

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HALMA PLC

We have audited the parent company financial statements of Halma plc for the 52 week period ended 31 March 2012 which comprise the parent company Balance Sheet and the related notes C1 to C12. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on Financial Statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the parent company's affairs as at 31 March 2012;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the Group financial statements of Halma plc for the 52 week period ended 31 March 2012.

Alexander Butterworth ACA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Reading, UK
14 June 2012

COMPANY BALANCE SHEET

	Notes	31 March 2012 £000	2 April 2011 £000
Fixed assets			
Tangible assets	C3	3,862	3,925
Investments	C4	135,971	136,501
		139,833	140,426
Current assets			
Debtors (amounts falling due within one year)	C5	27,243	27,244
Debtors (amounts falling due after more than one year)	C5	194,522	170,417
Short-term deposits		4,002	2,701
Cash at bank and in hand		2,024	232
		227,791	200,594
Creditors: amounts falling due within one year			
Borrowings	C6	3,686	2,808
Creditors	C7	20,945	21,213
Current tax payable		3,252	5,588
		27,883	29,609
Net current assets			
		199,908	170,985
Total assets less current liabilities			
		339,741	311,411
Creditors: amounts falling due after more than one year			
Borrowings	C6	64,014	79,688
Creditors	C8	20,467	20,844
Net assets			
		255,260	210,879
Capital and reserves			
Share capital	C10	37,856	37,824
Share premium account	C11	22,177	21,744
Treasury shares	C11	(4,569)	(5,016)
Capital redemption reserve	C11	185	185
Other reserves	C11	(2,202)	94
Profit and loss account	C11	201,813	156,048
Shareholders' funds			
	C12	255,260	210,879

The financial statements of Halma plc, company number 40932, were approved by the Board of Directors on 14 June 2012.

A J Williams
Director

K J Thompson
Director

NOTES TO THE COMPANY ACCOUNTS

C1 Accounting Policies

Basis of preparation

The separate Company financial statements are presented as required by the Companies Act 2006 and have been prepared on the historical cost basis and comply with applicable United Kingdom Accounting Standards and law. The principal Company accounting policies have been applied consistently throughout the current and preceding years and are described below.

Related parties

The Company is exempt under the terms of FRS 8 'Related Party Disclosures' from disclosing transactions with other members of the Halma Group.

Foreign currencies

Transactions in foreign currency are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates prevailing at that date. Any gain or loss arising from subsequent exchange rate movements is included as an exchange gain or loss in the profit and loss account.

Share-based payments

The Company has adopted FRS 20 and the accounting policies followed are in all material respects the same as the Group's policy under IFRS 2. This policy is shown on pages 100 and 101.

Investments

Investments are stated at cost less provision for impairment.

Fixed assets and depreciation

Fixed assets are stated at cost less provisions for impairment and depreciation which, with the exception of freehold land which is not depreciated, is provided on all fixed assets on the straight-line method, each item being written off over its estimated life. The principal annual rates used for this purpose are:

Freehold property	2%
Plant, equipment and vehicles	8% to 20%

Leases

The costs of operating leases of property and other assets are charged as incurred.

Pensions

The Company makes contributions to defined contribution pension plans, which are charged against profits when they become payable. The Company also participates in a Group-wide defined benefit pension plan. This plan is operated on a basis that does not enable individual companies to identify their share of the underlying assets and liabilities, and in accordance with FRS 17 the Company accounts for its contributions to the plan as if it was a defined contribution plan.

Taxation

Taxation comprises current and deferred tax.

Current tax is the expected tax payable, on the taxable income for the year, using tax rates enacted, or substantially enacted, at the balance sheet date, and any adjustments to tax payable in respect of previous years.

The Company provides for tax deferred because of timing differences between profits as computed for taxation purposes and profits as stated in the accounts, on an undiscounted basis. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are only recognised if recovery is considered more likely than not on the basis of all available evidence.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including direct issue costs, are accounted for on an accruals basis in profit or loss and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

NOTES TO THE COMPANY ACCOUNTS

CONTINUED

C2 Result for the year

As permitted by Section 408(3) of the Companies Act 2006, the Profit and Loss Account of Halma plc is not presented as part of these accounts. The Company has reported a profit after taxation of £81,439,000 (2011: £68,194,000).

Auditor's remuneration for audit services to the Company was £126,000 (2011: £123,000).

Total employee costs (including Directors) were:

	2012 £000	2011 £000
Wages and salaries	4,546	4,285
Social security costs	473	439
Pension costs	389	398
	5,408	5,122

	2012 Number	2011 Number
Number of employees (all in the UK)	45	41

Details of Directors' remuneration are set out on pages 80 to 86 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 2 April 2011	3,312	2,100	5,412
Additions at cost	–	615	615
Disposals	(269)	(419)	(688)
At 31 March 2012	3,043	2,296	5,339
Accumulated depreciation			
At 2 April 2011	412	1,075	1,487
Charge for the year	47	319	366
Disposals	(121)	(255)	(376)
At 31 March 2012	338	1,139	1,477
Carrying amounts			
At 31 March 2012	2,705	1,157	3,862
At 2 April 2011	2,900	1,025	3,925

C4 Investments

Shares in Group companies

	2012 £000	2011 £000
At cost less amounts written off at beginning of year	136,501	90,191
(Reduction)/increase	(530)	46,310
At cost less amounts written off at end of year	135,971	136,501

The reduction of £530,000 in the current year relates to the Company's disposal of Volumatic Limited. The increase in the prior year of £46,310,000 related to the Company's increased investment in one of its subsidiaries.

Details of principal subsidiary companies are set out on pages 144 to 147. Halma plc owns 100% of the ordinary share capital of all its subsidiaries, which are incorporated in Great Britain, other than those listed below, where they principally operate. All of the companies' interests below are held by subsidiary companies.

C4 Investments continued

Name of company	Country of incorporation
Fortress Interlocks Pty Limited	Australia
Beijing Ker'Kang Instrument Limited Company	China
Hydreka S.A.S.	France
SERV Trayvou Interverrouillage S.A.S.	France
Apollo Gesellschaft für Meldetechnologie mbH	Germany
Ocean Optics Germany	Germany
Rudolf Riester GmbH	Germany
Diba Japan KK	Japan
Berson Milieutechniek B.V.	The Netherlands
Netherlocks Safety Systems B.V.	The Netherlands
Bureau D'Electronique Appliquée S.A.	Belgium
TL Jones Limited	New Zealand
E-Motive Display Pte Limited	Singapore
Medicel AG	Switzerland
Fabrication de Produits de Sécurité SaRL	Tunisia
Halma Holdings Inc.	USA
Accudynamics LLC	USA
Air Products and Controls Inc.	USA
Alicat Scientific, Inc.	USA
Aquionics Inc.	USA
Avo Photonics, Inc.	USA
B.E.A. Inc.	USA
Bio-Chem Fluidics Inc.	USA
Diba Industries, Inc.	USA
Fiberguide Industries Inc.	USA
Janus Elevator Products Inc.	USA
Kirk Key Interlock Company, LLC.	USA
Labsphere, Inc.	USA
Ocean Optics, Inc.	USA
Oklahoma Safety Equipment Co. Inc.	USA
Perma Pure LLC	USA
Riester USA LLC	USA
SphereOptics Inc.	USA
Volk Optical Inc.	USA

C5 Debtors

	2012 £000	2011 £000
Amounts falling due within one year:		
Amounts due from Group companies	20,759	24,131
Other debtors	1,845	8
Prepayments and accrued income	4,464	2,293
Deferred tax asset (note C9)	175	812
	27,243	27,244
Amounts falling due after more than one year:		
Amounts due from Group companies	194,522	170,417

NOTES TO THE COMPANY ACCOUNTS

CONTINUED

C6 Borrowings

	2012 £000	2011 £000
Falling due within one year:		
Overdrafts	3,686	2,808
Falling due after more than one year:		
Unsecured bank loans	64,014	79,688
Total borrowings	67,700	82,496

On 26 October 2011, the Company signed a new unsecured five-year revolving credit facility for £260 million. This replaced the previous £165 million facility which was due to expire in February 2013. Therefore, the facility under which the bank loans are drawn expires within two to five years (2011: within two to five years) and at 31 March 2012 £195,986,000 (2011: £85,312,000) remained committed and undrawn.

The bank overdrafts, which are unsecured, at 31 March 2012 and 2 April 2011 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 £17,370,000 (2011: £17,670,000) are cross-guaranteed. Of these facilities £379,000 (2011: £598,000) was drawn.

C7 Creditors: amounts falling due within one year

	2012 £000	2011 £000
Trade creditors	1,278	911
Amounts owing to Group companies	15,185	13,975
Other taxation and social security	1,281	1,401
Other creditors	816	919
Accruals and deferred income	2,385	4,007
	20,945	21,213

C8 Creditors: amounts falling due after more than one year

	2012 £000	2011 £000
Amounts owing to Group companies	20,122	20,451
Other creditors	345	393
	20,467	20,844
These liabilities fall due as follows:		
Within one to two years	345	393
Within two to five years	–	–
After more than five years	20,122	20,451

C9 Deferred tax

	2012 £000	2011 £000
Movement in deferred tax asset:		
At beginning of year	812	805
Charge to profit and loss account	(195)	(141)
(Charge)/credit to reserves	(442)	148
At end of year (note C5)	175	812

Deferred tax comprises short-term timing differences.

C10 Share capital

	Issued and fully paid	
	2012 £000	2011 £000
Ordinary shares of 10p each	37,856	37,824

The number of ordinary shares in issue at 31 March 2012 was 378,555,028 (2011: 378,235,685), including treasury shares of 1,404,269 (2011: 1,847,368). Changes during the year in the issued ordinary share capital were as follows:

	Issued and fully paid £000
At 2 April 2011	37,824
Share options exercised	32
At 31 March 2012	37,856

The total consideration received in cash in respect of share options exercised amounted to £465,000 (2011: £844,000). At the date of these accounts, the number of ordinary shares in issue was 378,555,028 (2011: 378,247,685), including treasury shares of 1,396,240 (2011: 1,847,368). 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

	Share premium account £000	Treasury shares £000	Capital redemption reserve £000	Non-distributable		Distributable Total profit and loss account £000
				Other reserves £000		
At 2 April 2011	21,744	(5,016)	185	94		156,048
Profit transferred to reserves	-	-	-	-		81,439
Dividends paid	-	-	-	-		(35,232)
Issue of shares	433	-	-	-		-
Movement in other reserves	-	-	-	(2,296)		-
Net movement in treasury shares	-	447	-	-		-
Deferred tax to equity	-	-	-	-		(442)
At 31 March 2012	22,177	(4,569)	185	(2,202)		201,813

The capital redemption reserve was created on repurchase and cancellation of the Company's own shares. The other reserves represent the provision being established in respect of the value of equity-settled share option plans and performance share plan awards made by the Company. Treasury shares are the Company's own shares purchased and are held to fulfil its obligations under the performance share plan.

C12 Reconciliation of movement in shareholders' funds

	2012 £000	2011 £000
At beginning of year	210,879	177,986
Profit after taxation	81,439	68,194
Dividends paid	(35,232)	(32,891)
Issue of shares	465	844
Net movement in treasury shares	447	(2,435)
Movement in other reserves	(2,296)	(967)
Deferred tax to equity	(442)	148
At end of year	255,260	210,879