INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HALMA PLC

We have audited the Group financial statements of Halma plc for the 52 week period ended 31 March 2012 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income and Expenditure, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement and the related notes 1 to 31. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

Respective responsibilities of Directors and Auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 March 2012 and of its profit for the 52 week period then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

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

Under the Listing Rules we are required to review:

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

Other matters

We have reported separately on the parent company financial statements of Halma plc for the 52 week period ended 31 March 2012 and on the information in the Directors' Remuneration Report that is described as having been audited.

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

14 June 2012

CONSOLIDATED INCOME STATEMENT

	Notes	52 weeks to 31 March 2012 Before Adjustments* £000	Adjustments* (note 1) £000	Total £000	52 weeks to 2 April 2011 Before Adjustments* £000	Adjustments* (note 1) £000	Total £000
Continuing operations							
Revenue	1	**579,883**	**–**	**579,883**	518,428	–	518,428
Operating profit		**121,944**	**(12,034)**	**109,910**	105,708	(6,259)	99,449
Share of results of associates		**(37)**	**–**	**(37)**	(59)	–	(59)
Profit on disposal of continuing operations	29	**–**	**3,543**	**3,543**	–	–	–
Finance income	4	**10,070**	**–**	**10,070**	9,420	–	9,420
Finance expense	5	**(11,512)**	**–**	**(11,512)**	(10,518)	–	(10,518)
Profit before taxation	6	**120,465**	**(8,491)**	**111,974**	104,551	(6,259)	98,292
Taxation	9	**(28,256)**	**2,996**	**(25,260)**	(27,367)	1,509	(25,858)
Profit for the year attributable to equity shareholders	1	**92,209**	**(5,495)**	**86,714**	77,184	(4,750)	72,434
Earnings per share	2						
From continuing operations							
Basic		**24.46p**		**23.01p**	20.49p		19.23p
Diluted				**22.97p**			19.19p
Dividends in respect of the year	10						
Paid and proposed (£000)				**36,738**			34,275
Paid and proposed per share				**9.74p**			9.10p

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE

	Notes	52 weeks to 31 March 2012 £000	52 weeks to 2 April 2011 £000
Profit for the year		**86,714**	72,434
Exchange differences on translation of foreign operations and net investment hedge		**(5,707)**	(4,268)
Actuarial (losses)/gains on defined benefit pension plans	28	**(3,024)**	857
Effective portion of changes in fair value of cash flow hedges	26	**545**	(311)
Tax relating to components of other comprehensive income	9	**(11)**	(887)
Other comprehensive expense for the year		**(8,197)**	(4,609)
Total comprehensive income for the year attributable to equity shareholders		**78,517**	67,825

The exchange differences of £5,707,000 (2011: £4,268,000) comprise £776,000 (2011: £211,000) which relate to net investment hedges as described on page 100.

CONSOLIDATED BALANCE SHEET

	Notes	31 March 2012 £000	2 April 2011 £000
Non-current assets			
Goodwill	11	**267,471**	259,954
Other intangible assets	12	**74,483**	73,490
Property, plant and equipment	13	**72,118**	69,891
Interests in associates	14	**1,968**	1,989
Deferred tax asset	21	**11,039**	10,779
		427,079	416,103
Current assets			
Inventories	15	**57,368**	54,540
Trade and other receivables	16	**114,674**	110,456
Tax receivable		**288**	237
Cash and cash equivalents		**45,305**	42,610
Derivative financial instruments	26	**469**	327
		218,104	208,170
Total assets		**645,183**	624,273
Current liabilities			
Trade and other payables	18	**93,499**	85,511
Provisions	19	**2,618**	2,887
Tax liabilities		**11,870**	14,997
Derivative financial instruments	26	**126**	858
		108,113	104,253
Net current assets		**109,991**	103,917
Non-current liabilities			
Borrowings	17	**64,014**	79,688
Retirement benefit obligations	28	**32,997**	36,237
Trade and other payables	20	**13,388**	22,848
Provisions	19	**2,301**	1,593
Deferred tax liabilities	21	**26,258**	24,269
		138,958	164,635
Total liabilities		**247,071**	268,888
Net assets		**398,112**	355,385
Equity			
Share capital	22	**37,856**	37,824
Share premium account		**22,177**	21,744
Treasury shares		**(4,569)**	(5,016)
Capital redemption reserve		**185**	185
Hedging and translation reserve		**29,212**	34,511
Other reserves		**1,346**	3,634
Retained earnings		**311,905**	262,503
Shareholders' funds		**398,112**	355,385

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

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 2 April 2011	**37,824**	**21,744**	**(5,016)**	**185**	**34,511**	**3,634**	**262,503**	**355,385**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**86,714**	**86,714**
Other comprehensive income and expense:								
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**–**	**(5,707)**	**–**	**–**	**(5,707)**
Actuarial losses on defined benefit pension plans	**–**	**–**	**–**	**–**	**–**	**–**	**(3,024)**	**(3,024)**
Effective portion of changes in fair value of cash flow hedges	**–**	**–**	**–**	**–**	**545**	**–**	**–**	**545**
Tax relating to components of other comprehensive income	**–**	**–**	**–**	**–**	**(137)**	**–**	**126**	**(11)**
Total other comprehensive income and expense	**–**	**–**	**–**	**–**	**(5,299)**	**–**	**(2,898)**	**(8,197)**
Share options exercised	**32**	**433**	**–**	**–**	**–**	**–**	**–**	**465**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**–**	**(35,232)**	**(35,232)**
Share-based payments	**–**	**–**	**–**	**–**	**–**	**(2,082)**	**–**	**(2,082)**
Deferred tax on share-based payment transactions	**–**	**–**	**–**	**–**	**–**	**(206)**	**–**	**(206)**
Excess tax deductions related to share-based payments on exercised options	**–**	**–**	**–**	**–**	**–**	**–**	**818**	**818**
Net movement in treasury shares	**–**	**–**	**447**	**–**	**–**	**–**	**–**	**447**
At 31 March 2012	**37,856**	**22,177**	**(4,569)**	**185**	**29,212**	**1,346**	**311,905**	**398,112**
At 2 April 2010	37,765	20,959	(2,581)	185	39,013	4,178	222,974	322,493
Profit for the period	–	–	–	–	–	–	72,434	72,434
Other comprehensive income and expense:								
Exchange differences on translation of foreign operations	–	–	–	–	(4,268)	–	–	(4,268)
Actuarial gains on defined benefit pension plans	–	–	–	–	–	–	857	857
Effective portion of changes in fair value of cash flow hedges	–	–	–	–	(311)	–	–	(311)
Tax relating to components of other comprehensive income	–	–	–	–	77	–	(964)	(887)
Total other comprehensive income and expense	–	–	–	–	(4,502)	–	(107)	(4,609)
Share options exercised	59	785	–	–	–	–	–	844
Dividends paid	–	–	–	–	–	–	(32,891)	(32,891)
Share-based payments	–	–	–	–	–	(764)	–	(764)
Deferred tax on share-based payment transactions	–	–	–	–	–	220	–	220
Excess tax deductions related to share-based payments on exercised options	–	–	–	–	–	–	93	93
Net movement in treasury shares	–	–	(2,435)	–	–	–	–	(2,435)
At 2 April 2011	37,824	21,744	(5,016)	185	34,511	3,634	262,503	355,385

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 31 March 2012 the number of treasury shares held was 1,404,269 (2011: 1,847,368) and their market value was £5,344,648 (2011: £6,558,156). The net movement of treasury shares of £447,000 (2011: (£2,435,000)) comprises the purchase of treasury shares of £3,985,000 (2011: £5,358,000) offset by the transfer to Other reserves of £4,432,000 (2011: £2,923,000).

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 income of £127,000 (2011: charge of £281,000), 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 31 March 2012 £000	52 weeks to 2 April 2011 £000
Net cash inflow from operating activities	25	**97,687**	95,064
Cash flows from investing activities			
Purchase of property, plant and equipment		**(15,196)**	(14,399)
Purchase of computer software		**(1,293)**	(1,019)
Purchase of other intangibles		**(46)**	(6)
Proceeds from sale of property, plant and equipment		**1,244**	677
Development costs capitalised		**(4,718)**	(4,735)
Interest received		**212**	317
Acquisition of businesses, net of cash acquired	24	**(18,667)**	(82,093)
Acquisition of investments in associates		**–**	(1,708)
Disposal of business, net of cash disposed		**3,554**	–
Net cash used in investing activities		**(34,910)**	(102,966)
Financing activities			
Dividends paid		**(35,232)**	(32,891)
Proceeds from issue of share capital		**465**	844
Purchase of treasury shares		**(3,985)**	(5,358)
Interest paid		**(1,490)**	(825)
Loan arrangement fee		**(1,903)**	–
Proceeds from borrowings	25	**76,456**	76,156
Repayment of borrowings	25	**(94,050)**	(18,152)
Net cash (used in)/from financing activities		**(59,739)**	19,774
Increase in cash and cash equivalents	25	**3,038**	11,872
Cash and cash equivalents brought forward		**42,610**	31,006
Exchange adjustments		**(343)**	(268)
Cash and cash equivalents carried forward		**45,305**	42,610

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 2 April 2011 and 31 March 2012 other than those noted below.

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

New standards and interpretations
The following new standards and interpretations have been adopted in the current year but have not had a material impact on the reported results or the financial position:

- IFRIC 13 'Customer loyalty programmes'
- IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments'
- Amendment to IFRS 3 'Measurement of non-controlling interests'
- Amendment to IFRS 1 'Limited Exemption from Comparative IFRS 7 disclosures for first time adopters'
- Amendment to IFRS 7 'Clarification of level of disclosure required around credit risk and collateral held'
- Amendment to IAS 24 'Clearer definition of a related party'
- Amendment to IFRIC 14 'Prepayment on a Minimum Funding Requirement'

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

- IFRS 1 (amended) Severe Hyperinflation and removal of fixed dates for first-time adopters
- IFRS 1 (amended) Government loans at below market rates of interest
- IFRS 7 (amended) Offsetting financial assets and financial liabilities
- IFRS 9 Financial Instruments – Classification and Measurement
- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IFRS 13 Fair Value Measurement
- IAS 1 (amended) Presentation of items of Other Comprehensive Income
- IAS 12 (amended) Deferred Tax: Recovery of Underlying Assets
- IAS 19 (amended) Employee Benefits
- IAS 27 (amended) Separate Financial Statements
- IAS 28 (amended) Investments in Associates and Joint Ventures
- IAS 32 (amended) Offsetting financial assets and financial liabilities
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group, except for the following:

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

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

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

IAS 19 (revised) 'Employee Benefits', which requires the replacement of the expected return on assets and interest charge on pension scheme liabilities with a net financing cost based on the discount rate. Whilst the Group's total defined benefit pension obligation will be unaffected, the Group's net finance cost in the income statement is expected to increase with a corresponding increase in the actuarial gain recognised in Other comprehensive income.

The Group has not completed its assessment of the full impact of these pronouncements on the consolidated results, financial position or cash flows of the Group.

Going concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. Further detail is contained on page 75.

Key sources of estimation uncertainty and critical accounting judgments

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

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

Goodwill impairment

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

Defined benefit pension scheme liabilities

Determining the value of the future defined benefit obligation requires judgment in respect of the assumptions used to calculate present values. These include future mortality, discount rate, inflation and salary increases. Management makes these judgments in consultation with an independent actuary. Details of the judgments made in calculating these transactions are disclosed in note 28.

Intangible assets

IFRS 3 (revised) 'Business Combinations' requires that goodwill arising on the acquisition of subsidiaries is capitalised and included in intangible assets. IFRS 3 (revised) also requires the identification of other intangible assets at acquisition. The assumptions involved in valuing these intangible assets require the use of estimates and judgements which may differ from the actual outcome. These estimates and judgements cover future growth rates, expected inflation rates and the discount rate used.

Basis of consolidation

The Group accounts include the accounts of Halma plc and its subsidiary companies made up to 31 March 2012, adjusted to eliminate intra-Group transactions, balances, income and expenses. The results of subsidiary companies acquired or discontinued are included from the month of their acquisition or to the month of their discontinuation.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. For acquisitions after 3 April 2010, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred. Any contingent purchase consideration payable is recognised at fair value at the acquisition date. If the contingent purchase consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent purchase consideration are recognised in the Consolidated Income Statement.

For acquisitions between 4 April 2004 (the date from which the financial statements were reported under IFRS) and 2 April 2010, goodwill represents the difference between the cost of the acquisition, including acquisition costs and the fair value of the net identifiable assets acquired. Goodwill is not amortised, but is tested annually for impairment.

Goodwill is recognised as an intangible asset in the Consolidated Balance Sheet. Goodwill therefore includes non-identified intangible assets including business processes, buyer-specific synergies, know-how and workforce-related industry-specific knowledge and technical skills. Negative goodwill arising on acquisitions would be recognised directly in the Consolidated Income Statement. On closure or disposal of an acquired business, goodwill would be taken into account in determining the profit or loss on closure or disposal.

As permitted by IFRS 1, the Group elected not to apply IFRS 3 'Business Combinations' to acquisitions prior to 4 April 2004 in its consolidated accounts. As a result, the net book value of goodwill recognised as an intangible asset under UK GAAP at 3 April 2004 was brought forward unadjusted as the cost of goodwill recognised under IFRS at 4 April 2004 subject to impairment testing on that date; and goodwill that was written off to reserves prior to 28 March 1998 under UK GAAP will not be taken into account in determining the profit or loss on disposal or closure of previously acquired businesses from 4 April 2004 onwards.

Investments in associates
An associate is an entity over which the Group is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not in control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Investments in associates are carried in the balance sheet at cost as adjusted by post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the fair values of the identifiable net assets of the associate at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any deficiency of the cost of acquisition below the Group's share of the fair values of the identifiable net assets of the associate at the date of acquisition (i.e. discount on acquisition) is credited in profit or loss in the period of acquisition.

Where a Group company transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate. Losses may provide evidence of an impairment of the asset transferred in which case appropriate provision is made for impairment.

Other intangible assets
(a) Product development costs
Research expenditure is written off in the financial year in which it is incurred.

Development expenditure is written off in the financial year in which it is incurred, unless it relates to the development of a new or substantially improved product, is incurred after the technical feasibility and economic viability of the product has been proven and the decision to complete the development has been taken, and can be measured reliably. Such expenditure is capitalised as an intangible asset in the Consolidated Balance Sheet at cost and is amortised through the Consolidated Income Statement on a straight-line basis over its estimated economic life of three years.

(b) Acquired intangible assets
An intangible resource acquired with a subsidiary undertaking is recognised as an intangible asset if it is separable from the acquired business or arises from contractual or legal rights, is expected to generate future economic benefits and its fair value can be measured reliably. Acquired intangible assets, comprising trademarks and customer relationships, are amortised through the Consolidated Income Statement on a straight-line basis over their estimated economic lives of between three and 10 years.

(c) Computer software
Computer software that is not integral to an item of property, plant or equipment is recognised separately as an intangible asset, and is amortised through the Consolidated Income Statement on a straight-line basis over its estimated economic life of between three and five years.

(d) Other intangibles
Other intangibles are amortised through the Consolidated Income Statement on a straight-line basis over their estimated economic lives of between three and five years.

Impairment of non-current assets
All non-current assets are tested for impairment whenever events or circumstances indicate that their carrying value may be impaired. Additionally, goodwill and capitalised development expenditure relating to a product that is not yet in full production are subject to an annual impairment test.

An impairment loss is recognised in the Consolidated Income Statement to the extent that an asset's carrying value exceeds its recoverable amount, which represents the higher of the asset's net realisable value and its value in use. An asset's value in use represents the present value of the future cash flows expected to be derived from the asset or from the cash generating unit to which it relates. The present value is calculated using a discount rate that reflects the current market assessment of the time value of money and the risks specific to the asset concerned.

Impairment losses recognised in previous periods for an asset other than goodwill are reversed if there has been a change in the estimates used to determine the asset's recoverable amount, but only to the extent that the carrying amount of the asset does not exceed its carrying amount had no impairment loss been recognised in previous periods. Impairment losses in respect of goodwill are not reversed.

Segmental reporting
An operating segment is a distinguishable component of the Group that is engaged in business activities from which it may earn revenues and incur expenses, and whose operating results are reviewed regularly by the Chief Operating Decision Maker (the Chief Executive Officer) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Reportable segments are operating segments that either meet the thresholds and conditions set out in IFRS 8 or are considered by the Board to be appropriately designated as reportable segments. Segment result represents operating profits and includes an allocation of head office expenses. Segment result excludes tax and financing items. Segment assets comprise goodwill, other intangible assets, property, plant and equipment (excluding land and buildings), inventories, trade and other receivables. Segment liabilities comprise trade and other payables, provisions and other payables. Unallocated items represent land and buildings, corporate and deferred taxation balances, defined benefit scheme liabilities, contingent purchase consideration, all components of net cash/borrowings and derivative financial instruments.

Foreign currencies
The Group presents its accounts in Sterling. Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates prevailing at that date. Any gain or loss arising from subsequent exchange rate movements is included as an exchange gain or loss in the Consolidated Income Statement.

Net assets of overseas subsidiary companies are expressed in Sterling at the rates of exchange ruling at the end of the financial year, and trading results and cash flows at the average rates of exchange for the financial year. Goodwill arising on the acquisition of a foreign business is treated as an asset of the foreign entity and is translated at the rate of exchange ruling at the end of the financial year. Exchange gains or losses arising on these translations are taken to the Hedging and translation reserve within Shareholders' funds.

In the event that an overseas subsidiary is disposed of or closed, the profit or loss on disposal or closure will be determined after taking into account the cumulative translation difference held within the Hedging and translation reserve attributable to that subsidiary. As permitted by IFRS 1, the Group has elected to deem the Hedging and translation to be £nil at 4 April 2004. Accordingly, the profit or loss on disposal or closure of foreign subsidiaries will not include any currency translation differences which arose before 4 April 2004.

Derivative financial instruments and hedge accounting
The Group enters into derivative financial instruments to manage its exposure to foreign exchange rate risk using forward exchange contracts. Further details of derivative financial instruments are disclosed in note 26.

Derivative financial instruments are classified as fair value through profit and loss (held for trading) unless they are in a designated hedge relationship.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each balance sheet date. The resulting gain or loss is recognised in the Consolidated Income Statement, unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the Consolidated Income Statement depends on the nature of the hedge relationship. The Group designates certain derivatives as hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investments in foreign operations.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Cash flow hedge accounting
The Group designates certain hedging instruments as cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument has been or is expected to be highly effective in offsetting changes in fair values or cash flows of the hedged item.

Note 26 sets out details of the fair values of the derivative instruments used for hedging purposes and the movements in the hedging reserve in equity.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in Other comprehensive income. The gain or loss relating to the ineffective portion as a result of being over hedged is recognised immediately in Consolidated Income Statement.

Amounts previously recognised in Other comprehensive income and accumulated in equity are reclassified to the Consolidated Income Statement in the periods when the hedged item is recognised in the Consolidated Income Statement. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. Any gain or loss recognised in Other comprehensive income at that time is accumulated in equity and is recognised, when the forecast transaction is ultimately recognised, in the Consolidated Income Statement. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in the Consolidated Income Statement.

Net investment hedge accounting
The Group uses Swiss Franc denominated borrowings as a hedge against the translation exposure on the Group's net investment in overseas companies. Where the hedge is fully effective at hedging the variability in the net assets of such companies caused by changes in exchange rates, the changes in value of the borrowings are recognised in the Statement of Comprehensive Income and accumulated in the Hedging and translation reserve. The ineffective part of any change in value caused by changes in exchange rates is recognised in the Consolidated Income Statement.

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

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

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

Freehold property	2%
Leasehold properties:	
Long leases (more than 50 years unexpired)	2%
Short leases (less than 50 years unexpired)	Period of lease
Plant, equipment and vehicles	8% to $33^{1}/_{3}$%

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

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

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

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

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

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

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

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

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

(b) Share option plans
All grants of options under the 1990 and 1996 share option plans and the 1999 company share option plan (together, the 'share option plans') are equity settled, and so, as permitted by IFRS 1, the provisions of IFRS 2 'Share-Based Payment' have been applied only to options awarded on or after 7 November 2002 which had not vested at 3 April 2005.

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

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

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

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

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

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

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

Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of the cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Operating profit
Operating profit is stated after charging restructuring costs but before the share of results of associates, investment income and finance costs.

Taxation
Taxation comprises current and deferred tax. Tax is recognised in the Consolidated Income Statement except to the extent that it relates to items recognised directly in Shareholders' funds, in which case it too is recognised in Shareholders' funds. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or subsequently enacted at the balance sheet date, along with any adjustment to tax payable in respect of previous years. Taxable profit differs from net profit as reported in the Consolidated Income Statement because it excludes items that are never taxable or deductible.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes and is accounted for using the balance sheet liability method, apart from the following differences which are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and differences relating to investments in subsidiaries to the extent they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amounts of assets and liabilities, using tax rates and laws, which are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax assets are only recognised to the extent that recovery is probable.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances, deposits with an initial maturity of less than three months, and bank overdrafts that are repayable on demand.

Dividends
Dividends payable to the Company's shareholders are recognised as a liability in the period in which the distribution is approved by the Company's shareholders.

NOTES TO THE ACCOUNTS

1 Segmental analysis

Sector analysis

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

Segment revenue and results

	Revenue (all continuing operations)	
	52 weeks to 31 March 2012 £000	52 weeks to 2 April 2011 £000
Health and Analysis	**253,647**	218,330
Infrastructure Sensors	**204,280**	197,209
Industrial Safety	**122,240**	103,058
Inter-segmental sales	**(284)**	(169)
Revenue for the year	**579,883**	518,428

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 31 March 2012 £000	52 weeks to 2 April 2011 £000
Segment profit before allocation of amortisation of acquired intangible assets, acquisition costs and profit on disposal of continuing operations		
Health and Analysis	**57,848**	46,108
Infrastructure Sensors	**39,099**	39,023
Industrial Safety	**29,226**	24,435
	126,173	109,566
Segment profit after allocation of amortisation of acquired intangible assets, acquisition costs and profit on disposal of continuing operations		
Health and Analysis	**49,779**	40,170
Infrastructure Sensors	**39,276**	38,981
Industrial Safety	**28,627**	24,156
Segment profit	**117,682**	103,307
Central administration costs	**(4,266)**	(3,917)
Net finance expense	**(1,442)**	(1,098)
Group profit before taxation	**111,974**	98,292
Taxation	**(25,260)**	(25,858)
Profit for the year	**86,714**	72,434

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

1 Segmental analysis continued

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

		Acquisition costs			2012
	Amortisation of acquired intangibles	**Transaction costs**	**Adjustments to contingent consideration**	**Disposal of continuing operations (note 29)**	**Total**
Health and Analysis	**(9,804)**	**(667)**	**(1,141)**	**3,543**	**(8,069)**
Infrastructure Sensors	**–**	**–**	**177**	**–**	**177**
Industrial Safety	**(548)**	**(51)**	**–**	**–**	**(599)**
Total Group	**(10,352)**	**(718)**	**(964)**	**3,543**	**(8,491)**

The transaction costs mainly arose on the acquisitions in note 24 of SunTech Medical Group Limited (£225,000), Kirk Key Interlock Company LLC. (£51,000), Avo Photonics, Inc. (£55,000), Accutome, Inc. (£100,000) and Sensorex Inc. (£141,000).

		Acquisition costs			2011
	Amortisation of acquired intangibles	Transaction costs	Adjustments to contingent consideration	Disposal of continuing operations	Total
Health and Analysis	(4,481)	(1,226)	(231)	–	(5,938)
Infrastructure Sensors	–	(42)	–	–	(42)
Industrial Safety	(279)	–	–	–	(279)
Total Group	(4,760)	(1,268)	(231)	–	(6,259)

Segment assets and liabilities

	Assets		Liabilities	
Before goodwill, interests in associates and acquired intangible assets are allocated to specific segment assets/liabilities	**2012 £000**	2011 £000	**2012 £000**	2011 £000
Health and Analysis	**94,933**	90,854	**31,018**	33,733
Infrastructure Sensors	**77,261**	77,051	**29,304**	28,702
Industrial Safety	**49,376**	45,300	**20,513**	17,967
Total segment assets/liabilities excluding goodwill, interests in associates and acquired intangible assets	**221,570**	213,205	**80,835**	80,402
Goodwill	**267,471**	259,954	**–**	–
Interests in associates	**1,968**	1,989	**–**	–
Acquired intangible assets	**61,082**	60,851	**–**	–
Total segment assets/liabilities including goodwill, interests in associates and acquired intangible assets	**552,091**	535,999	**80,835**	80,402

	Assets		Liabilities	
After goodwill, interests in associates and acquired intangible assets are allocated to specific segment assets/liabilities	**2012 £000**	2011 £000	**2012 £000**	2011 £000
Health and Analysis	**317,280**	310,219	**31,018**	33,733
Infrastructure Sensors	**157,577**	159,622	**29,304**	28,702
Industrial Safety	**77,234**	66,158	**20,513**	17,967
Total segment assets/liabilities including goodwill and acquired intangible assets	**552,091**	535,999	**80,835**	80,402
Cash and cash equivalents/borrowings	**45,305**	42,610	**64,014**	79,688
Derivative financial instruments	**469**	327	**126**	858
Other unallocated assets/liabilities	**47,318**	45,337	**102,096**	107,940
Total Group	**645,183**	624,273	**247,071**	268,888

Segment assets and liabilities, excluding the allocation of goodwill, interests in associates and acquired intangible assets, have been disclosed separately above as this is the measure reported to the Chief Executive Officer for the purpose of monitoring segment performance and allocating resources between segments. Other unallocated assets include land and buildings and tax assets, and unallocated liabilities include contingent purchase consideration, retirement benefit provisions and tax liabilities.

1 Segmental analysis continued

Other segment information

	Additions to non-current assets		Depreciation and amortisation	
	2012 £000	2011 £000	**2012 £000**	2011 £000
Health and Analysis	**21,934**	120,593	**16,987**	11,221
Infrastructure Sensors	**7,146**	6,733	**5,494**	5,852
Industrial Safety	**12,813**	3,576	**4,522**	4,034
Total segment additions/depreciation and amortisation	**41,893**	130,902	**27,003**	21,107
Unallocated	**979**	2,324	**666**	623
Total Group	**42,872**	133,226	**27,669**	21,730

Non-current asset additions comprise acquired and purchased goodwill, intangible assets and property, plant and equipment.

There were no impairment losses incurred during the year (2011: £nil).

Geographical information

The Group's revenue from external customers (by location of customer) and its non-current assets by geographical location are detailed below:

	Revenue by destination		Non-current assets	
	2012 £000	2011 £000	**2012 £000**	2011 £000
United States of America	**161,951**	150,280	**40,021**	38,977
Mainland Europe	**154,428**	138,313	**26,682**	26,296
United Kingdom	**125,613**	106,131	**345,480**	336,673
Asia Pacific and Australasia	**87,277**	76,207	**3,792**	3,378
Africa, Near and Middle East	**27,750**	28,756	**–**	–
Other countries	**22,864**	18,741	**65**	–
	579,883	518,428	**416,040**	405,324

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 376,926,013 shares in issue during the year (net of shares purchased by the Company and held as treasury shares) (2011: 376,608,974). Diluted earnings per ordinary share are calculated using the weighted average of 377,473,142 shares (2011: 377,365,635), which includes dilutive potential ordinary shares of 547,129 (2011: 756,661). Dilutive potential ordinary shares are calculated from those exercisable share options where the exercise price is less than the average price of the Company's ordinary shares during the year.

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

			Per ordinary share	
	2012 £000	2011 £000	**2012 pence**	2011 pence
Earnings from continuing operations	**86,714**	72,434	**23.01**	19.23
Add back amortisation of acquired intangible assets (after tax)	**7,561**	3,315	**2.00**	0.88
Acquisition transaction costs (after tax)	**691**	1,268	**0.18**	0.34
Adjustments to contingent consideration (after tax)	**786**	167	**0.21**	0.04
Profit on disposal of continuing operations (after tax)	**(3,543)**	–	**(0.94)**	–
Adjusted earnings	**92,209**	77,184	**24.46**	20.49

3 Non-GAAP measures

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

Return on Capital Employed

	2012 £000	2011 £000
Operating profit before amortisation of acquired intangible assets, acquisition transaction costs and movement on contingent consideration, but after share of results of associates	**121,907**	105,649
Computer software costs within intangible assets	**2,678**	2,734
Capitalised development costs within intangible assets	**10,508**	9,653
Other intangibles within intangible assets	**215**	252
Property, plant and equipment	**72,118**	69,891
Inventories	**57,368**	54,540
Trade and other receivables	**114,674**	110,456
Trade and other payables	**(93,499)**	(85,511)
Provisions	**(2,618)**	(2,887)
Net tax liabilities	**(11,582)**	(14,760)
Non-current trade and other payables	**(13,388)**	(22,848)
Non-current provisions	**(2,301)**	(1,593)
Add back contingent purchase consideration	**29,110**	27,037
Capital employed	**163,283**	146,964
Return on Capital Employed	**74.7%**	71.9%

Return on Total Invested Capital

	2012 £000	2011 £000
Post-tax profit before amortisation of acquired intangible assets, acquisition transaction costs, movement on contingent consideration and profit on disposal of continuing operations	**92,209**	77,184
Total shareholders' funds	**398,112**	355,385
Add back retirement benefit obligations	**32,997**	36,237
Less associated deferred tax assets	**(7,920)**	(9,422)
Cumulative amortisation of acquired intangibles	**36,306**	26,642
Goodwill on disposals	**5,441**	5,441
Goodwill amortised prior to 3 April 2004	**13,177**	13,177
Goodwill taken to reserves prior to 28 March 1998	**70,931**	70,931
Total invested capital	**549,044**	498,391
Return on Total Invested Capital	**16.8%**	15.5%

Organic growth

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

	Revenue			Profit* before taxation		
	2012 £000	2011 £000	% growth	**2012 £000**	2011 £000	% growth
Continuing operations	**579,883**	518,428		**120,465**	104,551	
Acquired revenue/profit	**(33,715)**	–		**(10,538)**	–	
	546,168	518,428	5.4%	**109,927**	104,551	5.1%

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

4 Finance income

	2012 £000	2011 £000
Interest receivable	**212**	317
Expected return on pension scheme assets	**9,529**	9,103
	9,741	9,420
Fair value movement on derivative financial instruments	**329**	–
	10,070	9,420

5 Finance expense

	2012 £000	2011 £000
Interest payable on bank loans and overdrafts	**1,383**	690
Amortisation of finance costs	**282**	–
Interest charge on pension scheme liabilities	**9,684**	9,525
Other interest payable	**107**	135
	11,456	10,350
Fair value movement on derivative financial instruments	**–**	121
Unwinding of discount on provisions	**56**	47
	11,512	10,518

6 Profit before taxation
Profit before taxation comprises:

	2012 £000	2011 £000
Revenue	**579,883**	518,428
Cost of sales	**(384,397)**	(345,841)
Gross profit	**195,486**	172,587
Distribution costs	**(11,812)**	(11,072)
Administrative expenses	**(73,764)**	(62,066)
Profit on disposal of continuing operations	**3,543**	–
Share of results of associates	**(37)**	(59)
Net finance expense	**(1,442)**	(1,098)
Profit before taxation	**111,974**	98,292

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

		2012 £000	2011 £000
Profit before taxation is stated after charging/(crediting):			
Depreciation		**12,178**	11,523
Amortisation		**15,491**	10,207
Research and development*		**22,706**	20,953
Foreign exchange loss/(gain)		**1,065**	(346)
Profit on disposal of operations		**(3,543)**	–
Profit on sale of property, plant and equipment and computer software		**(495)**	(55)
Cost of inventories recognised as an expense		**289,675**	259,322
Staff costs (note 7)		**154,432**	138,097
Auditors' remuneration	Audit services to the Company	**126**	123
	Audit of the company's subsidiaries	**534**	530
	Total audit fees	**660**	653
	Interim agreed upon procedures	**27**	12
	Tax compliance services	**19**	57
	Tax advisory services	**120**	159
	Other services	**31**	10
	Total non-audit fees	**197**	238
	Audit of Group pension plan	**13**	13
	Total fees	**870**	904
Operating lease rents:	Property	**6,661**	5,871
	Other	**818**	837

* A further £4,718,000 (2011: £4,735,000) of development costs has been capitalised in the year. See note 12.

7 Employee information

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

	2012 Number	2011 Number
United States of America	**1,285**	1,080
Mainland Europe	**722**	680
United Kingdom	**1,745**	1,705
Asia Pacific and Australasia	**591**	410
Other countries	**4**	–
	4,347	3,875

Group employee costs comprise:

	2012 £000	2011 £000
Wages and salaries	**127,255**	113,705
Social security costs	**18,847**	16,971
Pension costs (note 28)	**4,975**	4,638
Share-based payment charge (note 23)	**3,355**	2,783
	154,432	138,097

8 Directors' remuneration

The remuneration of the Directors is set out on pages 84 to 86 within the Remuneration report described as being audited and forms part of these financial statements.

Directors' remuneration comprises:

	2012 £000	2011 £000
Wages, salaries and fees	**2,457**	2,791
Pension costs	**45**	54
Share-based payment charge	**1,035**	1,004
	3,537	3,849

9 Taxation

	2012 £000	2011 £000
Current tax		
UK corporation tax at 26% (2011: 28%)	**9,021**	10,009
Overseas taxation	**15,635**	14,154
Adjustments in respect of prior years	**753**	947
Total current tax charge	**25,409**	25,110
Deferred tax		
Origination and reversal of timing differences	**362**	1,361
Adjustments in respect of prior years	**(511)**	(613)
Total deferred tax (credit)/charge	**(149)**	748
Total tax charge recognised in the Consolidated Income Statement	**25,260**	25,858
Reconciliation of the effective tax rate:		
Profit before tax	**111,974**	98,292
Tax at the UK corporation tax rate of 26% (2011: 28%)	**29,113**	27,522
Overseas tax rate differences	**3,574**	2,996
Permanent differences	**(7,669)**	(4,994)
Adjustments in respect of prior years	**242**	334
	25,260	25,858
Effective tax rate (after amortisation of acquired intangible assets, acquisition transaction costs, movement on contingent consideration and profit on disposal of continuing operations)	**22.6%**	26.3%

9 Taxation continued

	2012 £000	2011 £000
Profit before tax*	**120,465**	104,551
Total tax charge*	**28,256**	27,367
Effective tax rate*	**23.5%**	26.2%

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

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

	2012 £000	2011 £000
Deferred tax (note 21)		
Retirement benefit obligations	**(126)**	964
Short-term timing differences	**137**	(77)
	11	887

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:

	2012 £000	2011 £000
Current tax		
Excess tax deductions related to share-based payments on exercised options	**818**	93
Deferred tax (note 21)		
Change in estimated excess tax deductions related to share-based payments	**(206)**	220
	612	313

10 Dividends

	Per ordinary share			
	2012 pence	2011 pence	2012 £000	2011 £000
Amounts recognised as distributions to shareholders in the year				
Final dividend for the year to 2 April 2011 (3 April 2010)	**5.56**	5.19	**20,934**	19,550
Interim dividend for the year to 31 March 2012 (2 April 2011)	**3.79**	3.54	**14,298**	13,341
	9.35	8.73	**35,232**	32,891
Dividends declared in respect of the year				
Interim dividend for the year to 31 March 2012 (2 April 2011)	**3.79**	3.54	**14,298**	13,341
Proposed final dividend for the year to 31 March 2012 (2 April 2011)	**5.95**	5.56	**22,440**	20,934
	9.74	9.10	**36,738**	34,275

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 24 July 2012 and has not been included as a liability in these financial statements.

11 Goodwill

	2012 £000	2011 £000
Cost		
At beginning of year	**259,954**	195,334
Additions (note 24)	**10,708**	66,798
Exchange adjustments	**(3,191)**	(2,178)
At end of year	**267,471**	259,954
Provision for impairment		
At beginning and end of year	**–**	–
Carrying amounts	**267,471**	259,954

11 Goodwill continued

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

	2012 £000	2011 £000
Health and Analysis		
Water	**11,592**	11,756
Photonics	**55,090**	43,927
Health Optics	**67,810**	70,852
Fluid Technology	**29,949**	29,990
	164,441	156,525
Infrastructure Sensors		
Fire Detection	**11,350**	11,275
Security Sensors	**15,795**	15,795
Automatic Door Sensors	**42,783**	45,433
Elevator Safety	**10,388**	10,068
	80,316	82,571
Industrial Safety		
Bursting Disks	**7,239**	7,239
Safety Interlocks	**7,466**	5,610
Asset Monitoring	**8,009**	8,009
	22,714	20,858
Total Group	**267,471**	259,954

Goodwill values have been tested for impairment by comparing them against the value in use in perpetuity of the relevant CGUs. The value in use calculations were based on projected cash flows, derived from the latest budget approved by the Board, discounted at the Group's pre-tax estimated short-term discount rate to calculate their net present value.

Key assumptions used in 'value in use' calculations

The calculation of 'value in use' is most sensitive to the following assumptions, which are the same for all CGUs:

- Discount rates;
- Market share during the budget period for the financial year to March 2013; and
- Growth rate used to extrapolate risk adjusted cash flows beyond the budget period.

Discount rates are based on the Group's borrowing and equity profile. The Directors do not currently expect any significant change in the present base discount rate of 10.23% (2011: 9.05%). The base discount rate, which is pre-tax and is based on short-term variables, may differ from the Weighted Average Cost of Capital (WACC) used in long-term return measures such as ROTIC. Discount rates are calculated for each CGU, reflecting the size of each business and specific geographic and industry factors, resulting in the impairment testing using discount rates ranging from 10.75% to 12.98%.

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

Growth rate estimates of respectively 3.25% and 2.50% for the first and second year onwards into perpetuity following the budget year are based on management estimates keeping in view past performance growth.

Sensitivity to changes in assumptions

Management believes that no reasonable potential change in any of the above key assumptions would cause the carrying value of any unit to exceed its recoverable amount.

12 Other intangible assets

	Acquired intangibles: Customer relationships[1] £000	Acquired intangibles: Trademarks[2] £000	Acquired intangibles: Total £000	Internally generated capitalised development costs £000	Computer software £000	Other intangibles[3] £000	Total £000
Cost							
At 3 April 2010	22,251	20,898	43,149	20,347	8,521	287	72,304
Assets of businesses acquired	36,881	7,509	44,390	–	1	127	44,518
Additions at cost	–	–	–	4,735	1,019	6	5,760
Disposals	–	–	–	(23)	(77)	(16)	(116)
Retirements	–	–	–	(29)	(241)	(21)	(291)
Reclassification of category[4]	–	–	–	–	(64)	–	(64)
Exchange adjustments	171	(217)	(46)	(163)	(127)	(15)	(351)
At 2 April 2011	**59,303**	**28,190**	**87,493**	**24,867**	**9,032**	**368**	**121,760**
Assets of businesses acquired (note 24)	**8,995**	**984**	**9,979**	**–**	**9**	**–**	**9,988**
Assets of business sold	**–**	**–**	**–**	**(774)**	**(137)**	**–**	**(911)**
Additions at cost	**–**	**–**	**–**	**4,718**	**1,293**	**46**	**6,057**
Disposals	**–**	**–**	**–**	**–**	**(86)**	**–**	**(86)**
Retirements	**–**	**–**	**–**	**(1)**	**(135)**	**–**	**(136)**
Exchange adjustments	**361**	**(445)**	**(84)**	**(224)**	**(70)**	**4**	**(374)**
At 31 March 2012	**68,659**	**28,729**	**97,388**	**28,586**	**9,906**	**418**	**136,298**
Accumulated amortisation							
At 3 April 2010	13,873	8,046	21,919	11,145	5,471	64	38,599
Charge for the year	2,398	2,362	4,760	4,168	1,217	62	10,207
Disposals	–	–	–	–	(66)	–	(66)
Retirements	–	–	–	–	(208)	(6)	(214)
Reclassification of category[4]	–	–	–	–	(40)	–	(40)
Exchange adjustments	5	(42)	(37)	(99)	(76)	(4)	(216)
At 2 April 2011	**16,276**	**10,366**	**26,642**	**15,214**	**6,298**	**116**	**48,270**
Charge for the year	**7,192**	**3,160**	**10,352**	**3,734**	**1,319**	**86**	**15,491**
Assets of business sold	**–**	**–**	**–**	**(774)**	**(131)**	**–**	**(905)**
Disposals	**–**	**–**	**–**	**–**	**(85)**	**–**	**(85)**
Retirements	**–**	**–**	**–**	**(1)**	**(134)**	**–**	**(135)**
Exchange adjustments	**(366)**	**(322)**	**(688)**	**(95)**	**(39)**	**1**	**(821)**
At 31 March 2012	**23,102**	**13,204**	**36,306**	**18,078**	**7,228**	**203**	**61,815**
Carrying amounts							
At 31 March 2012	**45,557**	**15,525**	**61,082**	**10,508**	**2,678**	**215**	**74,483**
At 2 April 2011	43,027	17,824	60,851	9,653	2,734	252	73,490

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

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

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

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

13 Property, plant and equipment

	Land and buildings				
	Freehold properties £000	Long leases £000	Short leases £000	Plant, equipment and vehicles £000	Total £000
Cost					
At 3 April 2010	34,344	2,206	5,625	103,733	145,908
Assets of businesses acquired	–	1	6	1,744	1,751
Additions at cost	1,881	120	584	11,814	14,399
Disposals	–	(4)	(11)	(3,051)	(3,066)
Retirements	–	–	(231)	(2,862)	(3,093)
Reclassification of category (note 12)	–	–	15	49	64
Exchange adjustments	(385)	(30)	(54)	(1,447)	(1,916)
At 2 April 2011	**35,840**	**2,293**	**5,934**	**109,980**	**154,047**
Assets of businesses acquired (note 24)	**–**	**–**	**35**	**888**	**923**
Assets of business sold	**(269)**	**(19)**	**–**	**(1,581)**	**(1,869)**
Additions at cost	**167**	**128**	**673**	**14,228**	**15,196**
Disposals	**–**	**(35)**	**(127)**	**(3,633)**	**(3,795)**
Retirements	**–**	**–**	**(266)**	**(4,630)**	**(4,896)**
Reclassification of category (note 12)	**–**	**90**	**10**	**(100)**	**–**
Exchange adjustments	**(428)**	**(17)**	**4**	**(964)**	**(1,405)**
At 31 March 2012	**35,310**	**2,440**	**6,263**	**114,188**	**158,201**
Accumulated depreciation					
At 3 April 2010	7,473	760	3,472	67,417	79,122
Charge for the year	792	165	639	9,927	11,523
Disposals	–	(1)	(10)	(2,582)	(2,593)
Retirements	–	–	(215)	(2,773)	(2,988)
Reclassification of category (note 12)	–	–	7	33	40
Exchange adjustments	(116)	(12)	(41)	(779)	(948)
At 2 April 2011	**8,149**	**912**	**3,852**	**71,243**	**84,156**
Assets of business sold	**(142)**	**–**	**–**	**(1,309)**	**(1,451)**
Charge for the year	**758**	**177**	**656**	**10,587**	**12,178**
Disposals	**–**	**(26)**	**(117)**	**(3,064)**	**(3,207)**
Retirements	**–**	**–**	**(253)**	**(4,484)**	**(4,737)**
Reclassification of category (note 12)	**–**	**90**	**4**	**(94)**	**–**
Exchange adjustments	**(113)**	**(6)**	**(4)**	**(733)**	**(856)**
At 31 March 2012	**8,652**	**1,147**	**4,138**	**72,146**	**86,083**
Carrying amounts					
At 31 March 2012	**26,658**	**1,293**	**2,125**	**42,042**	**72,118**
At 2 April 2011	27,691	1,381	2,082	38,737	69,891

14 Associates

	2012 £000	2011 £000
Interests in associates		
At beginning of the year	**1,989**	–
Acquisition cost of investments	**–**	2,046
Exchange adjustments	**16**	2
Group's share of loss of associates	**(37)**	(59)
At end of the year	**1,968**	1,989

	2012 £000	2011 £000
Aggregated amounts relating to associates		
Total assets	**4,869**	5,442
Total liabilities	**(5,071)**	(5,094)
Net (liabilities)/assets	**(202)**	348
Group's share of net assets of associates	**4**	72
Total revenue	**1,597**	100
Loss	**(340)**	(406)
Group's share of loss of associates	**(37)**	(59)

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

Both associates have a 31 December year end, although results coterminous with the Group's year end have been consolidated.

Details of the Group's associates held at 31 March 2012 are as follows:

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

15 Inventories

	2012 £000	2011 £000
Raw materials and consumables	**33,313**	30,832
Work in progress	**6,306**	7,050
Finished goods and goods for resale	**17,749**	16,658
	57,368	54,540

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

	2012 £000	2011 £000
At beginning of the year	**8,846**	8,602
Amounts reversed against inventories previously impaired	**(1,358)**	(917)
Write downs of inventories recognised as an expense and utilisation	**930**	1,117
Business sold	**(44)**	–
Exchange adjustments	**(51)**	44
At end of the year	**8,323**	8,846

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

	2012 £000	2011 £000
Trade receivables	**101,980**	100,184
Allowance for doubtful debts	**(2,163)**	(2,150)
	99,817	98,034
Other receivables	**5,703**	3,987
Prepayments and accrued income	**9,154**	8,435
	114,674	110,456

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

	2012 £000	2011 £000
At beginning of the year	**2,150**	1,566
Net impairment loss recognised	**708**	1,163
Amounts recovered against trade receivables previously written down	**(656)**	(574)
Business sold	**(5)**	–
Exchange adjustments	**(34)**	(5)
At end of the year	**2,163**	2,150

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

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

The ageing of trade receivables was as follows:

	Gross trade receivables		Trade receivables net of doubtful debts	
	2012 £000	2011 £000	2012 £000	2011 £000
Not yet due	**79,167**	74,906	**78,950**	74,628
Up to one month overdue	**14,996**	17,194	**14,986**	17,151
Up to two months overdue	**2,760**	4,030	**2,733**	3,897
Up to three months overdue	**1,521**	1,554	**1,457**	1,462
Over three months overdue	**3,536**	2,500	**1,691**	896
	101,980	100,184	**99,817**	98,034

17 Borrowings

	2012 £000	2011 £000
Unsecured bank loans (all falling due after more than one year)	**64,014**	79,688

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

18 Trade and other payables: falling due within one year

	2012 £000	2011 £000
Trade payables	**44,847**	45,118
Other taxation and social security	**5,349**	4,604
Provision for contingent purchase consideration	**18,480**	5,882
Other payables	**1,825**	2,673
Accruals and deferred income	**22,998**	27,234
	93,499	85,511

The £5,882,000 provision for contingent consideration from 2011 was mainly paid in the current period (Accudynamics, LLC.: £4,375,000 and SphereOptics LLC: £1,249,000). The current year provision mainly comprises a transfer from provisions due after one year (Medicel AG: £10,410,000 and SphereOptics LLC: £937,000) and the contingent consideration arising on a current year acquisition, Avo Photonics, Inc. (£6,875,000).

19 Provisions

Provisions are presented as:

	2012 £000	2011 £000
Current	**2,618**	2,887
Non-current	**2,301**	1,593
	4,919	4,480

	Dilapidations and empty property £000	Product warranty £000	Legal, contractual and other £000	Total £000
At beginning of the year	**1,774**	**2,106**	**600**	**4,480**
Additional provision in the year	**207**	**1,183**	**54**	**1,444**
Acquired on acquisition	**90**	**155**	**–**	**245**
Business sold	**–**	**(43)**	**–**	**(43)**
Utilised during the year	**(93)**	**(25)**	**(8)**	**(126)**
Released during the year	**(280)**	**(501)**	**(294)**	**(1,075)**
Exchange adjustments	**–**	**(3)**	**(3)**	**(6)**
At end of the year	**1,698**	**2,872**	**349**	**4,919**

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 2012 to 2028, though they predominantly fall due within five years.

Product warranty

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

Legal, contractual and other

Legal, contractual and other comprise mainly amounts reserved against open legal and contractual disputes. The Company has on occasion been required to take legal or other actions to defend itself against proceedings brought by other parties. Provisions are made for the expected costs associated with such matters, based on past experience of similar items and other known factors, taking into account professional advice received, and represent Directors' best estimate of the likely outcome. The timing of utilisation of these provisions is frequently uncertain reflecting the complexity of issues and the outcome of various court proceedings and negotiations. Contractual and other provisions represent the Directors' best estimate of the cost of settling future obligations. Unless specific evidence exists to the contrary, these reserves are shown as current.

However, no provision is made for proceedings which have been or might be brought by other parties against Group companies unless the Directors, taking into account professional advice received, assesses that it is more likely than not that such proceedings may be successful.

20 Trade and other payables: falling due after one year

	2012 £000	2011 £000
Provision for contingent purchase consideration	**10,630**	21,155
Other payables	**2,758**	1,693
	13,388	22,848

The provision for contingent consideration mainly comprises £10,384,000 (2011: £19,823,000), payable in June 2013, £220,000 (2011: £371,000) and £nil (2011: £931,000) due on the Medicel AG, Guromed USA, LLC and SphereOptics LLC acquisitions respectively. The 2011 non-current provisions (£11,347,000) transferred to current provision (note 18) in the current year comprised Medicel AG (£10,410,000) and SphereOptics LLC (£937,000).

The increase in the contingent consideration on Medicel AG to £20,794,000 (2011: £19,823,000) mainly arises from updated exchange rates and unwinding of discount interest.

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 2 April 2011	**9,422**	**(14,430)**	**(7,883)**	**1,991**	**1,707**	**(4,297)**	**(13,490)**
(Charge)/credit to Consolidated Income Statement	**(1,628)**	**2,766**	**520**	**(725)**	**35**	**(819)**	**149**
(Charge)/credit to Consolidated Statement of Comprehensive Income	**126**	**–**	**–**	**(137)**	**–**	**–**	**(11)**
Charge to equity	**–**	**–**	**–**	**–**	**(206)**	**–**	**(206)**
Acquired (note 24)	**–**	**(3,922)**	**14**	**221**	**–**	**1,925**	**(1,762)**
Business sold	**–**	**–**	**(34)**	**(3)**	**–**	**–**	**(37)**
Exchange adjustments	**–**	**(36)**	**(2)**	**129**	**–**	**47**	**138**
At 31 March 2012	**7,920**	**(15,622)**	**(7,385)**	**1,476**	**1,536**	**(3,144)**	**(15,219)**

	Retirement benefit obligations £000	Acquired intangible assets £000	Accelerated tax depreciation £000	Short-term timing differences £000	Share-based payment £000	Goodwill timing differences £000	Total £000
At 3 April 2010	12,060	(6,493)	(8,579)	2,972	1,801	(4,342)	(2,581)
(Charge)/credit to Consolidated Income Statement	(1,674)	1,445	907	(1,102)	(314)	(10)	(748)
(Charge)/credit to Consolidated Statement of Comprehensive Income	(964)	–	–	77	–	–	(887)
Credit to equity	–	–	–	–	220	–	220
Acquired	–	(9,472)	(211)	(52)	–	55	(9,680)
Exchange adjustments	–	90	–	96	–	–	186
At 2 April 2011	9,422	(14,430)	(7,883)	1,991	1,707	(4,297)	(13,490)

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:

	2012 £000	2011 £000
Deferred tax liability	**(26,258)**	(24,269)
Deferred tax asset	**11,039**	10,779
Net deferred tax liability	**(15,219)**	(13,490)

21 Deferred tax continued

Movement in deferred tax liability:

	2012 £000	2011 £000
At beginning of year	**(13,490)**	(2,581)
Credit/(charge) to Consolidated Income Statement:		
UK	**760**	(849)
Overseas	**(611)**	101
Charge to Consolidated statement of comprehensive income	**(11)**	(887)
(Charge)/credit to equity	**(206)**	220
Acquired (note 24)	**(1,762)**	(9,680)
Business sold	**(37)**	–
Exchange adjustments	**138**	186
At end of year	**(15,219)**	(13,490)

The UK government's budget statements in March 2011 and March 2012 announced a phased reduction in the main UK corporation tax rate from 28% to 22%, with the first 2% reduction taking effect from 1 April 2011 being substantively enacted on 29 March 2011. The second 2% reduction taking effect from 1 April 2012, bringing the overall main UK corporation tax rate to 24%, was substantively enacted on 26 March 2012.This rate reduction has no material impact on the financial statements as at 31 March 2012. No account will be taken of the expected further 2% reduction in UK tax rates until substantive enactment of these changes. Until this change and other potential changes are enacted it is not possible to identify the impact these changes might have. However, for indicative purposes only, had the UK main corporate tax rate been reduced to 22% the net impact on recognised deferred tax assets and liabilities at 31 March 2012 would not have been material.

No deferred tax liability is recognised on temporary differences of £13,561,000 (2011: £16,079,000) relating to the unremitted earnings of overseas subsidiaries as the Group is able to control the timings of the reversal of these temporary differences and it is probable that they will not reverse in the forseeable future. Temporary timing differences in connection with interests in associates are insignificant.

At 31 March 2012 the Group had unused capital tax losses of £574,000 (2011: £808,000) for which no deferred tax asset has been recognised.

22 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.

At 31 March 2012 options in respect of 2,160,900 (2011: 2,975,991) ordinary shares remained outstanding. Further details of these are given in note 23 to the accounts.

At the date of these accounts, the number of ordinary shares in issue was 378,555,028 including treasury shares of 1,396,240.

23 Share-based payments

The total cost recognised in the Consolidated Income Statement in respect of share-based payment schemes (the 'employee share plans') was as follows:

	2012			2011		
	Equity-settled £000	**Cash-settled £000**	**Total £000**	Equity-settled £000	Cash-settled £000	Total £000
Share incentive plan	**572**	**–**	**572**	415	–	415
Share option plans	**(26)**	**–**	**(26)**	(9)	–	(9)
Performance share plan	**2,373**	**436**	**2,809**	2,169	208	2,377
	2,919	**436**	**3,355**	2,575	208	2,783

The Group has recorded liabilities of £432,000 (2011: £364,000) in respect of the cash settled portion of the awards granted under the performance share plan.

Share incentive plan

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

Share option plans

The Group has outstanding issued options to acquire ordinary shares in the Company under a share option plan, approved by shareholders in 1999. This share option plan provided for the grant of two categories of option, both of which are subject to performance criteria.

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

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

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

Options in respect of 2,160,900 ordinary shares remained outstanding at 31 March 2012 under the 1999 Plan. Subject to the performance restrictions on the exercise of options granted under this Plan, options are exercisable for the periods and at the prices set out below:

Number of shares	Option price	Five years from	Seven years from
56,214	144.33p		2005
165,615	134.00p		2006
329,378	142.25p		2007
44,528	145.67p		2008
468,939	144.33p	2007	
514,551	134.00p	2008	
581,675	142.25p	2009	

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

	2012		2011	
	Number of share options	**Weighted average option price**	Number of share options	Weighted average option price
Outstanding at beginning of year	**2,975,991**	**143.54p**	4,133,788	139.90p
Exercised during the year	**(319,343)**	**144.95p**	(581,648)	145.08p
Lapsed during the year	**(495,748)**	**157.08p**	(576,149)	115.88p
Outstanding at end of year	**2,160,900**	**140.23p**	2,975,991	143.54p
Exercisable at end of year	**595,735**	**140.41p**	915,078	141.99p

The weighted average share price at the date of exercise for share options exercised during the year was 393.31p (2011: 303.17p).

The options outstanding at 31 March 2012 had exercise prices from 134.0p to 145.67p (2011: 134.0p to 163.5p) and a weighted average remaining contractual life of 1.5 years (2011: 2.2 years).

23 Share-based payments continued

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

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

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

Performance share plan

The performance share plan was approved by shareholders on 3 August 2005 and replaced the previous share option plans from which no further grants can be made.

Awards made under this Plan vest after three years on a sliding scale subject to the Group's relative Total Shareholder Return against the FTSE250 excluding financial companies, combined with an absolute Return on Total Invested Capital measure. Awards which do not vest on the third anniversary of their award lapse.

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

	2012 Number of shares awarded	2011 Number of shares awarded
Outstanding at beginning of year	**4,385,681**	4,263,672
Granted during the year	**1,415,044**	1,338,629
Vested during the year (pro-rated for 'good leavers')	**(1,513,266)**	(1,076,240)
Lapsed during the year	**(154,117)**	(140,380)
Outstanding at end of year	**4,133,342**	4,385,681
Exercisable at end of year	**–**	–

The weighted average share price at the date of awards vesting during the year was 369.4p (2011: 271.4p).

The performance shares outstanding at 31 March 2012 had a weighted average remaining contractual life of 1.3 years (2011: 1.4 years).

The fair value of these awards was calculated using an appropriate simulation method to reflect the likelihood of the market-based performance conditions, which attach to half of the award, being met, using the following assumptions:

	2012	2011	2010
Expected volatility (%)	**27%**	27%	27.5%
Expected life (years)	**3**	3	3
Share price on date of grant (p)	**362.34**	281.08	196.90
Option price (p)	**nil**	nil	nil
Fair value per option (%)	**68.6%**	66.9%	61.8%
Fair value per option (p)	**248.57**	188.04	121.68

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

24 Acquisitions

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

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

b) the two acquisitions, namely Kirk Key Interlock Company, LLC. and Avo Photonics, Inc.

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

	Book value £000	Provisional fair value adjustments £000	Total £000
Non-current assets			
Intangible assets	9	9,979	9,988
Property, plant and equipment	518	405	923
Current assets			
Inventories	739	17	756
Trade and other receivables	1,565	(41)	1,524
Cash and cash equivalents	49	–	49
Deferred tax	–	1,917	1,917
Total assets	2,880	12,277	15,157
Current liabilities			
Trade and other payables	(763)	(220)	(983)
Bank loans	(1,144)	–	(1,144)
Provisions	–	(245)	(245)
Corporation tax	(41)	(4)	(45)
Non-current liabilities			
Deferred tax	–	(3,679)	(3,679)
Total liabilities	(1,948)	(4,148)	(6,096)
Net assets of businesses acquired	932	8,129	9,061
Cash consideration			13,305
Contingent purchase consideration (current year acquisitions)			6,464
Total consideration			19,769
Goodwill arising on current year acquisitions			10,781
Goodwill arising on prior year acquisitions			(73)
			10,708

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

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

£2,033,000 of the goodwill arising on acquisitions in the year is expected to be deductible for tax purposes.

Together, both acquisitions contributed £10,198,000 of revenue and £1,992,000 of profit after tax for the year ended 31 March 2012. 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 £1,803,000 and £229,000 higher respectively.

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

Adjustments to prior year acquisitions resulted in decreases to net assets and consideration payable of £5,000 and £78,000 respectively leading to a reduction in goodwill of £73,000.

24 Acquisitions continued

Analysis of cash outflow in the Consolidated Cash Flow Statement

	2012 £000	2011 £000
Cash consideration in respect of acquisitions	13,305	82,063
Cash acquired on acquisitions	(49)	(2,672)
Contingent consideration paid in relation to prior year acquisitions*	5,411	2,702
Net cash outflow relating to acquisitions (per cash flow statement)	18,667	82,093
Bank loans acquired	1,144	–
Net cash outflow, including repayment of acquired bank loans	19,811	82,093

* Of the £5,411,000 (2011: £2,702,000) contingent purchase consideration payment £5,411,000 (2011: £1,122,000) had been provided in the prior year's financial statements.

(Bi) Kirk Key Interlock Company, LLC.

	Book value £000	Provisional fair value adjustments £000	Total £000
Non-current assets			
Intangible assets	9	5,555	5,564
Property, plant and equipment	290	410	700
Current assets			
Inventories	598	(77)	521
Trade and other receivables	738	1	739
Cash and cash equivalents	47	–	47
Deferred tax	–	1,918	1,918
Total assets	1,682	7,807	9,489
Current liabilities			
Trade and other payables	(443)	(103)	(546)
Bank loans	(1,144)	–	(1,144)
Provisions	–	(42)	(42)
Non-current liabilities			
Deferred tax	–	(2,111)	(2,111)
Total liabilities	(1,587)	(2,256)	(3,843)
Net assets of businesses acquired	95	5,551	5,646
Cash consideration			7,679
Contingent purchase consideration			–
Total consideration			7,679
Goodwill arising on acquisition			2,033

On 9 May 2011, the Group acquired 100% of the issued share capital of Kirk Key Interlock Company, LLC. (Kirk Key). Kirk Key is based in Ohio, USA and manufactures interlocking systems to protect personnel and equipment in industrial applications. Kirk Key forms part of the Industrial Safety sector and was acquired to give Halma greater market strength in the USA. 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 £4,571,000 and brand intangibles of £984,000 with residual goodwill arising of £2,033,000. The goodwill represents the value of the acquired workforce, cross-selling opportunities and the ability to exploit the Group's existing distribution arrangements, particularly in the Americas.

The initial consideration was US$12,583,000 (US$14,458,000 including repayment of US$1,875,000 bank loans). There are no contingent consideration payment arrangements.

The Kirk Key acquisition contributed £5,873,000 of revenue and £1,170,000 of profit after tax for the year ended 31 March 2012.

24 Acquisitions continued

(Bii) Avo Photonics, Inc.

	Book value £000	Provisional fair value adjustments £000	Total £000
Non-current assets			
Intangible assets	–	4,424	4,424
Property, plant and equipment	228	(5)	223
Current assets			
Inventories	140	50	190
Trade and other receivables	826	(68)	758
Cash and cash equivalents	2	–	2
Total assets	1,196	4,401	5,597
Current liabilities			
Trade and other payables	(320)	(22)	(342)
Provisions	–	(203)	(203)
Corporation tax	(41)	(23)	(64)
Non-current liabilities			
Deferred tax	–	(1,568)	(1,568)
Total liabilities	(361)	(1,816)	(2,177)
Net assets of businesses acquired	835	2,585	3,420
Cash consideration			5,704
Contingent purchase consideration			6,464
Total consideration			12,168
Goodwill arising on acquisition			8,748

On 8 July 2011, the Group acquired 100% of the issued share capital of Avo Photonics, Inc. (Avo). Avo, based in Pennsylvania, USA, designs and manufactures advanced, miniaturised photonic components and subsystems for OEM customers serving a wide range of end-markets. Avo forms part of the Health and Analysis sector and was acquired to give Halma's Photonics businesses access to additional technologies and manufacturing processes. The excess of the fair value of the consideration paid over the fair value of the assets acquired is represented by customer related intangibles of £4,424,000 with residual goodwill arising of £8,748,000. The goodwill represents the engineering expertise of the acquired workforce, the opportunity to leverage this expertise across all Halma's Photonics businesses and the ability to exploit the Group's existing customer base.

The initial consideration was US$9,126,000 followed by contingent consideration payable on or around June 2012 of between US$nil and US$11,000,000 dependent on the profits of the acquired business for the year up to March 2012. The Directors revised the initial estimate of US$10,341,000 of contingent consideration to US$11,000,000 at year end, and the increase of US$659,000 was recognised in the Consolidated Income Statement.

The Avo acquisition contributed £4,325,000 of revenue and £822,000 of profit after tax for the year ended 31 March 2012.

24 Acquisitions continued
Since the balance sheet, the Group has made three further acquisitions.

(C) Accutome, Inc., Sensorex Inc. and SunTech Medical Group Limited
Due to the proximity of the acquisition dates to the date of approval of the Annual Report, it is only practicable to provide provisional summaries of the assets and liabilities acquired and the purchase consideration for two of the acquisitions, namely Accutome, Inc. and Sensorex Inc.

(Ci) Accutome, Inc.

	Book value £000	Provisional fair value adjustments £000	Total £000
Non-current assets			
Intangible assets	20	6,924	6,944
Property, plant and equipment	683	(42)	641
Current assets			
Inventories	2,768	40	2,808
Trade and other receivables	1,800	(527)	1,273
Total assets	5,271	6,395	11,666
Current liabilities			
Trade and other payables	(1,475)	(433)	(1,908)
Bank loans and overdrafts	(1,553)	–	(1,553)
Provisions	–	(25)	(25)
Non-current liabilities			
Deferred tax	–	(2,256)	(2,256)
Total liabilities	(3,028)	(2,714)	(5,742)
Net assets of businesses acquired	2,243	3,681	5,924
Cash consideration			11,044
Contingent purchase consideration			3,120
Total consideration			14,164
Goodwill arising on acquisition			8,240

On 2 April 2012, the Group acquired 100% of the issued share capital of Accutome, Inc. (Accutome). Accutome, based in Pennsylvania, USA, with a wholly owned subsidiary located in the Netherlands, designs, manufactures and sells surgical and diagnostic instruments and a variety of pharmaceuticals for the ophthalmic marketplace. Accutome is best known for its leading ultrasound diagnostic equipment (used prior to cataract surgery and to diagnose certain eye conditions), and for its surgical instrumentation, featuring its leading diamond bladed surgical knives. Accutome forms part of the Health and Analysis sector and was acquired to further expand Halma's footprint in ophthalmic diagnostic and surgical instrumentation. The excess of the fair value of the consideration paid over the fair value of the assets acquired is represented by supplier arrangement, customer-related, and trademark intangibles of £6,924,000 with residual goodwill arising of £8,240,000. The goodwill represents:

a) the value of the acquired workforce;

b) the ability to exploit Accutome's distribution arrangements;

c) potential synergies with other Halma companies within the ophthalmic market; and

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

The initial cash consideration of US$17,697,000 (US$20,000,000 including repayment of US$2,303,000 bank loans) is adjustable based on the level of net working capital at closing. Contingent consideration of between US$nil and US$5,000,000 is payable dependent on the profits of the acquired business for the period up to September 2013. The Directors estimate that contingent consideration of US$5,000,000 will be paid.

24 Acquisitions continued

(Cii) Sensorex Inc.

	Book value £000	Provisional fair value adjustments £000	Total £000
Non-current assets			
Intangible assets	–	12,689	12,689
Property, plant and equipment	286	–	286
Current assets			
Inventories	564	(121)	443
Trade and other receivables	1,176	(63)	1,113
Total assets	2,026	12,505	14,531
Current liabilities			
Trade and other payables	(268)	(207)	(475)
Provisions	–	(19)	(19)
Non-current liabilities			
Deferred tax	–	–	–
Total liabilities	(268)	(226)	(494)
Net assets of businesses acquired	1,758	12,279	14,037
Cash consideration (including £318,000 closing net asset adjustment)			23,716
Contingent purchase consideration			–
Total consideration			23,716
Goodwill arising on acquisition			9,679

On 2 April 2012, the Group acquired the trade and assets of Sensorex Inc. (Sensorex). Sensorex, based in California, USA, manufactures electrochemical sensors for water analysis applications. Sensorex forms part of the Health and Analysis sector and was acquired for its range of sensors and associated accessories, which are incorporated by OEMs manufacturing single and multi-parameter probes and instruments for monitoring water quality, a market that is forecast to see continued growth. The excess of the fair value of the consideration paid over the fair value of the assets acquired is represented by customer related and technological know-how intangibles of £12,689,000 with residual goodwill arising of £9,679,000. The goodwill represents:

a) the value of the acquired workforce;

b) potential synergies with other Halma companies within the Water market, especially the hubs in China and India; and

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

The initial cash consideration of US$37,500,000 is adjustable based on the final level of agreed net tangible assets at closing. There are no contingent consideration payment arrangements.

(Ciii) SunTech Medical Group Limited

On 31 May 2012 the Group acquired SunTech Medical Group Limited (SunTech). The initial cash consideration of US$46,000,000 for the share capital and US$5,000,000 for cash retained in the business is adjustable based on the final level of agreed working capital and cash at closing. Contingent consideration of up to US$6,000,000 is payable if earnings for the year to December 2012 exceed a pre-determined target. SunTech forms part of the Health and Analysis sector and is a pre-eminent supplier of clinical grade non-invasive blood pressure monitoring products and technologies. Due to the proximity of the acquisition date to the date of approval of the Annual Report, it is impracticable to provide further information.

25 Notes to the Consolidated Cash Flow Statement

	2012 £000	2011 £000
Reconciliation of profit from operations to net cash inflow from operating activities:		
Profit on continuing operations before finance income and expense, share of results of associates and profit on disposal of continuing operations	**109,910**	99,449
Depreciation of property, plant and equipment	**12,178**	11,523
Amortisation of computer software	**1,319**	1,217
Amortisation of capitalised development costs and other intangibles	**3,820**	4,230
Retirement/disposals of capitalised development costs and other intangibles	**–**	83
Amortisation of acquired intangible assets	**10,352**	4,760
Share-based payment expense in excess of amounts paid	**2,432**	2,015
Additional payments to pension plans	**(6,419)**	(6,399)
Profit on sale of property, plant and equipment and computer software	**(495)**	(55)
Operating cash flows before movement in working capital	**133,097**	116,823
Increase in inventories	**(3,777)**	(5,369)
Increase in receivables	**(1,190)**	(7,944)
(Decrease)/increase in payables and provisions	**(2,671)**	9,670
Cash generated from operations	**125,459**	113,180
Taxation paid	**(27,772)**	(18,116)
Net cash inflow from operating activities	**97,687**	95,064

	2012 £000	2011 £000
Reconciliation of net cash flow to movement in net debt		
Increase in cash and cash equivalents	**3,038**	11,872
Cash outflow/(inflow) from repayment/(drawdowns) of borrowings	**17,594**	(58,004)
Net debt acquired	**(1,144)**	–
Exchange adjustments	**(1,119)**	(28)
	18,369	(46,160)
Net (debt)/cash brought forward	**(37,078)**	9,082
Net debt carried forward	**(18,709)**	(37,078)

	2012 £000	2011 £000
Analysis of cash and cash equivalents		
Cash and bank balances	**45,305**	42,610

	At 2 April 2011 £000	Cash flow £000	Net debt acquired £000	Exchange adjustments £000	At 31 March 2012 £000
Analysis of net debt					
Cash and cash equivalents	42,610	**3,038**	**–**	**(343)**	**45,305**
Bank loans	(79,688)	**17,594**	**(1,144)**	**(776)**	**(64,014)**
Analysis of net debt	(37,078)	**20,632**	**(1,144)**	**(1,119)**	**(18,709)**

The net cash outflow from bank loans in 2012 comprised drawdowns of £76,456,000 offset by repayments of £94,050,000 (2011: net cash inflow comprising drawdowns of £76,156,000 offset by repayments of £18,152,000).

Included within cash and cash equivalents is an amount of £nil (2011: £1,983,000) which is restricted.

26 Financial instruments

Policy

The Group's treasury policies seek to minimise financial risks and to ensure sufficient liquidity for the Group's operations and strategic plans. No complex derivative financial instruments are used, and no trading or speculative transactions in financial instruments are undertaken. Where the Group does use financial instruments these are mainly to manage the currency risks arising from normal operations and its financing. Operations are financed mainly through retained profits and, in certain geographical locations, bank borrowings. Foreign currency risk is the most significant aspect for the Group in the area of financial instruments. It is exposed to a lesser extent to other risks such as interest rate risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and these policies are summarised below. The Group's policies have remained unchanged since the beginning of the financial year.

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the bases of recognition income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in the Accounting policies note.

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 17 to the Accounts, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the Consolidated Statement of Changes in Equity.

The Group is not subject to externally imposed capital requirements.

Foreign currency risk

The Group is exposed to foreign currency risk as a consequence of both trading with foreign companies and owning subsidiaries located in foreign countries.

The Group earns a significant proportion of its profit in currencies other than Sterling. This gives rise to translational currency risk, where the Sterling value of profits earned by the Group's foreign subsidiaries fluctuates with the strength of Sterling relative to their operating (or 'functional') currencies. The Group does not hedge this risk, so its reported profit is sensitive to the strength of Sterling, particularly against the US Dollar and Euro. The Group also has transactional currency exposures. These arise on sales or purchases by operating companies in currencies other than the companies' operating (or 'functional') currency. Significant sales and purchases are matched where possible and a proportion of the net exposure is hedged by means of forward foreign currency contracts.

The Group has a significant investment in overseas operations in the USA and EU, with further investments in Australia, New Zealand, Singapore, Switzerland, China and India. As a result, the Group's balance sheet can be affected by movements in these countries' exchange rates. Where significant and appropriate, currency denominated net assets are hedged by currency borrowings. These currency exposures are reviewed regularly.

Interest rate risk

The Group is exposed to interest rate fluctuations on its borrowings and cash deposits. Where bank borrowings are used to finance operations they tend to be short term with floating interest rates. Borrowings used to provide longer term funding are drawn on the Group's loan facilities and have fixed interest rates with maturities of not more than one year.

Surplus funds are placed on short-term fixed rate deposit or in floating rate deposit accounts.

Credit risk

Credit risk is defined as the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties, as a means of mitigating the risk of financial loss from defaults. Credit ratings are supplied by independent agencies where available, and if not available, the Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed regularly.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee insurance cover is purchased.

The carrying amount of trade, tax and other receivables, derivative financial instruments and cash of £160,736,000 (2011: £153,630,000) represents the Group's maximum exposure to credit risk as no collateral or other credit enhancements are held.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

26 Financial instruments continued

Liquidity risk

On 20 October 2011, the Group signed a new unsecured five-year revolving credit facility for £260m. This replaced the previous £165m facility which was due to expire in February 2013. This facility is the main source of long-term funding for the Group to October 2016, and is with a syndicate of five bankers.

The Group has a strong cash flow and the funds generated by operating companies are managed regionally based on geographic location.

Funds are placed on deposit with secure, highly-rated banks. For short-term working capital purposes, most operating companies utilise local bank overdrafts. These practices allow a balance to be maintained between continuity of funding, security and flexibility. Because of the nature of their use, the facilities are typically 'on demand' and as such uncommitted. Overdraft facilities are typically renewed annually.

Currency exposures

Translational exposures

It is estimated, by reference to the Group's US Dollar and Euro denominated profits, that a one per cent change in the value of the US Dollar relative to Sterling would have had a £353,000 (2011: £337,000) impact on the Group's reported profit before tax; and a one per cent change in the value of the Euro relative to the Sterling would have had a £227,000 (2011: £204,000) impact on the Group's profit before tax for the year ended 31 March 2012.

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 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 £4,006,000 at 31 March 2012 (2011: £3,190,000). These comprised Sterling denominated deposits of £4,002,000 (2011: £2,700,000), and Euro, USDollar and other currency deposits of £4,000 (2011: £490,000) which are placed on local money markets and earn interest at market rates. Cash balances of £41,299,000 (2011: £39,420,000) earn interest at local market rates.

The financial liabilities which are subject to interest rate fluctuations comprise bank loans, bank overdrafts and certain unsecured loans, which totalled £64,014,000 at 31 March 2012 (2011: £79,688,000). All bank loans bear interest at floating rates or fixed rates where the fixed period is typically no more than three months. Interest rates are based on the LIBOR of the currency in which the liabilities arise plus a small margin. Bank overdrafts bear interest at local base rates.

	2012 £000	2011 £000
Analysis of interest bearing financial liabilities		
Sterling denominated bank loans	**47,000**	53,000
Euro denominated bank loans	**–**	3,198
Swiss Franc denominated bank loans	**17,014**	23,490
Total bank loans	**64,014**	79,688

At 31 March 2012 it is estimated that a general increase of one percentage point in interest rates would reduce the Group's profit before tax by £892,000 (2011: £478,000).

Maturity of financial liabilities

With the exception of the contingent purchase consideration, other payables, provisions and borrowings due after one year, all of the Group's financial liabilities mature in one year or less or on demand. The total of the contractual contingent purchase consideration due after one year includes £10,452,000 (2011: £8,164,000) due between one and two years, and the balance of £178,000 (2011: £13,290,000) due between two and five years. Other creditors due after more than one year include £1,017,000 (2011: £725,000) due between one and two years, £1,088,000 (2011:£284,000) due between two and five years, with the balance of £653,000 (2010: £684,000) due after more than five years.

26 Financial instruments continued

Borrowing facilities

The Group's principal source of long-term funding is its unsecured five-year £260m revolving credit facility, which expires in October 2016.

Short-term operational funding is provided by cash generated from operations and by local bank overdrafts. These overdraft facilities are uncommitted and are generally renewed on an annual or ongoing basis and hence the facilities expire within one year or less.

The Group's undrawn committed facilities available at 31 March 2012 were £205,361,000 (2011: £100,312,000) of which £9,375,000 (2011: £15,000,000) mature within one year and £195,986,000 (2011: £85,312,000) between two and five years.

UK companies have cross-guaranteed £17,370,000 (2011: £17,670,000) of overdraft facilities of which £nil (2011: £nil) was drawn.

Fair values of financial assets and financial liabilities

As at 31 March 2012 and 2 April 2011 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.

	2012		2011	
Fair value and carrying amount of financial instruments	**Carrying amount £000**	**Fair value £000**	Carrying amount £000	Fair value £000
Trade and other receivables	**105,520**	**105,520**	102,021	102,021
Trade, other payables and provisions (falling due within one year)	**(90,768)**	**(90,768)**	(83,794)	(83,794)
Trade, other payables and provisions (falling due after one year)	**(15,689)**	**(15,689)**	(24,441)	(24,441)
Cash and cash equivalents	**45,305**	**45,305**	42,610	42,610
Fixed rate borrowings	**(64,014)**	**(64,014)**	(79,688)	(79,688)
Derivative financial instruments (in a designated cash flow hedge)	**306**	**306**	(475)	(475)
Derivative financial instruments (not in a designated cash flow hedge)	**37**	**37**	(56)	(56)
	(19,303)	**(19,303)**	(43,823)	(43,823)

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

The fair value of the derivative financial instruments is estimated by discounting the future contracted cash flow, using readily available market data and represents a level 2 measurement in the fair value hierarchy under IFRS 7.

26 Financial instruments continued

Hedging

As explained previously, the Group's policy is to hedge significant sales and purchases denominated in foreign currency using forward currency contracts. These instruments are initially recognised at fair value, which is typically £nil, and subsequent changes in fair value are taken to the Consolidated Income Statement, unless hedge accounted.

The following table details the forward foreign currency contracts outstanding as at the year end, which 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	
	2012	2011	2012 000	2011 000	2012 £000	2011 £000	2012 £000	2011 £000
Forward contracts not in a designated cash flow hedge								
US Dollars	**1.58**	1.61	**2,123**	(5,106)	**1,347**	(3,176)	**20**	17
Euros	**1.19**	1.17	**3,049**	2,331	**2,552**	1,995	**11**	(68)
Other currencies	**–**	–	**–**	–	**524**	732	**6**	(5)
					4,423	(449)	**37**	(56)
Forward contracts in a designated cash flow hedge								
US Dollars	**1.57**	1.55	**6,878**	5,290	**4,391**	3,418	**87**	113
Euros	**1.16**	1.19	**10,949**	14,462	**9,476**	12,186	**335**	(570)
Czech Koruna	**28.74**	29.04	**(90,000)**	(48,300)	**(3,132)**	(1,663)	**(114)**	78
Other currencies	**–**	–	**–**	–	**(524)**	(1,424)	**(2)**	(96)
					10,211	12,517	**306**	(475)
Total forward contracts								
US Dollars	**1.57**	0.76	**9,001**	184	**5,738**	242	**107**	130
Euros	**1.16**	1.18	**13,998**	16,793	**12,028**	14,181	**346**	(638)
Czech Koruna	**28.74**	29.04	**(90,000)**	(48,300)	**(3,132)**	(1,663)	**(114)**	78
Other currencies	**–**	–	**–**	–	**–**	(692)	**4**	(101)
					14,634	12,068	**343**	(531)
Amounts recognised in the Consolidated Income Statement							**156**	(173)
Amounts recognised in the Consolidated Statement of Comprehensive Income and Expenditure							**187**	(358)
							343	(531)

The fair values of the forward contracts are disclosed as a £469,000 (2011: £327,000) asset and £126,000 (2011: £858,000) 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.

	2012 £000	2011 £000
Analysis of movement in hedging reserves		
Amounts removed from statement of changes in equity and included in Consolidated Income Statement during the year	**358**	47
Amounts recognised in the Consolidated Statement of Comprehensive Income and Expenditure	**187**	(358)
Net movement in hedging reserves in the year in relation to the effective portion of changes in fair value of cash flow hedges	**545**	(311)
At beginning of year	**(358)**	(47)
At end of year	**187**	(358)

There was no ineffectiveness arising with regards to forward contracts in a designated cash flow hedge.

With the exception of currency exposures, the disclosures in this note exclude short-term receivables and payables.

26 Financial instruments continued

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The Group enters into derivative financial instruments to manage its exposure to foreign currency risk, including:

- forward foreign exchange contracts to hedge the exchange rate risk arising on the export of goods to and from the USA, mainland Europe and the UK; and
- foreign exchange loans to hedge the exchange rate risk arising on translation of the Group's investment in foreign operations which have the Euro and Swiss Franc as their functional currencies.

Market risk exposures are measured using sensitivity analysis as described below.

There has been no change to the Group's exposure to market risks or in the manner in which these risks are managed and measured.

Foreign currency sensitivity analysis

The Group is mainly exposed to the currency of the USA (US Dollar currency) and the currency of Mainland Europe (Euro currency).

The carrying amount of the Group's Euro and US Dollar denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets		Liabilities	
	2012 £000	2011 £000	**2012 £000**	2011 £000
Euro	**64,384**	66,472	**15,062**	16,308
US Dollar	**98,487**	95,572	**27,634**	23,308

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	
	2012 £000	2011 £000	**2012 £000**	2011 £000
Profit	**3,246**	3,097	**2,081**	1,871
Other equity	**6,075**	6,144	**4,503**	4,655

The profit sensitivity arises mainly from the translation of overseas profits earned during the year. 10% is the sensitivity rate which management assesses to be a reasonably possible change in foreign exchange rates. The Group's profit sensitivity has increased against the US Dollar because more of the Group's profits are earned in this currency.

27 Commitments

Capital commitments

Capital expenditure authorised and contracted at 31 March 2012 but not provided in these accounts amounts to £877,000 (2011: £920,000).

Commitments under operating leases

The Group has entered into commercial leases on properties and other equipment. The former expire between April 2012 and November 2028 and the latter between April 2012 and January 2016. Only certain property agreements contain an option for renewal at rental prices based on market prices at the time of exercise.

Total payments under non-cancellable operating leases will be made as follows:

	Land and buildings		Other	
	2012 £000	2011 £000	**2012 £000**	2011 £000
Within one year	**6,093**	6,027	**441**	377
Within two to five years	**15,274**	14,526	**695**	648
After five years	**4,558**	4,038	**–**	–
	25,925	24,591	**1,136**	1,025

28 Retirement benefits

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

Defined contribution schemes

The amount charged to the Consolidated Income Statement in respect of defined contribution schemes was £2,877,000 (2011: £2,495,000) and represents contributions payable to these schemes by the Group at rates specified in the rules of the plans. The assets of the schemes are held separately from those of the Group in funds under the control of trustees. Where there are employees who leave the schemes prior to vesting fully in the contributions, the ancillary contributions payable by the Group are reduced by the amount of forfeited contributions.

Defined benefit schemes

The Group operates defined benefit schemes for qualifying employees of its UK subsidiaries. Under the schemes, the employees are entitled to retirement benefits of up to two-thirds of final pensionable salary on attainment of a retirement age of 60, for members of the Executive Board, and 65, for all other qualifying employees. No other post-retirement benefits are provided. The schemes are funded schemes.

The most recent actuarial valuation of the Halma Group Pension Plan assets and the present value of the defined benefit obligation was carried out at 1 December 2008 by Mr Adrian Gibbons, Fellow of the Institute of Actuaries. The present value of the defined benefit obligation, the related current service cost and past service cost were measured using the projected unit credit method. The 2011 actuarial valuation has not yet been finalised and is awaiting Principal Employer's agreement. Mr Gibbons also carried out the 1 April 2009 actuarial valuation of the Apollo Pension and Life Assurance Plan on the same basis.

The projected unit credit method is an accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. The accumulated benefit obligation (ABO) is an actuarial measure of the present value for service already rendered but differs from the projected unit credit method in that it includes no assumptions for future salary increases. At the balance sheet date the gross accumulated benefit obligation was £186m.

An alternative method of valuation is a solvency basis, often estimated using the cost of buying out benefits at the balance sheet date with a suitable insurance company. This amount represents the amount that would be required to settle the scheme liabilities at the balance sheet date rather than the Group continuing to fund the ongoing liabilities of the scheme. The Group estimates that this would amount to £315m (2011: £268m).

	2012	2011	2010
Key assumptions used:			
Discount rate	**5.00%**	5.50%	5.60%
Expected return on scheme assets	**5.68%**	6.69%	7.00%
Expected rate of salary increases	**3.20%**	4.40%	4.50%
Pension increases LPI 2.5%	**2.25%**	2.30%	2.40%
Pension increases LPI 3.0%	**2.75%**	2.75%	2.75%
Inflation – RPI	**3.20%**	3.4%	3.50%
Inflation – CPI	**2.45%**	2.9%	N/A

Mortality assumptions:

Investigations have been carried out within the past three years into the mortality experience of the Group's defined benefit schemes. These investigations concluded that the current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

	2012 Years	2011 Years	2010 Years
Retiring today:			
Males	**22.1**	22.0	21.9
Females	**24.9**	24.8	24.7
Retiring in 20 years:			
Males	**24.0**	23.9	23.8
Females	**26.8**	26.7	26.6

28 Retirement benefits continued

The Halma Group Pension Plan baseline mortality assumption in 2012, 2011 and 2010 is derived from the SN03 tables less one year.

The Apollo Pension and Life Assurance Plan baseline mortality assumption in 2012 and 2011 is derived from the SN03 tables (2010: PA92 medium cohort tables plus one year).

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

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	Increase/decrease by 0.5%	Decrease/increase by 9.4%
Rate of inflation	Increase/decrease by 0.5%	Increase/decrease by 6.6%
Rate of salary growth	Increase/decrease by 0.5%	Increase/decrease by 2.1%
Rate of mortality	Increase by one year	Increase by 2.4%

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

	2012 £000	2011 £000
Current service cost	**2,098**	2,143
Curtailment gain	**(101)**	–
Interest cost	**9,684**	9,525
Expected return on scheme assets	**(9,529)**	(9,103)
	2,152	2,565

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

The actual return on scheme assets was £7.7m (2011: £8.2m).

The cumulative amount of actuarial losses recognised in the Consolidated Statement of Comprehensive Income and Expenditure since the date of transition to IFRSs is £25m (2011: £22m).

The amount included in the balance sheet arising from the Group's obligations in respect of its defined benefit retirement benefit schemes is as follows:

	2012 £000	2011 £000	2010 £000
Present value of defined benefit obligations	**(185,956)**	(177,055)	(170,901)
Fair value of scheme assets	**152,959**	140,818	127,830
Deficit in scheme	**(32,997)**	(36,237)	(43,071)
Past service cost not yet recognised in balance sheet	**–**	–	–
Liability recognised in the balance sheet	**(32,997)**	(36,237)	(43,071)

Movements in the present value of defined benefit obligations were as follows:

	2012 £000	2011 £000
At beginning of year	**(177,055)**	(170,901)
Service cost	**(2,098)**	(2,143)
Curtailment gain	**101**	–
Interest cost	**(9,684)**	(9,525)
Actuarial gains and losses	**(1,220)**	1,799
Contributions from scheme members	**(994)**	(1,025)
Benefits paid	**4,877**	4,625
Premiums paid	**117**	115
At end of year	**(185,956)**	(177,055)

28 Retirement benefits continued

Movements in the fair value of scheme assets were as follows:

	2012 £000	2011 £000
At beginning of year	**140,818**	127,830
Expected return on scheme assets	**9,529**	9,103
Actuarial losses	**(1,804)**	(942)
Contributions from the sponsoring companies	**8,416**	8,542
Contributions from scheme members	**994**	1,025
Benefits paid	**(4,877)**	(4,625)
Premiums paid	**(117)**	(115)
At end of year	**152,959**	140,818

The net movement on actuarial gains and losses was as follows:

	2012 £000	2011 £000
Defined benefit obligations	**(1,220)**	1,799
Fair value of scheme assets	**(1,804)**	(942)
Net actuarial (losses)/gains	**(3,024)**	857

The analysis of the scheme assets and the expected rate of return at the balance sheet date were as follows:

	Expected return			Fair value of assets		
	2012 %	2011 %	2010 %	2012 £000	2011 £000	2010 £000
Equity instruments	**6.50**	7.50	7.80	**90,460**	86,934	83,641
Debt instruments	**4.20**	5.20	5.20	**50,320**	42,419	33,604
Property	**5.00**	6.00	6.30	**12,179**	11,465	10,585
	5.68	6.69	7.00	**152,959**	140,818	127,830

The overall expected rate of return is a weighted average.

In July 2010, the UK government announced that CPI should be used as the basis for statutory minimum pension increases. The impact of the change to CPI (from RPI) for the UK plan, where the pension rules mandate inflation according to the deemed statutory index, was a credit to the Consolidated Statement of Comprehensive Income and Expenditure of £1.0m (2011: £2.5m).

In conjunction with the trustees, the Group has recently conducted an asset-liability review for its defined benefit pension scheme. The results of this review are used to assist the trustees and the Group to determine the optimal long-term asset allocation with regard to the structure of the liabilities of the scheme. They are also used to assist the trustees in managing the volatility in the underlying investment performance and risk of a significant increase in the defined benefit deficit by providing information used to determine the scheme's investment strategy.

As a consequence, the Group will be giving more emphasis to a closer return matching of scheme assets and liabilities, both to ensure the long-term security of our defined benefit commitment and to reduce earnings and balance sheet volatility.

The five-year history of experience adjustments was as follows.

	2012 £000	2011 £000	2010 £000	2009 £000	2008 £000
Present value of defined benefit obligations	**(185,956)**	(177,055)	(170,901)	(132,379)	(145,992)
Fair value of scheme assets	**152,959**	140,818	127,830	89,811	110,035
Deficit in the scheme	**(32,997)**	(36,237)	(43,071)	(42,568)	(35,957)
Experience adjustments on scheme liabilities					
Amount	**(224)**	157	(136)	–	273
Percentage of scheme liabilities	**–**	–	–	–	–
Experience adjustments on scheme assets					
Amount	**(1,804)**	(944)	27,648	(33,696)	12,327
Percentage of scheme assets	**(1)%**	(1)%	22%	(37)%	11%

The estimated amounts of contributions expected to be paid to the schemes during the year ending 31 March 2013 is £8.8m plus £1.4m relating to the apportionment agreement on the disposal of Volumatic Limited.

The levels of contributions are based on the current service cost and the expected future cash flows of the defined benefit scheme. The Group estimates the scheme liabilities on average to fall due over 19 and 27 years, respectively, for the Halma and Apollo plans.

29 Disposal of business

On 30 March 2012, the Group disposed of Volumatic Limited for an initial cash consideration of £4.4 million. A further £1.5 million is retained in escrow and will be released to Halma on attainment of an agreed performance target. Additional contingent consideration of up to £2.4 million is payable upon the attainment of pre-determined sales levels over the two years to March 2014, giving a total maximum cash consideration of £8.3 million if all performance targets are achieved. The directors estimate that the £1.5 million held in escrow and £0.3 million of the contingent consideration will be received. The profit on disposal is estimated to be £3.5 million, being the £4.4 million initial consideration, £1.5 million held in escrow and £0.3 million contingent consideration, less £0.4 million of transaction costs and £2.3 million of net assets. Due to the nature and size of the disposed operation, it has not been separately disclosed as a discontinued operations as defined by IFRS 5.

The cash inflow in the Consolidated Cash Flow Statement of £3,554,000 comprises £4,355,000 initial consideration less £420,000 transaction costs and £381,000 cash held by the disposed business.

30 Events after the balance sheet date

On 2 April 2012, the Group acquired Accutome, Inc. (Accutome) for an initial cash consideration of US$20.0 million, adjustable based on the level of net working capital at closing. Further contingent consideration of between US$nil and US$5.0 million is payable dependent on the profits of the business for the period up to September 2013. Accutome designs, manufactures and sells surgical and diagnostic instruments and a variety of pharmaceuticals for the ophthalmic marketplace. Further information is provided in note 24.

On 2 April 2012, the Group acquired the trade and assets of Sensorex Inc. (Sensorex), for a cash consideration of US$37.5 million, adjustable based on the level of net tangible assets at closing. Sensorex manufactures electrochemical sensors for water analysis applications. Further information is provided in note 24.

On 31 May 2012, the Group acquired SunTech Medical Group Limited (SunTech). The initial cash consideration of US$46,000,000 for the share capital and US$5,000,000 for cash retained in the business is adjustable based on the final level of agreed working capital and cash at closing. Contingent consideration of up to US$6,000,000 is payable if earnings for the year to December 2012 exceed a pre-determined target. SunTech forms part of the Health and Analysis Sector and is a pre-eminent supplier of clinical grade non-invasive blood pressure monitoring products and technologies. Due to the proximity of the acquisition date to the date of approval of the Annual Report, it is impracticable to provide further information.

On 25 April 2012, the Group increased its investment in Optomed Oy from 15% to 40% for a cash consideration of Euro 3,894,000. Further information about the Group's investments in associates can be found in note 14.

31 Related party transactions

Trading transactions

	2012 £000	2011 £000
Associated companies		
Purchases from associated companies	**860**	57
Amounts due to associated companies	**98**	401
Amounts due from associated companies	**302**	–
Other related parties		
Rent charged by other related parties	**365**	109
Amounts due to other related parties	**20**	–

Other related parties comprise two companies with Halma employees on the Boards and from which two Halma subsidiaries rent property. All the transactions above are on an arm's length basis and on standard business terms.

Remuneration of key management personnel

The remuneration of the Directors and Divisional Chief Executives, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 *Related Party Disclosures*. Further information about the remuneration of individual Directors is provided in the audited part of the Directors' Remuneration Report on pages 84 to 86.

	2012 £000	2011 £000
Wages and salaries	**4,342**	4,351
Pension costs	**173**	185
Shared-based payment charge	**1,532**	959
	6,047	5,495

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.

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

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	Issued and fully paid 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

	Non-distributable				Distributable
	Share premium account £000	Treasury shares £000	Capital redemption reserve £000	Other reserves £000	Total profit and loss account £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

SUMMARY 2003 TO 2012

	UK GAAP 2002/03 £000	UK GAAP 2003/04 £000
Revenue (note 2)	267,293	292,640
Overseas sales (note 2)	188,161	206,102
Profit before taxation, acquired intangibles amortisation and goodwill written off (note 3)	46,508	50,284
Net tangible assets/capital employed	86,854	95,935
Borrowings	27,667	26,934
Cash and cash equivalents	27,574	48,482
Employees (note 2)	2,793	2,925
Earnings per ordinary share (note 2)	7.76p	6.09p
Adjusted earnings per ordinary share (note 3)	8.55p	9.44p
Year on year increase/(decrease) in adjusted earnings per ordinary share	(6.0%)	10.4%
Return on Sales (notes 2 and 4)	17.4%	17.2%
Return on Capital Employed (note 5)	41.7%	50.5%
Year on year increase in dividends per ordinary share (paid and proposed)	10%	7%
Ordinary share price at financial year end	114p	149p
Market capitalisation at financial year end	£416.7m	£546.5m

Notes:

1. The amounts disclosed for periods up to and including 2003/04 are stated on the basis of UK GAAP, as it is not practicable to restate amounts prior to the date of transition to IFRS.
2. Continuing and discontinued operations.
3. Adjusted to remove amortisation of acquired intangible assets and, from 2010/11, acquisition transaction costs and movement on contingent consideration. IFRS figures include results of discontinued operations up to the date of their sales or closure but exclude material discontinued and continuing profits on sales or closures of operations.
4. Return on Sales is defined as profit before taxation, goodwill/acquired intangible asset amortisation, acquisition costs (from 2010/11) and exceptional items expressed as a percentage of revenue.
5. Return on Capital Employed is defined in note 3 to the accounts.

UK GAAP 2004/05 £000	IFRS 2004/05 £000	IFRS 2005/06 £000	IFRS 2006/07 £000	IFRS 2007/08 £000	IFRS 2008/09 £000	IFRS 2009/10 £000	IFRS 2010/11 £000	**IFRS 2011/12 £000**
299,119	299,119	337,348	354,606	397,955	455,928	459,118	518,428	**579,883**
218,745	218,745	249,055	258,050	288,701	351,522	360,779	412,297	**454,270**
50,389	49,912	59,641	66,091	73,215	79,087	86,214	104,551	**120,465**
80,750	104,417	105,396	113,048	134,320	173,128	145,519	146,964	**163,283**
33,344	33,344	32,308	29,762	72,393	86,173	21,924	79,688	**64,014**
45,348	45,348	35,826	22,051	28,118	34,987	31,006	42,610	**45,305**
3,002	3,002	3,187	3,326	3,683	4,018	3,689	3,875	**4,347**
7.97p	9.38p	11.08p	11.86p	13.49p	14.07p	16.10p	19.23p	**23.01p**
9.42p	9.45p	11.27p	12.42p	13.86p	15.30p	16.89p	20.49p	**24.46p**
(0.2%)	N/A	19.3%	10.9%	11.5%	10.4%	10.4%	21.3%	**19.4%**
16.8%	16.7%	17.7%	18.6%	18.4%	17.3%	18.8%	20.2%	**20.8%**
52.1%	48.8%	56.9%	60.1%	55.8%	47.7%	61.3%	71.9%	**74.7%**
5%	5%	5%	5%	5%	5%	7%	7%	**7%**
161p	161p	188p	220p	192p	156p	259p	355p	**381p**
£593.8m	£593.8m	£693.4m	£821.8m	£717.7m	£583.7m	£978.1m	£1,342.7m	**£1,440.8m**

HALMA DIRECTORY

Principal operating companies by sector and sub-sector		Main products
Health and Analysis		
Photonics	Avo Photonics, Inc.	Advanced, miniaturised photonic components and subsystems for OEM customers serving a wide range of end-markets
	Fiberguide Industries Inc.	Design and manufacture of optical fibre cables and assemblies
	Labsphere, Inc.	Light testing and measurement products and specialised optical coatings
	Ocean Optics, Inc.	Miniature fibre optic spectrometers for consumer electronics, process control, environmental monitoring, life sciences and medical diagnostics
	Ocean Thin Films, Inc.	Dichroic optical filters and precision optics for scientific, defence, metrology and entertainment applications
Health Optics	Accutome, Inc.	Surgical and diagnostic instruments and a variety of pharmaceuticals for the ophthalmic marketplace
	Keeler Limited	Ophthalmic instruments for diagnostic assessment of eye conditions
	Medicel AG	Instruments for ophthalmic surgery
	Rudolf Riester GmbH	Diagnostic medical devices for ophthalmology, blood pressure measurement and ear, nose and throat diagnostics
	SunTech Medical Group Limited	Clinical grade non-invasive blood pressure monitoring products and technologies
	Volk Optical Inc.	Ophthalmic equipment and lenses as aids to diagnosis and surgery
Water	Aquionics Inc.	Ultraviolet treatment of drinking water, waste water, water for re-use and water used in industrial processes
	Berson Milieutechniek B.V.	Ultraviolet light equipment for treating drinking water, waste water and water re-use applications
	Hanovia Limited	Ultraviolet light equipment for treating water used in the manufacture of food, drinks, pharmaceuticals and electronic components
	HWM-Water Limited	Instrumentation for recording data, and quantifying, detecting and controlling leakage in underground water pipelines
	Hydreka S.A.S.	Equipment and software for flow analysis of water and sewerage systems and leak detection systems
	Palintest Limited	Instruments for analysing water and measuring environmental pollution
	Sensorex Inc.	Electrochemical sensors for water analysis applications in the process industry and laboratory markets
Fluid Technology	Accudynamics, LLC.	Components primarily used in medical, life science and scientific instruments
	Alicat Scientific, Inc.	Mass flow meters and controllers for high-precision fluid flow measurement
	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
	Perma Pure LLC	Gas dryers and humidifiers for fuel cell, medical, scientific and industrial use
Infrastructure Sensors		
Fire Detection	Apollo Fire Detectors Limited	Smoke and heat detectors, sounders, beacons and interfaces
	Fire Fighting Enterprises Limited	Beam smoke detectors and specialist fire extinguishing systems
Automatic Door Sensors	Bureau D'Electronique Appliquée S.A. (BEA)	Sensors for automatic doors
Elevator Safety	Janus Elevator Products Inc.	Elevator safety components including, displays, door systems and emergency communications
	Memco Limited	Infrared safety systems for elevator doors and elevator emergency communications
	Monitor Elevator Products LLC.	Custom manufacturing of control panels for the elevator industry
	TL Jones Asia Pacific Limited	Elevator infrared safety systems, emergency communications and electronic information displays for passengers
Security Sensors	Texecom Limited	Security sensor and signalling products

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Singapore	+65 6776 4111	info@tljones.com	www.tljones.com
Haslingden, Lancashire	+44 (0)1706 220460	sales@texe.com	www.texe.com

Principal operating companies by sector and sub-sector		Main products
Industrial Safety		
Safety Interlocks	Castell Safety International Limited	Safety systems for controlling hazardous industrial processes
	Fortress Interlocks Limited	Safety systems for controlling access to dangerous machines
	Kirk Key Interlock Company, LLC.	Key interlocks and interlocking systems for the protection of personnel and equipment
	Netherlocks Safety Systems B.V.	Process safety systems for petrochemical and industrial applications
	SERV Trayvou Interverrouillage S.A.S.	Safety systems for controlling access to dangerous machines
	Smith Flow Control Limited	Process safety systems for petrochemical and industrial applications
Gas Detection	Crowcon Detection Instruments Limited	Gas detection instruments for personnel and plant safety
Bursting Disks	Elfab Limited	Pressure sensitive relief devices to protect process plant
	Oklahoma Safety Equipment Co. Inc. (Oseco)	Pressure sensitive relief devices to protect process plant
Asset Monitoring	Tritech International Limited	Equipment for underwater surveying, condition monitoring, ROV piloting, infrastructure maintenance, construction and security
Group		
Halma Holdings Inc.		Halma North American Head Office
Halma International Limited Representative Offices		Halma China hubs in Shanghai, Beijing, Chengdu, Guangzhou and Shenyang
Halma Trading and Services India Pvt Ltd		Halma India hub

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SHAREHOLDER INFORMATION AND ADVISERS

Financial calendar	
2011/12 Interim results	22 November 2011
2011/12 Interim dividend paid	8 February 2012
Interim management statement	16 February 2012
2011/12 Preliminary results	14 June 2012
2011/12 Report and Accounts issued	25 June 2012
Annual General Meeting and interim management statement	24 July 2012
2011/12 Final dividend payable	22 August 2012
2012/13 Interim results	20 November 2012
2012/13 Interim dividend payable	February 2013
Interim management statement	February 2013
2012/13 Preliminary results	June 2013

Analysis of shareholders at 17 May 2012	Shareholders Number	%	Shares Number	%
Number of shares held				
1 – 5,000	4,756	76.6	7,074,027	1.9
5,001 – 25,000	924	14.9	9,682,006	2.5
25,001 – 100,000	273	4.4	13,447,798	3.5
100,001 – 750,000	178	2.9	50,975,169	13.5
750,001 and over	76	1.2	297,376,028	78.6
	6,207	100.0	378,555,028	100.0

Share price London Stock Exchange, pence per 10p share	2012	2011	2010	2009	2008
Highest	430	367	264	222	246
Lowest	306	240	156	143	182

Dividends Pence per 10p share	2012	2011	2010	2009	2008
Interim	3.79	3.54	3.31	3.15	3.00
Final	5.95*	5.56	5.19	4.78	4.55
Total	9.74	9.10	8.50	7.93	7.55

* 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 subscribe to an e-mail news alert service to automatically receive an e-mail when significant announcements are made.

Shareholding information
Please contact our registrars, Computershare, directly for all enquiries about your shareholding. Visit their Investor Centre website for online information about your shareholding (you will need your shareholder reference number which can be found on your share certificate or dividend tax voucher), or telephone the registrars direct using the dedicated telephone number for Halma shareholders (+44 (0) 870 707 1046).

Dividend mandate
Shareholders can arrange to have their dividends paid directly into their bank or building society account by completing a bank mandate form. The advantages to using this service are: the payment is more secure than sending a cheque through the post; it avoids the inconvenience of paying in a cheque and there is no risk of lost, stolen or out of date cheques. A mandate form can be obtained from Computershare or you will find one on the reverse of the tax voucher of your last dividend payment.

Dividend reinvestment plan
The Company operates a dividend reinvestment plan ('DRIP') which offers shareholders the option to elect to have their cash dividends reinvested in Halma ordinary shares purchased in the market. You can register for the DRIP online by visiting Computershare's Investor Centre website (as above) or by requesting an application form direct from Computershare. Shareholders who wish to elect for the DRIP for the forthcoming final dividend, but have not already done so, should return a DRIP application form to Computershare no later than 1 August 2012.

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 & Co, PO Box 64504, St Paul, MN 55164-0504, USA. E-mail: jpmorgan.adr@wellsfargo.com. Telephone number for general queries: (800) 990 1135. Telephone number from outside the USA: +1 651 453 2128.

Electronic communications
All shareholder communications, including the Company's Annual Report and Accounts, are made available to shareholders on the Halma website and you may opt to receive e-mail notification that documents and information are available to view and download rather than to receive paper copies through the post. Using electronic communications helps us to limit the amount of paper we use and assists us in reducing our costs. If you would like to sign up for this service, visit Computershare's Investor Centre website, selecting 'Electronic Shareholder Communications' and follow the registration process. You may change the way you receive communications at any time by contacting Computershare.

Share dealing facilities
A low cost telephone dealing service has been arranged with Stocktrade which provides a simple way for buying or selling Halma shares. Basic commission is 0.5% up to £10,000, reducing to 0.2% thereafter (subject to a minimum commission of £15). For further information please call 0845 601 0995 and quote reference Low Co0198.

Annual General Meeting
The 118th Annual General Meeting of Halma plc will be held in the Ballroom at The Berkeley Hotel, Wilton Place, London SW1X 7RL on Tuesday 24 July 2012 at 11 am.

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