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

Before goodwill, interests in associates and acquired intangible assets are allocated to specific segment assets/liabilities	Assets 2012 £000	Assets 2011 £000	Liabilities 2012 £000	Liabilities 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

After goodwill, interests in associates and acquired intangible assets are allocated to specific segment assets/liabilities	Assets 2012 £000	Assets 2011 £000	Liabilities 2012 £000	Liabilities 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			Internally generated capitalised development costs £000	Computer software £000	Other intangibles[3] £000	Total £000
	Customer relationships[1] £000	Trademarks[2] £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