specific, risk adjusted, discount rates to calculate their net present value.

Key assumptions used in 'value in use' calculations

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

- CGU specific operating assumptions that are reflected in the budget period for the financial year to March 2016;
- Discount rates;
- Growth rates used to extrapolate risk adjusted cash flows beyond the budget period.

Notes to the Accounts continued

11 Goodwill continued

CGU specific operating assumptions are applicable to the budgeted cash flows for the year to March 2016 and relate to revenue forecasts, expected project outcomes and forecast operating margins in each of the operating companies. The relative value ascribed to each assumption will vary between CGUs as the budgets are built up from the underlying operating companies within each CGU. A short-term growth rate is applied to the March 2016 budget to derive the cash flows arising in the year to March 2017 and a long-term rate is applied to these values for the year to March 2018 and onwards, as described below.

Discount rates are based on estimations of the assumptions that market participants operating in similar sectors to Halma would make, using the Group's economic profile as a starting point and adjusting appropriately. The Directors do not currently expect any significant change in the present base discount rate of 9.72% (2014: 10.65%). The base discount rate, which is pre-tax and is based on short-term variables, may differ from the Weighted Average Cost of Capital (WACC) used in long-term return measures such as ROTIC. Discount rates are adjusted for economic risks that are not already captured in the specific operating assumptions for each CGU. This results in the impairment testing using discount rates ranging from 10.10% to 12.91% (2014: 10.52% to 13.70%) across all CGUs.

CGUs to which 10% or more of the total goodwill balance is allocated are deemed to be significant. The assumptions used to determine value in use for these CGUs are:

	Risk adjusted discount rate		Short-term growth rates		Long-term growth rates	
Significant CGU	**2015**	2014	**2015**	2014	**2015**	2014
Safety Interlocks and Corrosion Monitoring*	**11.49%**	11.24%	**7.20%**	–	**2.79%**	–
Doors, Security and Elevators	**10.58%**	13.70%	**7.20%**	5.09%	**2.15%**	2.14%
Health Optics	**12.91%**	12.88%	**7.20%**	1.49%	**2.35%**	2.35%
Photonics	**11.68%**	11.61%	**(3.26%)**	2.07%	**2.17%**	2.16%

* Safety Interlocks and Corrosion Monitoring was not a significant CGU in the prior year.

Short-term growth rates are based on sectoral organic growth rates achieved in the current year, but are capped at the Group's overall current year organic growth rate to ensure that future uncertainties are adequately reflected. Long-term growth rates are capped at the weighted average GDP growth rates of the markets that the Group sells into.

Sensitivity to changes in assumptions

Management believes that no reasonable potential change in any of the above key assumptions would cause the carrying value of any unit to exceed its recoverable amount.

12 Other intangible assets

	Acquired intangible assets							
	Customer and supplier relationships[1] £000	Technical know-how[2] £000	Trademarks, brands and patents[3] £000	Total £000	Internally generated capitalised development costs[4] £000	Computer software £000	Other intangibles[5] £000	Total £000
Cost								
At 30 March 2013	117,289	12,915	35,897	166,101	32,816	10,448	448	209,813
Transfer between category[6]	–	–	–	–	–	586	(51)	535
Assets of businesses acquired	806	404	234	1,444	–	–	–	1,444
Additions at cost	–	–	–	–	5,196	1,529	–	6,725
Exchange adjustments	(6,436)	(963)	(1,867)	(9,266)	(784)	(441)	(34)	(10,525)
At 29 March 2014	**111,659**	**12,356**	**34,264**	**158,279**	**37,228**	**12,122**	**363**	**207,992**
Transfer between category[6]	**–**	**–**	**–**	**–**	**225**	**(21)**	**–**	**204**
Assets of businesses acquired (note 24)	**20,003**	**10,194**	**2,137**	**32,334**	**1,196**	**435**	**147**	**34,112**
Assets of businesses sold	**–**	**–**	**–**	**–**	**–**	**(263)**	**–**	**(263)**
Additions at cost	**–**	**–**	**–**	**–**	**7,213**	**1,021**	**382**	**8,616**
Disposals and retirements	**–**	**–**	**–**	**–**	**(465)**	**(385)**	**–**	**(850)**
Exchange adjustments	**9,250**	**2,502**	**1,134**	**12,886**	**90**	**241**	**74**	**13,291**
At 28 March 2015	**140,912**	**25,052**	**37,535**	**203,499**	**45,487**	**13,150**	**966**	**263,102**
Accumulated amortisation								
At 30 March 2013	30,082	4,977	11,091	46,150	20,839	8,065	302	75,356
Transfer between category	–	–	–	–	–	428	–	428
Charge for the year	12,009	1,455	4,051	17,515	3,922	1,168	80	22,685
Exchange adjustments	(1,503)	(373)	(465)	(2,341)	(514)	(349)	(27)	(3,231)
At 29 March 2014	**40,588**	**6,059**	**14,677**	**61,324**	**24,247**	**9,312**	**355**	**95,238**
Charge for the year	**13,425**	**2,406**	**4,123**	**19,954**	**5,390**	**1,211**	**115**	**26,670**
Impairment loss recognised	**–**	**–**	**–**	**–**	**236**	**–**	**–**	**236**
Assets of business sold	**–**	**–**	**–**	**–**	**–**	**(143)**	**–**	**(143)**
Disposals and retirements	**–**	**–**	**–**	**–**	**(465)**	**(384)**	**–**	**(849)**
Exchange adjustments	**2,283**	**669**	**(272)**	**2,680**	**214**	**319**	**46**	**3,259**
At 28 March 2015	**56,296**	**9,134**	**18,528**	**83,958**	**29,622**	**10,315**	**516**	**124,411**
Carrying amounts								
At 28 March 2015	**84,616**	**15,918**	**19,007**	**119,541**	**15,865**	**2,835**	**450**	**138,691**
At 29 March 2014	71,071	6,297	19,587	96,955	12,981	2,810	8	112,754

1 Customer and supplier relationship assets are amortised over their useful economic lives estimated to be between three and ten years. Within this balance individually material balances relate to Medicel: £7,205,000 (2014: £8,193,000), MST: £6,743,000 (2014: £6,796,000) and RCS: £15,090,000 (2014: £nil). The remaining amortisation periods for these assets are six years, seven years and nine years respectively.

2 Technical know-how assets are amortised over their useful economic lives, estimated to be between three and ten years. Within this balance the only individually material item relates to RCS which has a carrying value of £10,466,000 (2014: £nil) and nine years remaining to amortise.

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. There are no individually material items within this balance.

4 Internally generated capitalised development costs are amortised over their useful economic lives estimated to be three years. There are no individually material items within this balance, which comprises capitalised costs arising from the development phase of the R&D projects undertaken by the Group.

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

6 The net transfer from property, plant and equipment and computer software to internally generated capitalised development costs relates to project specific assets.

13 Property, plant and equipment

	Land and buildings			Plant, equipment and vehicles £000	Total £000
	Freehold[1] £000	Long leases £000	Short leases £000		
Cost					
At 30 March 2013	36,037	2,894	7,331	122,186	168,448
Transfer between category	(11)	8	105	(637)	(535)
Assets of businesses acquired	–	–	–	196	196
Additions at cost	73	615	536	14,614	15,838
Disposals and retirements	(856)	(46)	(383)	(5,880)	(7,165)
Exchange adjustments	(869)	(151)	(281)	(5,140)	(6,441)
At 29 March 2014	**34,374**	**3,320**	**7,308**	**125,339**	**170,341**
Transfer between category	**–**	**1,158**	**(11)**	**(1,351)**	**(204)**
Assets of businesses acquired (note 24)	**366**	**29**	**48**	**1,895**	**2,338**
Assets of business sold	**–**	**–**	**(59)**	**(660)**	**(719)**
Additions at cost	**4,868**	**495**	**2,059**	**14,742**	**22,164**
Disposals and retirements	**(171)**	**(159)**	**(1,617)**	**(9,006)**	**(10,953)**
Exchange adjustments	**319**	**314**	**245**	**3,986**	**4,864**
At 28 March 2015	**39,756**	**5,157**	**7,973**	**134,945**	**187,831**
Accumulated depreciation					
At 30 March 2013	9,584	1,250	4,982	75,907	91,723
Transfer between category	(8)	–	81	(501)	(428)
Charge for the year	690	318	657	11,960	13,625
Disposals and retirements	(432)	(46)	(383)	(4,611)	(5,472)
Exchange adjustments	(329)	(71)	(209)	(2,915)	(3,524)
At 29 March 2014	**9,505**	**1,451**	**5,128**	**79,840**	**95,924**
Charge for the year	**669**	**352**	**818**	**12,166**	**14,005**
Assets of business sold	**–**	**–**	**(28)**	**(283)**	**(311)**
Disposals and retirements	**(124)**	**(158)**	**(1,606)**	**(8,296)**	**(10,184)**
Exchange adjustments	**84**	**104**	**144**	**1,762**	**2,094**
At 28 March 2015	**10,134**	**1,749**	**4,456**	**85,189**	**101,528**
Carrying amounts					
At 28 March 2015	**29,622**	**3,408**	**3,517**	**49,756**	**86,303**
At 29 March 2014	24,869	1,869	2,180	45,499	74,417

[1] Included within freehold land and buildings is £3,497,000 (2014: £nil) of assets under construction.

14 Associates

	2015 £000	2014 £000
Interests in associates		
At beginning of the year	**5,088**	4,792
Disposal cost of investments	**(951)**	–
Exchange adjustments	**35**	(11)
Group's share of profit of associates	**64**	307
At end of year	**4,236**	5,088

On 2 May 2014, the Group disposed of its 50% interest in the equity of PSRM Immobilien AG (PSRM), as part of the transaction in which the Group acquired Plasticspritzerei AG. Until its disposal, PSRM was treated as an associate, and not a subsidiary, because the party holding the remaining 50% was considered to exert more control.

On the 14 July 2014, the Group also disposed of 12,517 shares in Optomed Oy (Optomed), representing 10.72% of its shareholding in the associate. The Group's residual interest in Optomed is 33.07%. As one of the largest shareholders, the Group continues to exercise significant influence, but not control, over the company and so continues to apply the equity method of accounting for its interest. See note 29 for further details.

	2015 £000	2014 £000
Aggregated amounts relating to associates		
Total assets	**4,424**	5,021
Total liabilities	**(2,530)**	(4,802)
Net assets	**1,894**	219
Group's share of net assets of associates	**626**	103
Total revenue	**3,333**	2,399
Profit	**193**	591
Group's share of profit of associates	**64**	307

PSRM and Optomed have a 31 December year end. However, results coterminous with the Group's year end have been consolidated based on the Group's remaining share of each associate.

Details of the Group's associate held at 28 March 2015 are as follows:

Name of associate	Country of incorporation	Proportion of ownership interest	Principal activity
Optomed Oy	Finland	33.07%	Design, manufacture and selling

The Group owns 104,210 (2014: 116,727) Class A shares in Optomed out of a total of 315,110 (2014: 285,540) shares in issue (Class A and B shares). Each A and B share entitles the holder to one vote.

15 Inventories

	2015 £000	2014 £000
Raw materials and consumables	**43,480**	40,248
Work in progress	**8,439**	7,161
Finished goods and goods for resale	**27,815**	23,625
	79,734	71,034

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

	2015 £000	2014 £000
At beginning of the year	**10,220**	10,631
Amounts reversed against inventories previously impaired and utilisation	**(307)**	(606)
Write downs of inventories recognised as an expense	**1,743**	548
Recognition of provisions for businesses acquired	**653**	116
De-recognition of provisions for businesses disposed	**(197)**	–
Exchange adjustments	**488**	(469)
At end of the year	**12,600**	10,220

Previous write-downs against inventory have been reversed as a result of increased sales in certain markets or where previously written down inventories have been disposed.

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

	2015 £000	2014 £000
Trade receivables	**141,551**	123,295
Allowance for doubtful debts	**(2,802)**	(2,353)
	138,749	120,942
Other receivables	**5,293**	4,099
Prepayments and accrued income	**12,422**	10,136
	156,464	135,177

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

	2015 £000	2014 £000
At beginning of the year	**2,353**	2,445
Net impairment loss recognised	**923**	355
Amounts recovered against trade receivables previously written down	**(641)**	(465)
Recognition of provisions for businesses acquired	**151**	85
De-recognition of provisions for businesses disposed	**(3)**	–
Exchange adjustments	**19**	(67)
At end of the year	**2,802**	2,353

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	
	2015 £000	2014 £000	**2015 £000**	2014 £000
Not yet due	**105,649**	95,920	**105,463**	95,834
Up to one month overdue	**22,178**	18,621	**22,054**	18,509
Up to two months overdue	**4,413**	2,776	**4,346**	2,690
Up to three months overdue	**1,999**	1,441	**1,861**	1,361
Over three months overdue	**7,312**	4,537	**5,025**	2,548
	141,551	123,295	**138,749**	120,942

17 Trade and other payables: falling due within one year

	2015 £000	2014 £000
Trade payables	**57,633**	50,270
Other taxation and social security	**4,673**	4,398
Other payables	**2,888**	3,342
Accruals and deferred income	**37,399**	30,022
Deferred government grant income	**124**	259
	102,717	88,291

18 Borrowings

	2015 £000	2014 £000
Loan notes falling due within one year	**–**	2,731
Overdrafts	**1,705**	1,405
Total borrowings falling due within one year	**1,705**	4,136
Loan notes falling due after more than one year	**657**	–
Unsecured bank loans falling due after more than one year	**139,762**	104,891
Total borrowings falling due after more than one year	**140,419**	104,891
	142,124	109,027

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:

	2015 £000	2014 £000
Current	**11,746**	4,482
Non-current	**1,549**	6,777
	13,295	11,259

	Contingent purchase consideration £000	Dilapidations and empty property £000	Product warranty £000	Legal, contractual and other £000	Total £000
At beginning of the year	**7,562**	**1,741**	**1,827**	**129**	**11,259**
Unwinding of discount	**46**	**–**	**–**	**–**	**46**
Additional provision in the year	**1,690**	**119**	**378**	**21**	**2,208**
Arising on acquisition*	**6,054**	**247**	**395**	**–**	**6,696**
Business sold	**–**	**–**	**(34)**	**–**	**(34)**
Utilised during the year	**(4,002)**	**(207)**	**(166)**	**(26)**	**(4,401)**
Released during the year	**(2,311)**	**(564)**	**(313)**	**(25)**	**(3,213)**
Exchange adjustments	**611**	**43**	**79**	**1**	**734**
At end of the year	**9,650**	**1,379**	**2,166**	**100**	**13,295**

* Comprises £6,054,000 contingent purchase consideration arising on the acquisition of Advanced Electronics Limited and £642,000 current provisions acquired. See note 24.

Contingent purchase consideration

The provision at the beginning of the year comprised £1,389,000 falling due within one year and £6,173,000 falling due after one year. In the current financial year, the additional provision related mainly to a change in estimate in relation to the acquisition in the prior year of Microsurgical Technologies Limited (MST) from $6,504,000 to $9,061,000. £6,054,000 was provided on the acquisition of Advanced Electronics Limited (Advanced) (see note 24), of which £2,800,000 was settled during the year. A payment of £1,000,000 was also made in respect of ASL Holdings Limited (ASL), a prior year acquisition. These payments represent substantially all of the current year utilisation of £4,002,000. The £2,311,000 release of provision related mainly to a revision to the estimate for the second earn out payment for the acquisition of ASL from £2,500,000 to £197,000.

Of the closing total provision of £9,650,000, £9,484,000 is due within one year mainly for the acquisitions of Advanced and MST, £3,356,000 and £6,123,000 respectively. The balance, relating mainly to ASL, is due after one year. The MST balance was settled on 22 May 2015.

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 2015 to 2029, 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, assess that it is more likely than not that such proceedings may be successful.

20 Trade and other payables: falling due after one year

	2015 £000	2014 £000
Other payables	**2,891**	2,879
Deferred government grant income	**865**	685
	3,756	3,564

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 29 March 2014	**7,372**	**(28,493)**	**(5,336)**	**(375)**	**2,066**	**2,316**	**(22,450)**
Credit/(charge) to Consolidated Income Statement	**(1,078)**	**5,831**	**355**	**60**	**(27)**	**(1,228)**	**3,913**
Credit/(charge) to Consolidated Statement of Comprehensive Income	**6,791**	**–**	**–**	**(23)**	**–**	**–**	**6,768**
Credit to equity	**–**	**–**	**–**	**–**	**291**	**–**	**291**
Acquired (note 24)	**–**	**(9,020)**	**(70)**	**–**	**–**	**–**	**(9,090)**
Exchange adjustments	**–**	**(3,384)**	**(468)**	**694**	**–**	**460**	**(2,698)**
At 28 March 2015	**13,085**	**(35,066)**	**(5,519)**	**356**	**2,330**	**1,548**	**(23,266)**

	Retirement benefit obligations £000	Acquired intangible assets £000	Accelerated tax depreciation £000	Short–term timing differences £000	Share–based payment £000	Goodwill timing differences £000	Total £000
At 30 March 2013	10,851	(36,207)	(6,475)	678	1,547	9,158	(20,448)
(Charge)/credit to Consolidated Income Statement	(1,909)	5,669	753	(1,040)	224	(6,202)	(2,505)
Charge to Consolidated Statement of Comprehensive Income	(1,570)	–	–	(129)	–	–	(1,699)
Credit to equity	–	–	–	–	295	–	295
Acquired	–	(318)	(16)	337	–	(67)	(64)
Exchange adjustments	–	2,363	402	(221)	–	(573)	1,971
At 29 March 2014	7,372	(28,493)	(5,336)	(375)	2,066	2,316	(22,450)

21 Deferred tax continued

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:

	2015 £000	2014 £000
Deferred tax liability	**(51,862)**	(43,127)
Deferred tax asset	**28,596**	20,677
Net deferred tax liability	**(23,266)**	(22,450)

Movement in net deferred tax liability:

	2015 £000	2014 £000
At beginning of year	**(22,450)**	(20,448)
(Charge)/credit to Consolidated Income Statement:		
UK	**(1,147)**	(2,085)
Overseas	**5,060**	(420)
Credit/ (charge) to Consolidated Statement of Comprehensive Income	**6,768**	(1,699)
Credit to equity	**291**	295
Acquired (note 24)	**(9,090)**	(64)
Exchange adjustments	**(2,698)**	1,971
At end of year	**(23,266)**	(22,450)

The UK corporation tax rate was reduced to 21% from 23% with effect from 1 April 2014. A further reduction in the UK tax rate to 20%, effective from 1 April 2015, was substantively enacted in the UK Finance Act 2013.

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, £19,422,000 (2014: £21,532,000) 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 £3,399,000 (2014: £3,143,000) of which only £757,000 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 28 March 2015 the Group had unused capital tax losses of £479,000 (2014: £479,000) for which no deferred tax asset has been recognised.

22 Share capital

	Issued and fully paid	
	2015 £000	2014 £000
Ordinary shares of 10p each	**37,965**	37,902

The number of ordinary shares in issue at 28 March 2015 was 379,645,332 (2014: 379,018,522), including treasury shares of 1,371,785 (2014: 1,278,148).

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

	Issued and fully paid £000
At 29 March 2014	37,902
Share options exercised	**63**
At 28 March 2015	**37,965**

The total consideration received in cash in respect of share options exercised amounted to £893,000 (2014: £194,000).

At 28 March 2015 no options (2014: 626,810) in respect of ordinary shares remained outstanding. Further details are given in note 23 to the accounts.

23 Share-based payments

The total cost recognised in the Consolidated Income Statement in respect of share-based payment plans (the 'employee share plans') was as follows:

	2015			2014		
	Equity-settled £000	**Cash-settled £000**	**Total £000**	Equity-settled £000	Cash-settled £000	Total £000
Share incentive plan	**569**	**–**	**569**	641	–	641
Performance share plan	**3,829**	**238**	**4,067**	3,444	411	3,855
	4,398	**238**	**4,636**	4,085	411	4,496

The Group has recorded liabilities of £340,000 (2014: £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; vesting 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

At the beginning of the year, the Group had 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 were 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. There are no remaining options over ordinary shares at 28 March 2015. Options over 626,810 ordinary shares were exercised in the year. No options over ordinary shares lapsed in the year. The fair value of the options granted has been recognised in full, and accordingly there is no charge in the current or prior year.

Performance share plan

The performance share plan was approved by shareholders on 3 August 2005 and replaced the previous share option plans from which no further grants can be made.

Awards made under this Plan vest after three years on a sliding scale subject to the Group's relative Total Shareholder Return against the FTSE 250 excluding financial companies, combined with an absolute Return on Total Invested Capital measure. Awards which do not vest on the third anniversary of their award lapse.

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

	2015 Number of shares awarded	2014 Number of shares awarded
Outstanding at beginning of year	**3,587,492**	3,802,315
Granted during the year	**1,077,286**	1,068,785
Vested during the year (pro-rated for 'good leavers')	**(983,228)**	(1,198,568)
Lapsed during the year	**(570,206)**	(85,040)
Outstanding at end of year	**3,111,344**	3,587,492
Exercisable at end of year	**–**	–

The weighted average share price at the date of awards vesting during the year was 585.8p (2014: 557.7p).

The performance shares outstanding at 28 March 2015 had a weighted average remaining contractual life of 1.4 years (2014: 1.4 years).

23 Share-based payments continued

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:

	2015	2014	2013
Expected volatility (%)	**21%**	24%	26%
Expected life (years)	**3**	3	3
Share price on date of grant (p)	**569.9**	568.5	399.9
Option price (p)	**Nil**	Nil	Nil
Fair value per option (%)	**62.4%**	63.2%	55.3%
Fair value per option (p)	**355.9**	359.3	223.25

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

24 Acquisitions

In accounting for acquisitions, adjustments are made to the book values of the net assets of the companies acquired to reflect their fair values to the Group. Acquired inventories are valued at fair value adopting Group bases and any liabilities for warranties relating to past trading are recognised. Other previously unrecognised assets and liabilities at acquisition are included and accounting policies are aligned with those of the Group where appropriate.

The Group made three acquisitions during the year: Rohrback Cosasco Systems Inc. (RCS); Advanced Electronics Limited (Advanced); and Plasticspritzerei AG (Plasticspritzerei). Below are summaries of the assets and liabilities acquired and the purchase consideration of:

a) The total of RCS, Advanced and Plasticspritzerei;
b) RCS, on a standalone basis;
c) Advanced, on a standalone basis; and
d) Plasticspritzerei, on a standalone basis.

(A) Total of RCS, Advanced and Plasticspritzerei

	Book value £000	Fair value adjustments £000	Total £000
Non-current assets			
Intangible assets	**3,508**	**30,604**	**34,112**
Property, plant and equipment	**2,286**	**52**	**2,338**
Deferred tax	**–**	**226**	**226**
Current assets			
Inventories	**5,303**	**(388)**	**4,915**
Trade and other receivables	**9,833**	**(2,046)**	**7,787**
Corporation tax	**251**	**153**	**404**
Cash and cash equivalents	**9,515**	**104**	**9,619**
Total assets	**30,696**	**28,705**	**59,401**
Current liabilities			
Trade and other payables	**(4,569)**	**501**	**(4,068)**
Provisions	**(110)**	**(515)**	**(625)**
Corporation tax	**(686)**	**327**	**(359)**
Non-current liabilities			
Provisions	**–**	**(17)**	**(17)**
Bank loans	**(468)**	**–**	**(468)**
Retirement benefit obligations	**–**	**(234)**	**(234)**
Deferred tax	**(28)**	**(9,288)**	**(9,316)**
Total liabilities	**(5,861)**	**(9,226)**	**(15,087)**
Net assets of businesses acquired	**24,835**	**19,479**	**44,314**
Initial consideration paid (RCS, Advanced and Plasticspritzerei)*			**91,286**
Contingent purchase consideration paid (Advanced)*			**2,800**
Contingent purchase consideration estimated to be paid (Advanced)			**3,254**
Total consideration			**97,340**
Goodwill arising on current year acquisitions			**53,026**

* The initial and contingent purchase considerations paid in cash were £90,828,000 and £2,601,000 respectively. The remainder was satisfied by the issue of £657,000 of loan notes.

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

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

None of the goodwill arising on acquisitions in the year is expected to be deductible for tax purposes.

The three acquisitions in the year contributed £36,110,000 of revenue and £6,695,000 of profit after tax for the year ended 28 March 2015. 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 £6,843,000 and £1,146,000 higher respectively.

The combined fair value adjustments made for all acquisitions, excluding acquired intangible assets recognised and deferred tax thereon, resulted in net adjustments to goodwill of £3,831,000.

Notes to the Accounts continued

24 Acquisitions continued

Analysis of cash outflow in the Consolidated Cash Flow Statement

	2015 £000	2014 £000
Initial cash consideration paid	**90,828**	3,315
Initial cash consideration adjustment (prior year acquisition)	**–**	(337)
Cash acquired on acquisitions	**(9,619)**	(754)
Contingent consideration paid in relation to current year acquisitions	**2,601**	–
Contingent consideration paid and loan notes repaid in cash in relation to prior year acquisitions*	**3,933**	14,461
Net cash outflow relating to acquisitions (per Consolidated Cash Flow Statement)	**87,743**	16,685

* The £3,933,000 comprises £2,731,000 loan notes and £1,202,000 contingent purchase consideration paid in respect of prior period acquisitions, all of which had been provided in the prior year's financial statements.

(B) Rohrback Cosasco Systems Inc.

	Book value £000	Fair value adjustments £000	Total £000
Non-current assets			
Intangible assets	**420**	**25,146**	**25,566**
Property, plant and equipment	**441**	**102**	**543**
Deferred tax	**–**	**203**	**203**
Current assets			
Inventories	**4,098**	**(353)**	**3,745**
Trade and other receivables	**4,191**	**(192)**	**3,999**
Cash and cash equivalents	**5,441**	**–**	**5,441**
Corporation tax	**251**	**(61)**	**190**
Total assets	**14,842**	**24,845**	**39,687**
Current liabilities			
Trade and other payables	**(1,521)**	**(169)**	**(1,690)**
Provisions	**–**	**(148)**	**(148)**
Non-current liabilities			
Deferred tax	**(28)**	**(7,677)**	**(7,705)**
Total liabilities	**(1,549)**	**(7,994)**	**(9,543)**
Net assets of businesses acquired	**13,293**	**16,851**	**30,144**
Initial consideration (all cash)			**69,681**
Total consideration			**69,681**
Goodwill arising on acquisition			**39,537**

The Group acquired the entire share capital of Rohrback Cosasco Systems Inc. and associated companies (RCS), on 30 May 2014 for an initial cash consideration of US$116,000,000 (£69,341,000). This was subsequently adjusted by an additional US$569,000 (£340,000) which was paid in July 2014 based on the final agreed value of the net tangible assets at the acquisition date.

RCS forms part of the Process Safety sector and specialises in the design, manufacture and sale of pipeline corrosion monitoring products and systems into diverse industries including oil, gas, petrochemical, pharmaceutical and utilities. The acquisition of RCS expands Halma's portfolio of critical safety products which are sold into the Energy and Utility markets to protect life and operational assets. The existing RCS management team remain in place and will continue to operate the business. 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 £14,697,000; marketing and technology related intangibles of £10,869,000; with residual goodwill arising of £39,537,000. 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 RCS acquisition contributed £22,038,000 of revenue and £3,705,000 of profit after tax for the year ended 28 March 2015.

If this acquisition had been held since the start of the financial year, it is estimated that the Group's reported revenue and profit after tax would have been £5,525,000 and £771,000 higher respectively.

24 Acquisitions continued

(C) Advanced Electronics Limited

	Book value £000	Fair value adjustments £000	Total £000
Non-current assets			
Intangible assets	3,088	5,458	8,546
Property, plant and equipment	1,834	(606)	1,228
Deferred Tax	–	23	23
Current assets			
Inventories	1,124	1	1,125
Trade and other receivables	5,046	(1,890)	3,156
Corporation tax	–	214	214
Cash and cash equivalents	2,259	104	2,363
Total assets	13,351	3,304	16,655
Current liabilities			
Trade and other payables	(2,759)	703	(2,056)
Provisions	–	(363)	(363)
Corporation tax	(582)	582	–
Non-current liabilities			
Bank loans	(468)	–	(468)
Deferred tax	–	(1,611)	(1,611)
Total liabilities	(3,809)	(689)	(4,498)
Net assets of businesses acquired	9,542	2,615	12,157
Initial consideration			15,927
Contingent purchase consideration paid			2,800
Contingent purchase consideration estimated to be paid			3,254
Total consideration			21,981
Goodwill arising on acquisition			9,824

The Group acquired the entire share capital of Advanced Electronics Limited (Advanced) on 14 May 2014 for an initial consideration of £15,927,000 (£458,000 of which was satisfied by loan notes). Contingent consideration is payable over a two year period based on the profits of the company for the twelve months to April 2014 and eleven months to March 2015. The total estimated payable was £6,054,000, of which £2,601,000 has been paid in cash and £199,000 in loan notes in the year. The remainder, subject to actual performance, is payable in June 2015. The maximum contingent consideration payable is £10,100,000. Management's current best estimate of the likely total payable has been increased by £102,000 to £6,156,000 based on performance observed to date.

Advanced forms part of the Infrastructure Safety sector and specialises in the manufacture of networked fire detection and control systems. Advanced's controllers can be integrated into system solutions using field devices and products from a broad spectrum of suppliers, meeting the increasing diversity of regulatory requirements across the world. Its main manufacturing facility is located near Newcastle in the UK with a dedicated electronics and software development facility in Barnsley. It has additional commercial offices in the UK, the USA and Dubai. Advanced brings to Halma complementary products that help capture the international growth opportunity in the increasingly regulated Fire market. 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 £5,306,000; marketing and technology related intangibles of £1,462,000; with residual goodwill arising of £9,824,000. Included in the £5,458,000 fair value adjustment to intangible assets shown above is a reduction of £1,310,000 to the carrying value of capitalised development costs resulting from the application of Halma accounting policies to the acquisition date balance. The residual 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 Advanced acquisition contributed £13,936,000 of revenue and £2,301,000 of profit after tax for the year ended 28 March 2015. If this acquisition had been held since the start of the financial year, it is estimated that the Group's reported revenue and profit after tax would have been £1,318,000 and £323,000 higher respectively.

(D) Plasticspritzerei AG

	Book value £000	Fair value adjustments £000	Total £000
Non-current assets			
Property, plant and equipment	**11**	**556**	**567**
Current assets			
Inventories	**81**	**(36)**	**45**
Trade and other receivables	**596**	**36**	**632**
Cash and cash equivalents	**1,815**	**–**	**1,815**
Total assets	**2,503**	**556**	**3,059**
Current liabilities			
Trade and other payables	**(289)**	**(33)**	**(322)**
Provisions	**(110)**	**(4)**	**(114)**
Corporation tax	**(104)**	**(255)**	**(359)**
Non-current liabilities			
Provisions	**–**	**(17)**	**(17)**
Retirement benefit obligations	**–**	**(234)**	**(234)**
Total liabilities	**(503)**	**(543)**	**(1,046)**
Net assets of businesses acquired	**2,000**	**13**	**2,013**
Initial cash consideration			**5,678**
Total consideration			**5,678**
Goodwill arising on acquisition			**3,665**

On 2 May 2014 the Group acquired Plasticspritzerei AG (Plasticspritzerei), located in Wolfhalden, Switzerland at the same facility as another Group company, Medicel AG (Medicel). Initial consideration paid for the company was CHF8,403,000 (£5,678,000) including the consideration of CHF903,000 (£610,000) received for the Group's disposal of its 50% ownership interest in its associate PSRM Immobilien AG (PSRM) and CHF2,687,000 (£1,815,000) paid for the industrial segment of Plasticspritzerei. The Group then immediately sold the industrial segment of the business to a third party, resulting in a net cash cost to the Group of CHF4,813,000 (£3,253,000), (CHF5,716,000 (£3,863,000) excluding the proceeds from the PSRM disposal). These transactions have resulted in the Group owning only those assets which support Medicel's business. Plasticspritzerei will be operated by Medicel's management within Halma's Medical sector, further expanding the Group's manufacturing excellence in ophthalmic diagnostic and surgical instrumentation.

No customer relationship intangibles were recognised as part of this transaction because Medicel is the sole customer for the Plasticspritzerei business acquired and the fair value of any customer relationship is therefore eliminated from a Group perspective. Goodwill of £3,665,000 was recognised as part of this transaction, representing the excess of the fair value of consideration transferred over the fair value of the assets acquired and is attributable to:

a) the technical expertise of the acquired workforce;
b) the opportunity to secure and advance the supply chain of Medicel AG; and
c) the ability to exploit the Group's existing customer base.

The Plasticspritzerei acquisition resulted in intercompany sales to Medicel of £2,176,000 and external sales of £136,000 for the period ended 28 March 2015 and contributed £689,000 to profit after tax for the Group for the same period. If this acquisition had been held since the start of the financial year, it is estimated that the Group's reported revenue and profit after tax would have been £nil and £52,000 higher respectively.

Notes to the Accounts continued

25 Notes to the Consolidated Cash Flow Statement

	2015 £000	2014 £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)/loss on disposal of operations	**137,063**	143,571
Depreciation of property, plant and equipment	**14,005**	13,625
Amortisation of computer software	**1,211**	1,168
Amortisation of capitalised development costs and other intangibles	**5,505**	4,002
Impairment of capitalised development costs	**236**	–
Amortisation of acquired intangible assets	**19,954**	17,515
Share-based payment expense in excess of amounts paid	**3,803**	3,470
Additional payments to pension plans	**(6,560)**	(5,892)
Profit on sale of property, plant and equipment and computer software	**(590)**	(26)
Effects of closure to future benefit accruals on defined benefit pension plans	**–**	(4,246)
Operating cash flows before movement in working capital	**174,627**	173,187
Increase in inventories	**(1,097)**	(5,127)
Increase in receivables	**(10,656)**	(9,111)
Increase in payables and provisions	**5,801**	3,334
Revision to estimate of contingent consideration payable	**(620)**	(12,394)
Cash generated from operations	**168,055**	149,889
Taxation paid	**(30,824)**	(28,351)
Net cash inflow from operating activities	**137,231**	121,538

	2015 £000	2014 £000
Analysis of cash and cash equivalents		
Cash and bank balances	**41,230**	34,531
Overdrafts (included in current borrowings)	**(1,705)**	(1,405)
Cash and cash equivalents	**39,525**	33,126

	At 29 March 2014 £000	Cash flow £000	Net cash/(debt) acquired £000	Net overdraft disposed £000	Loan notes repaid/ (issued) £000	Exchange adjustments £000	At 28 March 2015 £000
Analysis of net debt							
Cash and bank balances	34,531	**(3,664)**	**9,619**	**–**	**–**	**744**	**41,230**
Overdrafts	(1,405)	**(336)**	**–**	**36**	**–**	**–**	**(1,705)**
Cash and cash equivalents	33,126	**(4,000)**	**9,619**	**36**	**–**	**744**	**39,525**
Loan notes falling due within one year	(2,731)	**–**	**–**	**–**	**2,731**	**–**	**–**
Loan notes falling due after more than one year	–	**–**	**–**	**–**	**(657)**	**–**	**(657)**
Bank loans falling due after more than one year	(104,891)	**(33,621)**	**(468)**	**–**	**–**	**(782)**	**(139,762)**
Total net debt	(74,496)	**(37,621)**	**9,151**	**36**	**2,074**	**(38)**	**(100,894)**

The net cash inflow from bank loans in 2015 comprised repayments of £35,341,000 offset by drawdowns of £68,962,000 (2014: net cash outflow comprising drawdowns of £57,791,000 offset by drawdowns of £7,498,000). The £9,151,000 net cash acquired comprised £9,619,000 cash and £468,000 of bank loans, and net overdraft disposed related to the Monitor overdraft of £36,000.

The net of the above £4,000,000 cash outflow, £9,619,000 net cash acquired and £36,000 net overdraft disposed is equal to the increase in cash and cash equivalents of £5,655,000 in the Consolidated Cash Flow Statement.

26 Financial instruments

Policy

The Group's treasury policies seek to minimise financial risks and to ensure sufficient liquidity for the Group's operations and strategic plans. No complex derivative financial instruments are used, and no trading or speculative transactions in financial instruments are undertaken. Where the Group does use financial instruments these are mainly to manage the currency risks arising from normal operations and its financing. Operations are financed mainly through retained profits and, in certain geographic locations, bank borrowings. Foreign currency risk is the most significant aspect for the Group in the area of financial instruments. It is exposed to a lesser extent to other risks such as interest rate risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and these policies are summarised below. The Group's policies have remained unchanged since the beginning of the financial year.

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the bases of recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in the Accounting Policies note.

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 18 to the Accounts, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the Consolidated Statement of Changes in Equity.

The Group is not subject to externally imposed capital requirements.

Foreign currency risk

The Group is exposed to foreign currency risk as a consequence of both trading with foreign companies and owning subsidiaries located in foreign countries.

The Group earns a significant proportion of its profit in currencies other than Sterling. This gives rise to translational currency risk, where the Sterling value of profits earned by the Group's foreign subsidiaries fluctuates with the strength of Sterling relative to their operating (or 'functional') currencies. The Group does not hedge this risk, so its reported profit is sensitive to the strength of Sterling, particularly against the US Dollar and Euro. The Group also has transactional currency exposures. These arise on sales or purchases by operating companies in currencies other than the companies' operating (or 'functional') currency. Significant sales and purchases are matched where possible and a proportion of the net exposure is hedged by means of forward foreign currency contracts.

The Group has significant investments 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 geographic 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 £186,936,000 (2014: £160,848,000) represents the Group's maximum exposure to credit risk as no collateral or other credit enhancements are held.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Liquidity risk

The Group has a syndicated revolving credit facility of £360m with its core group of five banks extending to November 2018. This facility is the main source of long-term funding for the Group.

26 Financial instruments continued

The Group has a strong cash flow and the funds generated by operating companies are managed regionally based on geographic location.

Funds are placed on deposit with secure, highly-rated banks. For short-term working capital purposes, most operating companies utilise local bank overdrafts. These practices allow a balance to be maintained between continuity of funding, security and flexibility. Because of the nature of their use, the facilities are typically 'on demand' and as such uncommitted. Overdraft facilities are typically renewed annually.

Currency exposures

Translational exposures

It is estimated, by reference to the Group's US Dollar and Euro denominated profits, that a one per cent change in the value of the US Dollar relative to Sterling would have had a £561,000 (2014: £505,000) impact on the Group's reported profit before tax; and a one per cent change in the value of the Euro relative to Sterling would have had a £214,000 (2014: £207,000) impact on the Group's profit before tax for the year ended 28 March 2015.

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 £998,000 at 28 March 2015 (2014: £1,742,000). These comprised Sterling denominated deposits of £92,000 (2014: £92,000), and Euro, US Dollar and Renminbi deposits of £906,000 (2014: £1,650,000) which are placed on local money markets and earn interest at market rates. Cash balances of £40,232,000 (2014: £32,789,000) earn interest at local market rates.

The financial liabilities which are subject to interest rate fluctuations comprise bank loans, bank overdrafts, loan notes and certain unsecured loans, which totalled £142,124,000 at 28 March 2015 (2014: £109,027,000). All bank loans bear interest at floating 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. The loan notes outstanding at 28 March 2015 attract interest at 1%.

The Group's weighted average interest cost on net debt for the year is 1.80% (2014: 1.59%).

	2015 £000	2014 £000
Analysis of interest bearing financial liabilities		
Sterling denominated bank loans	**132,000**	97,000
Swiss Franc denominated bank loans	**7,762**	7,891
Total bank loans	**139,762**	104,891
Overdrafts (principally Sterling and US Dollar denominated)	**1,705**	1,405
Sterling denominated loan notes	**657**	2,731
Total interest bearing financial liabilities	**142,124**	109,027

For the year ended 28 March 2015 it is estimated that a general increase of one percentage point in interest rates would reduce the Group's profit before tax by £1,675,000 (2014: £1,520,000).

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 contractual contingent purchase consideration due after one year of £166,000 (2014: £6,173,000) falls due between one and two years. No amounts are payable after more than two years (2014: £nil). Other creditors due after more than one year include £1,694,000 (2014: £1,569,000) due between one and two years, £1,197,000 (2014: £1,308,000) due between two and five years, with the balance of £nil (2014: £2,000) due after more than five years. Deferred government grant income due after more than one year includes £124,000 (2014: £28,000) due between one and two years, £146,000 (2014: £47,000) due between two and five years, with the balance of £595,000 (2014: £610,000) due after more than five years.

The Group's bank loans are revolving credit facilities and the amount and timing of future payments and drawdowns is unknown. It is therefore not possible to calculate the interest arising on these loans and we have therefore not disclosed the maturity of the gross cash flows (including interest) in relation to these liabilities.

Borrowing facilities

The Group's principal source of long-term funding is its unsecured five-year £360m revolving credit facility, which expires in November 2018. The Group has additional short-term unsecured and committed US bank facilities of £16,892,000, which mature in June 2015 and were undrawn at 28 March 2015.

Other short-term operational funding is provided by cash generated from operations and by local bank overdrafts. These overdraft facilities are uncommitted and are generally renewed on an annual or ongoing basis and hence the facilities expire within one year or less.

The Group's undrawn committed facilities available at 28 March 2015 were £237,130,000 (2014: £270,169,000) of which £16,892,000 (2014: £15,060,000) matures within one year and £220,238,000 (2014: £255,109,000) between two and five years.

UK companies have cross-guaranteed £17,990,000 (2014: £22,122,000) of overdraft facilities of which £1,538,000 (2014: £1,100,000) was drawn.

Fair values of financial assets and financial liabilities

As at 28 March 2015 and 29 March 2014 there were no significant differences between the book value and fair value (as determined by market value) of the Group's financial assets and liabilities.

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

The fair value of derivative financial instruments is estimated by discounting the future contracted cash flow, using readily available market data, and represents a level 2 measurement in the fair value hierarchy under IFRS 7.

Hedging

As explained previously, the Group's policy is to hedge significant sales and purchases denominated in foreign currency using forward currency contracts. These instruments are initially recognised at fair value, which is typically £nil, and subsequent changes in fair value are taken to the Consolidated Income Statement, unless hedge accounted.

The following table details the forward foreign currency contracts outstanding as at the year end, which mostly mature within one year and therefore the cash flows and resulting effect on profit and loss are expected to occur within the next 12 months:

	Average exchange rate/£		Foreign currency		Contract value		Fair value	
	2015	2014	**2015 000**	2014 000	**2015 £000**	2014 £000	**2015 £000**	2014 £000
Forward contracts not in a designated cash flow hedge								
US Dollars	**1.51**	1.65	**4,780**	5,186	**3,163**	3,139	**(67)**	15
Euros	**1.34**	1.21	**1,881**	1,951	**1,407**	1,613	**34**	–
Other currencies					**4,721**	515	**87**	(25)
					9,291	5,267	**54**	(10)
Forward contracts in a designated cash flow hedge								
US Dollars	**1.59**	1.60	**7,313**	7,993	**4,593**	4,982	**(320)**	173
Euros	**1.29**	1.18	**12,289**	10,334	**9,563**	8,724	**527**	174
Czech Koruna	**35.73**	32.82	**(73,251)**	(109,844)	**(2,050)**	(3,347)	**(93)**	(27)
Other currencies					**3,282**	1,028	**265**	19
					15,388	11,387	**379**	339
Total forward contracts								
US Dollars	**1.56**	1.62	**12,093**	13,179	**7,756**	8,121	**(387)**	188
Euros	**1.29**	1.19	**14,170**	12,285	**10,970**	10,337	**561**	174
Czech Koruna	**35.73**	32.82	**(73,251)**	(109,844)	**(2,050)**	(3,347)	**(93)**	(27)
Other currencies					**8,003**	1,543	**352**	(6)
					24,679	16,654	**433**	329
Amounts recognised in the Consolidated Income Statement							**180**	147
Amounts recognised in the Consolidated Statement of Comprehensive Income and Expenditure							**253**	182
							433	329

26 Financial instruments continued

The fair values of the forward contracts are disclosed as a £1,069,000 (2014: £496,000) asset and £636,000 (2014: £167,000) 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.

	2015 £000	2014 £000
Analysis of movement in hedging reserves		
Amounts removed from Consolidated Statement of Changes in Equity and included in Consolidated Income Statement during the year	**(182)**	317
Amounts recognised in the Consolidated Statement of Comprehensive Income and Expenditure	**253**	182
Net movement in hedging reserves in the year in relation to the effective portion of changes in fair value of cash flow hedges	**71**	499
At beginning of year	**182**	(317)
At end of year	**253**	182

There was no ineffectiveness arising with regards to forward contracts in a designated cash flow hedge.

With the exception of currency exposures, the disclosures in this note exclude short-term receivables and payables.

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The Group enters into derivative financial instruments to manage its exposure to foreign currency risk, including:

- forward foreign exchange contracts to hedge the exchange rate risk arising on the export of goods to and from the USA, Mainland Europe and the UK; and
- foreign exchange loans to hedge the exchange rate risk arising on translation of the Group's investment in foreign operations which have the Euro and Swiss Franc as their functional currencies.

Market risk exposures are measured using sensitivity analysis as described below.

There has been no change to the Group's exposure to market risks or in the manner in which these risks are managed and measured.

Foreign currency sensitivity analysis

The Group is mainly exposed to the currency of the USA (US Dollar currency) and the currency of Mainland Europe (Euro currency).

The carrying amount of the Group's US Dollar and Euro denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets		**Liabilities**	
	2015 £000	2014 £000	**2015 £000**	2014 £000
US Dollar	**169,047**	142,678	**42,793**	32,433
Euro	**61,741**	64,525	**15,488**	14,818

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**	
	2015 £000	2014 £000	**2015 £000**	2014 £000
Profit	**5,153**	4,633	**1,964**	1,899
Other equity	**11,478**	10,022	**4,205**	4,519

The profit sensitivity arises mainly from the translation of overseas profits earned during the year. 10% is the sensitivity rate which management assesses to be a reasonably possible change in foreign exchange rates. The Group's profit sensitivity has increased against the US Dollar and Euro because more of the Group's profits are earned in these currencies.

27 Commitments

Capital commitments

Capital expenditure authorised and contracted at 28 March 2015 but not recognised in these accounts amounts to £5,312,000 (2014: £746,000).

Commitments under operating leases

The Group has entered into commercial leases on properties and other equipment. The former expire between April 2015 and August 2029 and the latter between April 2015 and March 2020. 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	
	2015 £000	2014 £000	**2015 £000**	2014 £000
Within one year	**8,611**	6,566	**429**	453
Within two to five years	**19,495**	13,989	**503**	856
After five years	**6,151**	2,257	**–**	–
	34,257	22,812	**932**	1,309

28 Retirement benefits

Group companies operate both defined benefit and defined contribution pension plans. The Halma Group Pension Plan and the Apollo Pension and Life Assurance Plan (both UK) have defined benefit sections with assets held in separate trustee administered funds. Both of these sections had already closed to new entrants in 2002/03. During the prior year, following consultation with members, it was decided that future benefit accruals for existing members of these sections would cease from 1 December 2014. From that date, the former defined benefit members joined the existing defined contribution section within the Halma Group Pension Plan. This closure to future benefit accruals resulted in a curtailment gain in the prior year of £4,246,000 (before closure costs of £298,000), which was included in the Adjustments column in the Consolidated Income Statement.

Overseas subsidiaries have adopted mainly defined contribution plans, with the exception of three small defined benefit plans in the Swiss entities of Medicel AG, Robutec GmbH and Plasticspritzerei AG, which was acquired during the year.

Defined contribution plans

The amount charged to the Consolidated Income Statement in respect of defined contribution plans was £5,616,000 (2014: £4,042,000) and represents contributions payable to these plans by the Group at rates specified in the rules of the plans. The assets of the plans are held separately from those of the Group in funds under the control of trustees. Where there are employees who leave the plans prior to vesting fully in the contributions, the ancillary contributions payable by the Group may be reduced by the amount of forfeited contributions.

Defined benefit plans

The Group's significant defined benefit plans are for qualifying employees of its UK subsidiaries. Under the plans, 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 plans are funded plans.

The most recent actuarial valuation of the Halma Group Pension Plan assets and the present value of the defined benefit obligation was carried out at 1 December 2011 by Mr Adrian Gibbons, Fellow of the Institute and Faculty of Actuaries. The present value of the defined benefit obligation, the related current service cost and the past service cost were measured using the projected unit credit method. The projected unit credit method is an accrued benefits valuation method in which the plan liabilities make allowance for projected earnings. Mr Gibbons also carried out the 1 April 2012 actuarial valuation of the Apollo Pension and Life Assurance Plan on the same basis. The actuarial valuations as at 1 December 2014 and 1 April 2015 for the two plans are currently being conducted.

28 Retirement benefits continued

An alternative to the projected unit credit method is a valuation on a solvency basis, often estimated using the cost of buying out benefits at the balance sheet date with a suitable insurance company. This amount represents the amount that would be required to settle the plan liabilities at the balance sheet date rather than the Group continuing to fund the ongoing liabilities of the plan. The Group estimates that this would amount to £430m (2014: £390m).

	2015	2014	2013
Key assumptions used (UK plans):			
Discount rate	**3.25%**	4.40%	4.40%
Expected return on plan assets	**3.25%**	4.40%	5.33%
Expected rate of salary increases	**3.00%**	3.20%	3.30%
Pension increases LPI 2.5%	**2.20%**	2.20%	2.20%
Pension increases LPI 3.0%	**2.50%**	2.50%	2.50%
Inflation – RPI	**3.00%**	3.20%	3.30%
Inflation – CPI	**2.00%**	2.20%	2.30%

Mortality assumptions:

Investigations have been carried out within the past three years into the mortality experience of the Group's UK defined benefit plans. 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:

	2015 Years	2014 Years	2013 Years
Retiring today:			
Males	**23.4**	23.4	23.3
Females	**26.0**	25.9	25.8
Retiring in 20 years:			
Males	**25.3**	25.2	25.1
Females	**27.9**	27.9	27.8

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

Assumption	Change in assumption	Impact on plan liabilities
Discount rate	Increase/decrease by 0.5%	Decrease/increase by 10.4%
Rate of inflation	Increase/decrease by 0.5%	Increase/decrease by 6.8%
Rate of salary growth	Increase/decrease by 0.5%	Increase/decrease by 1.7%
Rate of mortality	Increase by one year	Increase by 2.8%

Amounts recognised in the Consolidated Income Statement in respect of the UK and Swiss defined benefit plans are as follows:

	2015 £000	2014 £000
Current service cost	**1,501**	2,653
Administration expenses	**–**	638
Curtailment gain	**–**	(4,246)
Net interest charge on pension plan liabilities	**1,419**	1,875
	2,920	920

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

The actual return on plan assets was £30.4m (2014: £7.8m).

The cumulative amount of actuarial losses recognised in the Consolidated Statement of Comprehensive Income and Expenditure since the date of transition to IFRSs is £78m (2014: £43m).

The amount included in the balance sheet arising from the Group's obligations in respect of its UK and Swiss defined benefit retirement benefit plans is as follows:

	2015* £000	2014 £000	2013 £000
Present value of defined benefit obligations	**(291,596)**	(227,358)	(223,447)
Fair value of plan assets	**224,806**	190,509	176,275
Liability recognised in the balance sheet	**(66,790)**	(36,849)	(47,172)

* At 28 March 2015, the fair value of the obligations and assets of the UK plans were £285,751,000 (2014: £223,996,000) and £220,331,000 (2014: £187,511,000) respectively and of the Swiss plans were £5,845,000 (2014: £3,362,000) and £4,475,000 (2014: £2,998,000) respectively.

Under the current arrangements, cash contributions in the region of £7m per year would be made for the immediate future with the objective of eliminating the pension deficit. However, the schedule of future contributions is currently under discussion.

Movements in the present value of the UK and Swiss defined benefit obligations were as follows:

	2015 £000	2014 £000
At beginning of year	**(227,358)**	(223,447)
Service cost	**(1,501)**	(2,653)
Curtailment gain	**–**	4,246
Interest cost	**(9,804)**	(9,707)
Actuarial losses	**(56,830)**	(791)
Defined benefit obligations of business acquired (note 24)	**(1,256)**	–
Contributions from plan members	**(804)**	(1,085)
Benefits paid	**6,116**	5,982
Premiums paid	**28**	97
Foreign exchange	**(187)**	–
At end of year	**(291,596)**	(227,358)

28 Retirement benefits continued

Movements in the fair value of the UK and Swiss plan assets were as follows:

	2015 £000	2014 £000
At beginning of year	**190,509**	176,275
Expected return on plan assets	**8,385**	7,832
Administrative expenses	**–**	(638)
Actuarial gains	**22,035**	2,851
Plan assets of business acquired (note 24)	**1,022**	–
Contributions from the sponsoring companies	**8,060**	9,183
Contributions from plan members	**804**	1,085
Benefits paid	**(6,116)**	(5,982)
Premiums paid	**(28)**	(97)
Foreign exchange	**135**	–
At end of year	**224,806**	190,509

The net movement on actuarial gains and losses of the UK and Swiss plans was as follows:

	2015 £000	2014 £000
Defined benefit obligations	**(56,830)**	(791)
Fair value of plan assets	**22,035**	2,851
Net actuarial (losses)/gains	**(34,795)**	2,060

The analysis of the UK plan assets and the expected rate of return at the balance sheet date were as follows:

				Fair value of assets		
	2015 %	2014 %	2013 %	**2015 £000**	2014 £000	2013 £000
Equity instruments	**3.25**	4.40	6.43	**114,314**	101,155	101,355
Debt instruments	**3.25**	4.40	4.70	**89,743**	71,451	61,727
Property	**3.25**	4.40	3.65	**16,274**	14,905	13,193
	3.25	4.40	5.33	**220,331**	187,511	176,275

The overall expected rate of return is a weighted average.

In conjunction with the trustees, the Group conducts asset-liability reviews for its defined benefit pension plan. 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 plan. 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 plan's investment strategy.

As a consequence, the Group is progressively giving more emphasis to a closer return matching of plan assets and liabilities, both to ensure the long-term security of its defined benefit commitment and to reduce earnings and balance sheet volatility.

The five-year history of experience adjustments was as follows:

	2015 £000	2014 £000	2013 £000	2012 £000	2011 £000
Present value of defined benefit obligations	**(291,596)**	(227,358)	(223,447)	(185,956)	(177,055)
Fair value of plan assets	**224,806**	190,509	176,275	152,959	140,818
Deficit in the plan	**(66,790)**	(36,849)	(47,172)	(32,997)	(36,237)
Experience adjustments on plan liabilities					
Amount	**4,271**	–	246	(224)	157
Percentage of plan liabilities	**1%**	–	–	–	–
Experience adjustments on plan assets					
Amount	**22,031**	(30)	(10,756)	(1,804)	(944)
Percentage of plan assets	**10%**	0%	(5)%	(1)%	(1)%

The estimated amount of contributions expected to be paid to the UK and Swiss plans during the year ending 2 April 2016 is £6.8m, subject to the finalisation of the 2014 actuarial valuation.

The levels of contributions are based on the current service cost and the expected future cash flows of the defined benefit pension plan. The Group estimates the plan liabilities on average to fall due over 20 and 27 years, respectively, for the Halma and Apollo plans.

29 Disposal of operations

On 30 May 2014, the Group disposed of Monitor Elevator Products, Inc. (Monitor) from its Infrastructure Safety sector. The total consideration was US$6,243,000 (£3,716,000), of which US$5,514,000 (£3,282,000) was received in cash at completion, before subsequently being reduced by US$171,000 (£102,000) for the final agreed closing net asset value. The remaining US$900,000 was retained in escrow to be released to Halma on the second anniversary of the transaction subject to any valid warranty/indemnity claims being made by the purchaser. The Directors estimate that the entire US$900,000 held in escrow will be received.

The profit on disposal was US$1,808,000 (£1,076,000), which is net of £189,000 of cumulative foreign exchange losses reclassified to the Income Statement and £273,000 of disposal costs. Net assets disposed were US$3,659,000 (£2,178,000). No goodwill was disposed of or impaired as a result of this transaction.

The Group's partial disposal of Optomed during the year for €876,000 (£695,000) resulted in a profit on disposal of £223,000. Further details are included in Note 14.

The Group's disposal of its 50% ownership interest in PSRM Immobilien AG (PSRM) for CHF903,000 (£610,000) resulted in a fair value gain being recognised in the Income Statement of £131,000. This represented the excess of the fair value of the Group's interest in the associate over its carrying value. Further details are included in Note 14.

The £4,248,000 cash inflow on disposal of operations shown in the Consolidated Cash Flow Statement represents the £3,180,000, £695,000 and £610,000 proceeds from the sale of the shares in Monitor, Optomed, and PSRM respectively plus the £36,000 overdraft in Monitor less the disposal costs of £273,000.

The total profit on disposal of operations shown in note 1 of £1,430,000 comprises £1,076,000 for the disposal of Monitor, £223,000 for the partial disposal of shares in Optomed and £131,000 for the fair value gain recognised in relation to the disposal of PSRM.

In the prior year, the loss on disposal relates to late transaction costs and a revision to amounts recoverable on the disposals by the Group, in 2012, of its Asset Monitoring businesses and Volumatic Limited. The £1,917,000 cash inflow related mainly to a release from escrow. Further details are provided on page 143 of the 2014 Annual Report and Accounts.

30 Events after the balance sheet date

On 19 May 2015 the Group acquired the entire membership interest of Value Added Solutions, LLC ('VAS') for an initial cash consideration of $5,000,000, adjustable based on the closing date working capital. Additionally, a performance payment of up to $1,500,000, based upon results achieved in the period to 1 October 2016, will be paid on 1 April 2017.

VAS will operate as a 'bolt-on' to Diba Industries Inc., within Halma's Medical sector. Diba Industries creates innovative fluid handling solutions that are invaluable to device OEMs, while VAS specialises in precision plastic machining, production of thermally bonded manifolds, and fluid component integrations. VAS will add complementary expertise, capabilities, and products that will allow Diba to provide broader solutions to its existing customers, as well as expand its customer base. VAS's production facility is located in Berlin, CT (USA). Due to the proximity of the acquisition date to the date of the approval of the Annual Report and Accounts, it is impractical to provide further information.

31 Related party transactions
Trading transactions

	2015 £000	2014 £000
Associated companies		
Purchases from associated companies	**638**	524
Amounts due to associated companies	**161**	56
Amounts due from associated companies	**–**	128
Other related parties		
Rent charged by other related parties	**113**	115

Other related parties comprises one company with a Halma employee on the board and from which the Halma subsidiary rents property. All the transactions above are on an arm's length basis and on standard business terms.

Remuneration of key management personnel
The remuneration of the Directors and Executive Board members, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 'Related Party Disclosures'. Further information about the remuneration of individual Directors is provided in the audited part of the Directors' Remuneration Report on pages 81 to 90.

	2015 £000	2014 £000
Wages and salaries	**5,212**	4,353
Pension costs	**169**	130
Share-based payment charge	**1,799**	1,908
	7,180	6,391

Company Balance sheet

	Notes	28 March 2015 £000	29 March 2014 £000
Fixed assets			
Tangible assets	C3	**3,348**	3,310
Investments	C4	**163,986**	142,005
		167,334	145,315
Current assets			
Debtors (amounts falling due within one year)	C5	**45,548**	43,740
Debtors (amounts falling due after more than one year)	C5	**415,225**	344,307
Short-term deposits		**92**	92
Cash at bank and in hand		**174**	2,417
		461,039	390,556
Creditors: amounts falling due within one year			
Borrowings	C6	**10,675**	10,998
Creditors	C7	**53,316**	43,639
Current tax payable		**3,435**	3,375
		67,426	58,012
Net current assets		**393,613**	332,544
Total assets less current liabilities		**560,947**	477,859
Creditors: amounts falling due after more than one year			
Borrowings	C6	**140,419**	104,891
Creditors	C8	**11,753**	12,940
Net assets		**408,775**	360,028
Capital and reserves			
Share capital	C10	**37,965**	37,902
Share premium account	C11	**23,608**	22,778
Treasury shares	C11	**(8,450)**	(7,054)
Capital redemption reserve	C11	**185**	185
Other reserves	C11	**(10,412)**	(7,647)
Profit and loss account	C11	**365,879**	313,864
Shareholders' funds	C12	**408,775**	360,028

The financial statements of Halma plc, company number 40932, were approved by the Board of Directors on 11 June 2015.

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, except for the revaluation of certain financial instruments at fair value as permitted by the Companies Act 2006, 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.

Derivative financial instruments

The company is not in scope for FRS 29 which is applicable to all entities adopting FRS 26, with the exception of parent companies in respect of their single-entity financial statements, provided the entity is included in publicly available consolidated financial statements which include disclosures that comply with FRS 29. The Company's consolidated accounts, found on pages 99 to 150, include disclosures that comply with IFRS 7 Financial Instruments: Disclosures (the IFRS equivalent to FRS 29).

Share-based payments

The Company has adopted FRS 20 and the accounting policies followed are in all material respects the same as the Group's policy under IFRS 2. This policy is shown on page 133.

Investments

Investments are stated at cost less provision for impairment.

Fixed assets and depreciation

Fixed assets are stated at cost less provisions for impairment and depreciation which, with the exception of freehold land which is not depreciated, is provided on all fixed assets on the straight-line method, each item being written off over its estimated life. The principal annual rates used for this purpose are:

Freehold property	2%
Plant, equipment and vehicles	8% to 33.3%

Leases

The costs of operating leases of property and other assets are charged on a straight-line basis over the life of the lease.

Pensions

The Company makes contributions to defined contribution pension plans, which are charged against profits when they become payable. The Company also participates in a Group-wide defined benefit pension plan. This plan is operated on a basis that does not enable individual companies to identify their share of the underlying assets and liabilities, and in accordance with FRS 17 the Company accounts for its contributions to the plan as if it was a defined contribution plan.

Taxation

Taxation comprises current and deferred tax.

Current tax is the expected tax payable, on the taxable income for the year, using tax rates enacted, or substantially enacted, at the balance sheet date, and any adjustments to tax payable in respect of previous years.

The Company provides for deferred tax because of timing differences between profits as computed for taxation purposes and profits as stated in the accounts, on an undiscounted basis. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are only recognised if recovery is considered more likely than not on the basis of all available evidence.

Bank borrowings

Interest bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including direct issue costs, are accounted for on an accruals basis in profit or loss and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

C2 Result for the year

As permitted by Section 408(3) of the Companies Act 2006, the Profit and Loss Account of Halma plc is not presented as part of these accounts. The Company has reported a profit after taxation for the financial year of £95,414,000 (2014: £99,346,000).

Auditor's remuneration for audit services to the Company was £162,000 (2014: £159,000).

Total employee costs (including Directors) were:

	2015 £000	2014 £000
Wages and salaries	**6,539**	5,329
Social security costs	**615**	535
Pension costs	**423**	499
	7,577	6,363

	2015 Number	2014 Number
Number of employees (all in the UK)	**49**	43

Details of Directors' remuneration are set out on pages 81 to 90 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 29 March 2014	3,043	2,379	5,422
Additions at cost	**–**	**392**	**392**
Disposals	**–**	**(139)**	**(139)**
At 28 March 2015	**3,043**	**2,632**	**5,675**
Accumulated depreciation			
At 29 March 2014	433	1,679	2,112
Charge for the year	**47**	**276**	**323**
Disposals	**–**	**(108)**	**(108)**
At 28 March 2015	**480**	**1,847**	**2,327**
Carrying amounts			
At 28 March 2015	**2,563**	**785**	**3,348**
At 29 March 2014	2,610	700	3,310

Notes to the Company Accounts continued

C4 Investments

Shares in Group companies

	2015 £000	2014 £000
At cost less amounts written off at beginning of year	**142,005**	136,832
Increase in investments	**21,981**	5,173
At cost less amounts written off at end of year	**163,986**	142,005

The increase of £21,981,000 comprises entirely the 100% acquisition of Advanced Electronics Limited (Advanced).

The increase of £5,173,000 in the prior year related to the acquisition of Talentum Developments Limited (£3,564,000), an increase in investment in an existing subsidiary (£1,946,000) and £337,000 reduction in investment following the finalisation of the acquisition accounting for ASL Holdings Limited (ASL).

Details of principal subsidiary companies are set out below. Halma plc owns 100% of the ordinary share capital of all its subsidiaries (directly, or indirectly through its intermediate holding companies).

The Company has taken advantage of the exemption under Section 410(2) of the Companies Act 2006 by providing information only in relation to subsidiary undertakings the results or financial position of which, in the opinion of the Directors, principally affected the financial statements.

A complete list of subsidiary and associated undertakings will be attached to the next annual return to be filed at Companies House following the approval of these accounts.

Supplementary information relating to Halma's operations is provided on pages 160 to 163.

Name of company	Country of incorporation	Name of company	Country of incorporation
Bureau D'Electronique Appliquee S.A. (BEA)	Belgium	Smith Flow Control Limited	UK
Rudolf Riester GmbH	Germany	Texecom Limited	UK
Medicel AG	Switzerland	Accutome, Inc.	USA
Advanced Electronics Limited	UK	Diba Industries, Inc.	USA
Apollo Fire Detectors Limited	UK	Labsphere, Inc.	USA
Avire Limited	UK	MicroSurgical Technology, Inc.	USA
Crowcon Detection Instruments Limited	UK	Ocean Optics, Inc.	USA
Elfab Limited	UK	Oseco Inc.	USA
Fire Fighting Enterprises Limited	UK	Perma Pure LLC	USA
Fortress Interlocks Limited	UK	Rohrback Cosasco Systems, Inc	USA
HWM-Water Limited	UK	SunTech Medical Inc.	USA
Keeler Limited	UK	Volk Optical Inc.	USA
Palintest Limited	UK		

C5 Debtors

	2015 £000	2014 £000
Amounts falling due within one year:		
Amounts due from Group companies	**38,029**	36,792
Derivative financial instruments	**129**	–
Other debtors	**–**	2
Prepayments and accrued income	**6,530**	6,261
Deferred tax asset (note C9)	**860**	685
	45,548	43,740
Amounts falling due after more than one year:		
Amounts due from Group companies	**415,225**	344,307

Derivative financial instruments comprise Swiss Franc swap contracts. The change in the fair value of the derivative financial assets outstanding at the year end, and classified as fair value through profit and loss, was £129,000 gain.

C6 Borrowings

	2015 £000	2014 £000
Falling due within one year:		
Overdrafts	**10,675**	10,998
Falling due after more than one year:		
Loan notes	**657**	–
Unsecured bank loans	**139,762**	104,891
	140,419	104,891
Total borrowings	**151,094**	115,889

The Group's principal source of long-term funding is its unsecured five-year £360m revolving credit facility, which expires in November 2018 and is therefore classified as expiring within two to five years (2014: within two to five years). At 28 March 2015 £220,238,000 (2014: £255,109,000) remained committed and undrawn.

The bank overdrafts, which are unsecured, at 28 March 2015 and 29 March 2014 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 £17,990,000 (2014: £22,122,000) are cross-guaranteed. Of these facilities £64,000 (2014: £nil) was drawn.

The loan notes issued in respect of the Advanced acquisition attract interest at 1% and are convertible into cash at par on each anniversary of the acquisition date until 14 May 2019. They are classified as falling due within one to two years.

C7 Creditors: amounts falling due within one year

	2015 £000	2014 £000
Trade creditors	**1,456**	1,379
Amounts owing to Group companies	**43,999**	37,011
Other taxation and social security	**1,100**	1,145
Other creditors	**515**	1,422
Accruals and deferred income	**2,890**	1,216
Provision for contingent and deferred consideration	**3,356**	1,466
	53,316	43,639

The £3,356,000 contingent consideration payable relates to the Advanced acquisition made during the year. The estimated value of the payment represents the Directors' best estimate based on actual results for the period to March 2015 and is payable in June 2015. In the prior year the balance represented amounts due in respect of the Talentum and ASL acquisitions.

Notes to the Company Accounts continued

C8 Creditors: amounts falling due after more than one year

	2015 £000	2014 £000
Amounts owing to Group companies	**11,112**	10,303
Provision for contingent consideration	**197**	2,284
Other creditors	**444**	353
	11,753	12,940
These liabilities fall due as follows:		
Within one to two years	**641**	2,637
Within two to five years	**–**	–
After more than five years	**11,112**	10,303

The £197,000 provision for contingent consideration represents the Directors' best estimate of the second tranche of payment due in respect of the ASL acquisition. In the prior year the payment was estimated at £2,284,000 and was shown as payable within one to two years.

C9 Deferred tax

	2015 £000	2014 £000
Movement in deferred tax asset:		
At beginning of year	**685**	268
Credit to profit and loss account	**175**	417
At end of year (note C5)	**860**	685

Deferred tax comprises short-term timing differences.

C10 Share capital

	Issued and fully paid	
	2015 £000	2014 £000
Ordinary shares of 10p each	**37,965**	37,902

The number of ordinary shares in issue at 28 March 2015 was 379,645,332 (2014: 379,018,522), including treasury shares of 1,371,785 (2014: 1,278,148). Changes during the year in the issued ordinary share capital were as follows:

	Issued and fully paid 2015 £000
At 29 March 2014	37,902
Share options exercised	**63**
At 28 March 2015	**37,965**

The total consideration received in cash in respect of share options exercised amounted to £893,000 (2014: £194,000).

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 29 March 2014	22,778	(7,054)	185	(7,647)	313,864
Profit for the financial year	**–**	**–**	**–**	**–**	**95,414**
Dividends paid	**–**	**–**	**–**	**–**	**(43,399)**
Issue of shares	**830**	**–**	**–**	**–**	**–**
Net movement in treasury shares	**–**	**(1,396)**	**–**	**–**	**–**
Movement in other reserves	**–**	**–**	**–**	**(2,765)**	**–**
At 28 March 2015	**23,608**	**(8,450)**	**185**	**(10,412)**	**365,879**

The Capital redemption reserve was created on the repurchase and cancellation of the Company's own shares. The Other reserves represent the provision being established in respect of the value of equity-settled share option plans and performance share plan awards made by the Company. Treasury shares are the Company's own shares purchased and are held to fulfil its obligations under the performance share plan.

C12 Reconciliation of movement in shareholders' funds

	2015 £000	2014 £000
At beginning of year	**360,028**	305,637
Profit for the financial year	**95,414**	99,346
Dividends paid	**(43,399)**	(40,485)
Issue of shares	**893**	194
Net movement in treasury shares	**(1,396)**	(2,520)
Movement in other reserves	**(2,765)**	(2,144)
At end of year	**408,775**	360,028

Summary 2006 to 2015

	2005/06 £000	2006/07 £000	2007/08 £000
Revenue (note 1)	337,348	354,606	397,955
Overseas sales (note 1)	249,055	258,050	288,701
Profit before taxation, and adjustments (note 2)	59,641	66,091	73,215
Net tangible assets/capital employed	105,396	113,048	134,320
Borrowings (excluding overdrafts)	32,308	29,762	72,393
Cash and cash equivalents (net of overdrafts)	35,826	22,051	28,118
Employees (note 1)	3,187	3,326	3,683
Earnings per ordinary share (note 1)	11.08p	11.86p	13.49p
Adjusted earnings per ordinary share (note 2)	11.27p	12.42p	13.86p
Year-on-year increase in adjusted earnings per ordinary share	19.3%	10.9%	11.5%
Return on Sales (notes 1 and 3)	17.7%	18.6%	18.4%
Return on Capital Employed (restated – note 4)	57.2%	62.2%	60.6%
Return on Total Invested Capital (restated – note 4)	13.5%	14.3%	14.8%
Year-on-year increase in dividends per ordinary share (paid and proposed)	5%	5%	5%
Ordinary share price at financial year end	188p	220p	192p
Market capitalisation at financial year end	£693.4m	£821.8m	£717.7m

All years are presented under IFRS.

Notes:
1. Continuing and discontinued operations.
2. Adjusted to remove the amortisation of acquired intangible assets and acquisition transaction costs, release of fair value adjustments to inventory, and adjustments to contingent consideration (collectively 'acquisition items'). IFRS figures include results of discontinued operations up to the date of their sales or closure but exclude material discontinued and continuing profits on sales or closures of operations. In 2013/14 only, the effects of closure to future benefit accrual of the defined benefit pension plans have also been removed.
3. Return on Sales is defined as profit before taxation, the amortisation of acquired intangible assets; acquisition items (from 2010/11); profit or loss on disposal of operations; and the effects of closure to future benefit accrual of the defined benefit pension plans net of associated costs (2013/14 only) expressed as a percentage of revenue.
4. The ROCE and ROTIC measures have been restated as a percentage of the average of the current year's and prior year's Capital Employed and Total Invested Capital respectively. Using an average as the denominator is considered to be more representative. See note 3 to the Report and Accounts for the definitions of ROCE and ROTIC.
5. IAS 19 (as revised in June 2011) 'Employee Benefits' was adopted by the Group in 2013/14. To aid comparison, and as required by IAS 19 (revised), the Consolidated Financial Statements and affected notes for 2012/13 were restated as if IAS 19 (revised) had always applied during that year. Results prior to 2012/13 have not been restated.

2008/09 £000	2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000	(Restated) (note 5) 2012/13 £000	2013/14 £000	**2014/15 £000**
455,928	459,118	518,428	579,883	619,210	619,210	676,506	**726,134**
351,522	360,779	412,297	454,270	503,635	503,635	548,629	**587,822**
79,087	86,214	104,551	120,465	130,661	128,543	140,249	**153,618**
173,128	145,519	146,964	163,283	188,701	188,701	189,707	**219,148**
86,173	21,924	79,688	64,014	160,013	160,013	107,622	**140,419**
34,987	31,006	42,610	45,305	49,723	49,723	33,126	**39,525**
4,018	3,689	3,875	4,347	4,716	4,716	4,999	**5,328**
14.07p	16.10p	19.23p	23.01p	25.22p	24.79p	28.14p	**27.49p**
15.30p	16.89p	20.49p	24.46p	26.22p	25.79p	28.47p	**31.17p**
10.4%	10.4%	21.3%	19.4%	7.2%	5.4%	10.4%	**9.5%**
17.3%	18.8%	20.2%	20.8%	21.1%	20.8%	20.7%	**21.2%**
53.7%	55.9%	72.2%	78.6%	76.4%	75.8%	76.6%	**77.6%**
14.2%	14.0%	16.0%	17.6%	16.9%	16.6%	16.7%	**16.3%**
5%	7%	7%	7%	7%	7%	7%	**7%**
156p	259p	355p	381p	518p	518p	579p	**701p**
£583.7m	£978.1m	£1,342.7m	£1,440.8m	£1,962.6m	£1,962.6m	£2,192.6m	**£2,661.3m**

Halma Directory

Principal operating companies by sector	Main products
Process Safety	
Castell Safety International Limited	Safety systems for controlling hazardous industrial processes
Crowcon Detection Instruments Limited	Gas detection instruments for personnel and plant safety
Elfab Limited	Pressure sensitive relief devices to protect process plant
Fortress Interlocks Limited	Safety systems for controlling access to dangerous machines
Kirk Key Interlock Company, LLC.	Key interlocks and interlocking systems for the protection of personnel and equipment
Netherlocks Safety Systems B.V.	Process safety systems for petrochemical and industrial applications
Oseco Inc.	Pressure sensitive relief devices to protect process plant
Rohrback Cosasco Systems Inc.	Design, manufacture and sale of pipeline corrosion monitoring products and systems into diverse industries including oil, gas, petrochemical, pharmaceutical, chemical and utilities
SERV Trayvou Interverrouillage S.A.S.	Safety systems for controlling access to dangerous machines
Smith Flow Control Limited	Process safety systems for petrochemical and industrial applications
Infrastructure Safety	
Advanced Electronics Limited	Networked fire detectors and control systems
Apollo Fire Detectors Limited	Smoke and heat detectors, sounders, beacons and interfaces
Avire Limited	Infrared safety systems for elevator doors and elevator emergency communications
Bureau D'Electronique Appliquée S.A. (BEA)	Sensors for automatic doors
FFE Limited	Flame detectors, beam smoke detectors and specialist fire extinguishing systems
Texecom Limited	Security sensors and signalling products
Medical	
Accudynamics, LLC.	Mechanical and fluidic components primarily used in medical, life science and scientific instruments
Accutome, Inc.	Ophthalmic diagnostic and surgical equipment, as well as a broad line of pharmaceutical products
Baoding Longer Precision Pump Co., Ltd.	Peristaltic, syringe, piston and gear pumps for use in laboratory, industrial and medical applications for both end-user and OEM customers
Bio-Chem Fluidics Inc.	Miniature valves, micro pumps and fluid components for medical, life science and scientific instruments
Diba Industries, Inc.	Specialised components and complete fluid transfer subassemblies for medical, life science and scientific instruments
Keeler Limited	Ophthalmic instruments for diagnostic assessment of eye conditions
Medicel AG	Instruments for ophthalmic surgery

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Massillon, Ohio	+1 (1)800 438 2442	sales@kirkkey.com	www.kirkkey.com
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Wolfhalden, Switzerland	+41 71 727 1050	info@medicel.com	www.medicel.com

Halma Directory continued

Principal operating companies by sector	Main products
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
Environmental & Analysis	
Alicat Scientific, Inc.	Mass flow meters, mass flow controllers and pressure controllers for high-precision fluid flow measurement
Avo Photonics, Inc.	Opto-electronic solutions and product design, development and manufacturing of exclusive, confidential, private label applications
Berson Milieutechniek B.V.	Ultraviolet (UV) disinfection systems for municipal drinking water and wastewater treatment plants
Fiberguide Industries, Inc.	Large core specialty optical fibre, high temperature metalised fibres for optical power delivery and optical sensing applications
Hanovia Limited	Ultraviolet (UV) light water treatment equipment used in the manufacture of food, beverages and pharmaceuticals, as well as products for aquaculture, pool and leisure and for marine ballast water treatment
HWM-Water Limited	Multi-utility M2M solutions provider, including data recording and management for water networks, electricity, solar PV and energy conservation
Hydreka S.A.S.	Equipment and software to monitor and analyse the entire clean and dirty water cycle and for leak detection in municipal and large scale industrial applications
Labsphere, Inc.	Precision radiometric and photometric systems and software for light testing, calibration and measurement
Ocean Optics, Inc.	Portable spectrometers and spectral sensors for laboratory and field applications in chemical analysis, process control, environmental monitoring, life sciences and medical diagnostics
Palintest Limited	Water and environmental analysis equipment to test drinking water, wastewater and process water, water in pools and spas, as well as farming and irrigation applications
Perma Pure LLC	High precision moisture management products including dryers, humidifiers, and complete sample conditioning systems for emissions monitoring, process analysis, and medical applications
Pixelteq, Inc.	Multispectral sensing and imaging solutions for aerospace, biomedical, semiconductor, industrial and scientific applications
Sensorex Corporation	Electrochemical sensors for water analysis applications in the process industry and laboratory markets
Weihai Guangxue Yiqi (Shanghai), Ltd.	Portable spectrometers and spectral sensors for laboratory and field applications in chemical analysis, process control, environmental monitoring, life sciences and medical diagnostics
Group	
Halma Holdings Inc.	Halma North American Head Office
Halma International Limited Representative Offices	Halma China hubs in Shanghai, Beijing, Chengdu, Guangzhou and Shenyang
Halma India Pvt Ltd	Halma India hub

Principal locations	Telephone	E-mail	Website
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Shareholder Information and Advisers

Financial calendar

2014/15 Half year results	18 November 2014
2014/15 Interim dividend paid	4 February 2015
Trading update	10 February 2015
2014/15 Year end	28 March 2015
2014/15 Final results	11 June 2015
2014/15 Report and Accounts issued	23 June 2015
Annual General Meeting	23 July 2015
2014/15 Final dividend payable	19 August 2015
2015/16 Half year end	3 October 2015
2015/16 Half year results	17 November 2015
2015/16 Interim dividend payable	February 2016
2015/16 Year end	2 April 2016
2015/16 Final results	June 2016

Analysis of shareholders at 13 May 2015	Shareholders (number)	%	Shares (number)	%
Number of shares held				
1 – 5,000	**4,964**	**78.7**	**6,892,932**	**1.8**
5,001 – 25,000	**821**	**13.0**	**8,695,850**	**2.3**
25,001 – 100,000	**262**	**4.1**	**13,571,194**	**3.6**
100,001 – 750,000	**182**	**2.9**	**56,886,512**	**15.0**
750,001 and over	**82**	**1.3**	**293,598,844**	**77.3**
	6,311	**100.0**	**379,645,332**	**100.0**

Share price London Stock Exchange, pence per 10p share	2015	2014	2013	2012	2011
Highest	**726**	623	531	430	367
Lowest	**559**	471	373	306	240

Dividends Pence per 10p share	2015	2014	2013	2012	2011
Interim	**4.65**	4.35	4.06	3.79	3.54
Final	**7.31***	6.82	6.37	5.95	5.56
Total	**11.96**	11.17	10.43	9.74	9.10

* Proposed.

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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 Registrar, 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 Registrar 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 29 July 2015.

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 telephone dealing service has been arranged with Stocktrade which provides a simple way for buying or selling Halma shares. Basic commission is 0.5%, subject to a minimum commission of £25.00. For further information please call 0131 240 0400 and quote reference 'Halma Dial and Deal Service'.

Annual General Meeting
The 121st Annual General Meeting of Halma plc will be held in the Ballroom at The Berkeley Hotel, Wilton Place, London SW1X 7RL on Thursday 23 July 2015 at 10.30 am.

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Stay up-to-date

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

HALMA