

Accounting policies

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted for use in the European Union (EU) and therefore comply with Article 4 of the EU IAS legislation and with those parts of the Companies Act 1985 that are applicable to companies reporting under IFRS. The financial statements have also been prepared in accordance with IFRS and International Financial Reporting Interpretations Committee (IFRIC) interpretations issued and effective at the time of preparing these accounts.

The principal Group accounting policies are explained below and have been applied consistently throughout the years ended 29 March 2008 and 28 March 2009.

At the date of authorisation of these financial statements, the following Standards and Interpretations in issue have not been applied as they are not yet in effect: IFRS 8 'Operating Segments'; revised 'IAS 1 – Presentation of Financial Statements 2007'; 'IFRIC 11 IFRS 2 – Group and Treasury Share Transactions'; revised 'IFRS 3 – Business Combinations'; revised 'IFRS 2 – Share-Based Payment'; and revised 'IAS 23 – Borrowing Costs'. The Directors anticipate that the adoption of these Standards, other than IFRS 3, and Interpretations in future periods will not have a material effect on the Group's financial statements, except for additional segment disclosures when IFRS 8 comes into effect for periods commencing on or after 1 January 2009. IFRS 3 introduces changes to acquisition accounting, notably in respect of the treatment of acquisition costs, step and partial acquisitions, minority interests and contingent consideration. Revised IFRS 3, which becomes mandatory for the Group's 2010 consolidated financial statements, will be applied prospectively and therefore there will be no impact on prior years in the Group's 2010 consolidated financial statements.

The Group accounts have been prepared under the historical cost convention, except as described below under the heading 'Financial Instruments'.

After making enquiries and taking into consideration the uncertainties arising due to current recessionary conditions, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Group accounts (see page 50 for more details). The preparation of Group accounts in conformity with IFRS requires the Directors to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experiences and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The key areas where estimates have been used and assumptions applied are in the valuation of acquired intangible assets and product development costs, impairment testing of goodwill and in assessing the defined benefit pension plan liabilities.

Basis of consolidation

The Group accounts include the accounts of Halma p.l.c. and its subsidiary companies made up to 28 March 2009, adjusted to eliminate intra-Group transactions, balances, income and expenses. The results of subsidiary companies acquired or discontinued are included from the month of their acquisition or to the month of their discontinuation.

Goodwill

Goodwill in respect of acquisitions after 4 April 2004 (the date from which the financial statements were reported under IFRS) represents the difference between the cost of an acquisition and the fair value of the net identifiable assets of the business acquired, and is recognised as an intangible asset in the Consolidated balance sheet. Goodwill therefore includes non-identified intangible assets including business processes, buyer-specific synergies, know-how and workforce-related industry-specific knowledge and technical skills. Negative goodwill arising on acquisitions would be recognised directly in the Consolidated income statement. On closure or disposal of an acquired business, goodwill would be taken into account in determining the profit or loss on closure or disposal.

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

Other intangible assets

(a) Product development costs

Research expenditure is written off in the financial year in which it is incurred.

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

(b) Acquired intangible assets

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

(c) Computer software

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

(d) Other intangibles

Other intangibles are amortised through the Consolidated income statement on a straight-line basis over their estimated economic lives of between three and ten years.

Accounting policies (continued)

Impairment of non-current assets

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

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

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

Foreign currencies

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

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

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

Financial instruments

The Group does not hold or issue derivatives for speculative or trading purposes, but uses forward foreign currency contracts to reduce its exposure to exchange rate movements. Forward currency contracts are initially recognised at fair value and subsequently remeasured to their fair value at each balance sheet date. The resultant gain or loss is recognised in the Consolidated income statement immediately.

The Group uses foreign currency borrowings to hedge its investment in foreign subsidiaries. The effective part of any gain or loss on these currency borrowings is recognised directly in the Translation reserve within Shareholders' funds. The ineffective portion is recognised immediately in the Consolidated income statement.

Revenue

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

Property, plant and equipment

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

Freehold property	2%
Leasehold properties:	
Long leases (more than 50 years unexpired)	2%
Short leases (less than 50 years unexpired)	Period of lease
Plant, equipment and vehicles	8% to 20%
Short-life tooling	33 ¹ / ₃ %

Leases

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

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

Pensions

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

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

Actuarial gains and losses are recognised in full in the period in which they occur, and are taken to Shareholders' funds.

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

Contributions to defined contribution schemes are charged to the Consolidated income statement when they fall due.

Employee share schemes

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

(a) Share incentive plan

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

(b) Share option plans

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

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

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

(c) Performance share plan

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

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

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

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

Inventories

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

Taxation

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

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

Cash and cash equivalents

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

Dividends

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

Notes to the accounts

1 Segmental analysis

Sector analysis (primary segment)

	Revenue		Profit	
	2009 £000	2008 £000	2009 £000	2008 £000
Infrastructure Sensors	186,042	167,262	32,950	28,504
Health and Analysis	165,123	134,630	28,738	27,842
Industrial Safety	105,026	93,731	22,159	19,355
Inter-segmental sales	(263)	(562)	–	–
Central companies	–	–	(1,339)	(778)
Continuing operations	455,928	395,061	82,508	74,923
Discontinued operations (note 6)	–	2,894	–	436
Net finance expense	–	–	(3,421)	(2,144)
Group revenue/profit before amortisation of acquired intangibles	455,928	397,955	79,087	73,215
Amortisation of acquired intangible assets	–	–	(6,301)	(4,757)
Group revenue/profit after amortisation of acquired intangibles	455,928	397,955	72,786	68,458
Profit on disposal of operations before tax (note 6)	–	–	–	1,669
Taxation	–	–	(20,205)	(19,843)
Revenue/profit for the year	455,928	397,955	52,581	50,284

Inter-segmental sales are charged at prevailing market prices.

	Assets		Liabilities	
	2009 £000	2008 £000	2009 £000	2008 £000
Infrastructure Sensors	76,397	70,802	23,621	24,046
Health and Analysis	81,983	63,853	19,385	23,166
Industrial Safety	45,669	43,719	13,131	18,423
Central companies	49,032	43,306	71,651	56,997
Continuing operations	253,081	221,680	127,788	122,632
Cash and cash equivalents/borrowings	34,987	28,118	86,173	72,393
Goodwill	198,084	161,230	–	–
Acquired intangible assets	27,424	23,101	–	–
Total Group	513,576	434,129	213,961	195,025

Central companies include all of the Group's land and buildings, deferred tax assets and liabilities, deferred purchase consideration and retirement benefit provisions.

	Capital additions		Depreciation and amortisation	
	2009 £000	2008 £000	2009 £000	2008 £000
Infrastructure Sensors	5,907	5,567	4,976	3,777
Health and Analysis	7,956	7,005	5,162	3,695
Industrial Safety	6,245	3,681	3,572	3,165
Central companies	798	3,264	6,630	5,188
Continuing operations	20,906	19,517	20,340	15,825
Discontinued operations	–	18	–	55
Total Group	20,906	19,535	20,340	15,880

Capital additions comprise purchases of computer software, property, plant and equipment and capitalised development costs. Central companies include all of the continuing Group's charge for amortisation of acquired intangible assets.

1 Segmental analysis continued

Geographical analysis (secondary segment)

	Revenue by destination		Revenue by origin	
	2009 £000	2008 £000	2009 £000	2008 £000
United Kingdom	104,406	109,253	238,357	228,090
United States of America	120,681	103,013	139,076	115,932
Mainland Europe	132,556	107,883	91,892	61,709
Asia Pacific and Australasia	54,071	42,859	24,934	19,422
Africa, Near and Middle East	27,556	22,136	–	–
Other countries	16,658	9,917	–	–
Inter-segmental sales	–	–	(38,331)	(30,092)
Continuing operations	455,928	395,061	455,928	395,061
Discontinued operations (note 6)	–	2,894	–	2,894
Group revenue	455,928	397,955	455,928	397,955

Inter-segmental sales are charged at prevailing market prices.

	Profit	
	2009 £000	2008 £000
United Kingdom	41,724	37,608
United States of America	20,937	22,710
Mainland Europe	16,847	12,597
Asia Pacific and Australasia	3,000	2,008
Operating profit from continuing operations before amortisation of acquired intangibles	82,508	74,923
Discontinued operations (note 6)	–	436
Net finance expense	(3,421)	(2,144)
Group profit before amortisation of acquired intangibles	79,087	73,215
Amortisation of acquired intangible assets	(6,301)	(4,757)
Profit on disposal of operations before tax (note 6)	–	1,669
Taxation	(20,205)	(19,843)
Profit for the year	52,581	50,284

	Gross assets		Net assets		Capital additions	
	2009 £000	2008 £000	2009 £000	2008 £000	2009 £000	2008 £000
United Kingdom	129,551	131,521	32,301	32,545	10,121	11,046
United States of America	72,098	45,857	59,155	33,206	7,146	5,493
Mainland Europe	41,675	36,393	27,262	27,838	2,732	2,296
Asia Pacific and Australasia	9,757	7,909	6,575	5,459	907	682
Continuing operations	253,081	221,680	125,293	99,048	20,906	19,517
Discontinued operations	–	–	–	–	–	18
Cash and cash equivalent/(net debt)	34,987	28,118	(51,186)	(44,275)	–	–
Goodwill	198,084	161,230	198,084	161,230	–	–
Acquired intangible assets	27,424	23,101	27,424	23,101	–	–
Total Group	513,576	434,129	299,615	239,104	20,906	19,535

United Kingdom net assets include all of the Group's retirement benefit provisions and their related deferred tax assets.

Notes to the accounts (continued)

2 Earnings per ordinary share

Basic earnings per ordinary share are calculated using the weighted average of 373,831,805 shares in issue during the year (net of shares purchased by the Company and held as treasury shares) (2008: 372,769,853). Diluted earnings per ordinary share are calculated using the weighted average of 374,893,326 shares (2008: 374,604,505), which includes dilutive potential ordinary shares of 1,061,521 (2008: 1,834,652). 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.

Earnings from continuing operations exclude the net profit from discontinued operations. Adjusted earnings is calculated as earnings from continuing operations excluding the amortisation of acquired intangible assets after tax. The Directors consider that adjusted earnings represents a more consistent measure of underlying performance. A reconciliation of earnings and the effect on basic earnings per share figures is as follows:

	2009 £000	2008 £000	Per ordinary share	
			2009 pence	2008 pence
Earnings from continuing and discontinued operations	52,581	50,284	14.07	13.49
Remove earnings from discontinued operations	–	(1,950)	–	(0.52)
Earnings from continuing operations	52,581	48,334	14.07	12.97
Add back amortisation of acquired intangibles (after tax)	4,618	3,344	1.23	0.89
Adjusted earnings	57,199	51,678	15.30	13.86

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

	2009 £000	2008 £000
Operating profit from continuing operations before amortisation of acquired intangibles	82,508	74,923
Operating return	82,508	74,923
Computer software costs within intangible assets	3,022	1,911
Capitalised development costs within intangible assets	10,194	8,240
Property, plant and equipment	71,408	57,452
Inventories	51,381	44,267
Trade and other receivables	103,544	99,741
Trade and other payables	(63,379)	(69,420)
Net tax liabilities	(481)	(8,273)
Non-current trade and other payables	(3,732)	(2,874)
Add back retirement benefit accruals included within payables	1,103	2,087
Add back accrued deferred purchase consideration	68	1,189
Capital employed	173,128	134,320
Return on capital employed	47.7%	55.8%

Return on total invested capital

	2009 £000	2008 £000
Post-tax profit from continuing operations before amortisation of acquired intangibles	57,199	51,678
Return	57,199	51,678
Total shareholders' funds	299,615	239,104
Add back retirement benefit accruals included within payables	1,103	2,087
Add back retirement benefit obligations	42,568	35,957
Less associated deferred tax assets	(11,920)	(10,069)
Cumulative amortisation of acquired intangibles	17,360	10,112
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	438,275	366,740
Return on total invested capital	13.1%	14.1%

3 Non-GAAP measures continued

Organic growth

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

	2009 £000	2008 £000	Revenue % growth	2009 £000	Profit* before taxation 2008 £000	% growth
Continuing operations	455,928	395,061		79,087	72,779	
Acquired revenue/profit	(18,463)	–		(2,598)	–	
	437,465	395,061	10.7%	76,489	72,779	5.1%

* Before amortisation of acquired intangible assets.

4 Finance income

	2009 £000	2008 £000
Interest receivable	643	721
Expected return on pension scheme assets	7,762	7,438
	8,405	8,159

5 Finance expense

	2009 £000	2008 £000
Interest payable on bank loans and overdrafts	3,231	2,474
Interest charge on pension scheme liabilities	8,521	7,664
Other interest payable	74	165
	11,826	10,303

6 Discontinued operations

The discontinued operations relate to Post Glover Lifelink, Inc. ('PGL') which was sold in January 2008. PGL is incorporated in the USA and formed part of the Health and Analysis sector. PGL's results, which have been included in the Consolidated income statement, were as follows:

	2008 £000
Revenue	2,894
Operating expenses	(2,458)
Operating profit	436
Taxation	(155)
Profit from operations after taxation	281
Profit on disposal of operations	1,733
Exchange differences transferred to profit on disposal of operations	(64)
Profit on disposal of operations before and after taxation	1,669
Net profit from discontinued operations	1,950

The profit on disposal of operations in 2008 included £1,005,000 of net assets and gross disposal proceeds received and receivable of £3,035,000. The net cash inflow in 2008 from the disposal of operations was £2,405,000.

During the year, the Group disposed of two operations: the assets of the South Africa-based portion of Texecom Limited and the high-power resistors business of Fortress Systems Pty Limited, Australia. Total consideration for the disposed businesses was £2,652,000 comprising assets with a value of £1,951,000. After costs and recycling of foreign exchange losses from reserves to the Income statement, the profit on disposal was £357,000. Due to the nature and size of these disposed operations, they have not been separately disclosed as discontinued operations as defined by IFRS 5. The total disposal of business proceeds on page 66 include proceeds received relating to a prior year disposal.

Notes to the accounts (continued)

7 Profit before taxation

Profit before taxation comprises:

	2009			2008		
	Continuing operations £000	Discontinued operations £000	Total Group £000	Continuing operations £000	Discontinued operations £000	Total Group £000
Revenue	455,928	–	455,928	395,061	2,894	397,955
Cost of sales	(313,842)	–	(313,842)	(266,577)	(2,082)	(268,659)
Gross profit	142,086	–	142,086	128,484	812	129,296
Distribution costs	(10,725)	–	(10,725)	(9,124)	(102)	(9,226)
Administrative expenses	(55,737)	–	(55,737)	(50,118)	(274)	(50,392)
Other operating income	583	–	583	924	–	924
Net finance expense	(3,421)	–	(3,421)	(2,144)	–	(2,144)
Profit before taxation	72,786	–	72,786	68,022	436	68,458

Included within administrative expenses is the amortisation of acquired intangible assets.

	Continuing operations		Total Group	
	2009 £000	2008 £000	2009 £000	2008 £000
Profit before taxation is stated after charging/(crediting):				
Depreciation	10,260	8,462	10,260	8,511
Amortisation	10,080	7,363	10,080	7,369
Research and development ¹	19,062	14,839	19,062	14,886
Foreign exchange gain	(61)	(80)	(61)	(80)
Profit on disposal of operations ²	(357)	–	(357)	–
Auditors' remuneration ³				
Audit services to the Company	88	88	88	88
Audit services to the Group	566	527	566	531
Total audit services pursuant to legislation	654	615	654	619
Other services pursuant to legislation ⁴	12	12	12	12
Tax services	275	254	275	254
Other services	60	16	60	16
Operating lease rents:				
Property	4,993	3,916	4,993	3,916
Other	567	473	567	473

¹ A further £3,846,000 (2008: £3,796,000) of development expenditure has been capitalised in the period. See note 13.

² During the year, the Group disposed of two operations: (a) the assets of the South Africa-based portion of Texcom Limited at book value, but with a foreign exchange loss of £270,000; and (b) the high-power resistors business of Fortress Systems Pty Limited, Australia, for a profit of £627,000.

³ A further £nil (2008: £20,000) of non-audit fees paid to the auditors in respect of acquisition advice have been included in cost of investments.

⁴ Audit of the Halma Group Pension Plan.

8 Employee information

	Continuing operations		Total Group	
	2009 Number	2008 Number	2009 Number	2008 Number
The average number of persons employed by the Group (including Directors) was:				
United Kingdom	2,062	2,002	2,062	2,002
Overseas	1,956	1,661	1,956	1,681
	4,018	3,663	4,018	3,683

	Continuing operations		Total Group	
	2009 £000	2008 £000	2009 £000	2008 £000
Group employee costs comprise:				
Wages and salaries	105,980	89,698	105,980	90,199
Social security costs	15,928	13,199	15,928	13,317
Other pension costs (note 28)	5,119	5,538	5,119	6,197
	127,027	108,435	127,027	109,713

9 Directors' remuneration

The remuneration of the Directors, who are the key management personnel of the Group, is set out on pages 53 to 58 within the Remuneration report described as being audited and forms part of these financial statements.

10 Taxation

	2009 £000	2008 £000
Current tax		
UK corporation tax at 28% (2008: 30%)	7,710	8,970
Overseas taxation	8,782	10,046
Adjustments in respect of prior years	(294)	(74)
Total current tax charge	16,198	18,942
Deferred tax		
Origination and reversal of timing differences	3,808	462
Adjustments in respect of prior years	199	284
Total deferred tax charge	4,007	746
Tax on profit from continuing operations	20,205	19,688
Tax on profit from discontinued operations	–	155
Total tax charge recognised in the Consolidated income statement	20,205	19,843
Reconciliation of the effective tax rate:		
Profit before tax – continuing operations	72,786	68,022
Profit before tax – discontinued operations	–	2,105
	72,786	70,127
Tax at the UK corporation tax rate of 28% (2008: 30%)	20,380	21,038
Overseas tax rate differences	476	633
Items not subject to tax	(556)	(2,038)
Adjustments in respect of prior years	(95)	210
	20,205	19,843
Effective tax rate on continuing and discontinued operations	27.8%	28.3%

11 Dividends

	Per ordinary share		2009 £000	2008 £000
	2009 pence	2008 pence		
Amounts recognised as distributions to shareholders in the year				
Final dividend for the year to 29 March 2008 (31 March 2007)	4.55	4.33	16,997	16,139
Interim dividend for the year to 28 March 2009 (29 March 2008)	3.15	3.00	11,788	11,190
	7.70	7.33	28,785	27,329
Dividends declared in respect of the year				
Interim dividend for the year to 28 March 2009 (29 March 2008)	3.15	3.00	11,788	11,190
Proposed final dividend for the year to 28 March 2009 (29 March 2008)	4.78	4.55	17,876	16,997
	7.93	7.55	29,664	28,187

The proposed final dividend is subject to approval by shareholders at the Annual general meeting and has not been included as a liability in these financial statements.

Notes to the accounts (continued)

12 Goodwill

	2009 £000	2008 £000
Cost		
At beginning of year	161,230	129,521
Additions (note 24)	5,509	22,695
Exchange adjustments	31,345	9,014
At end of year	198,084	161,230
Provision for impairment		
At beginning and end of year	–	–
Carrying amounts	198,084	161,230

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:

	2009 £000	2008 £000
Infrastructure Sensors		
Fire Detection	11,363	9,632
Security Sensors	15,795	15,795
Automatic Door Sensors	47,537	40,747
Elevator Safety	9,706	8,129
	84,401	74,303
Health and Analysis		
Water	7,972	7,552
Photonics	43,889	29,059
Health Optics	30,142	22,492
Fluid Technology	7,142	5,186
	89,145	64,289
Industrial Safety		
Bursting Disks	8,100	5,820
Safety Interlocks	5,806	5,172
Asset Monitoring	10,632	11,646
	24,538	22,638
	198,084	161,230

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.

12 Goodwill continued

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 2010; 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 discount rate of 10.25%. The discount rate of 10.25%, 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.

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 3.25% for first year not covered by the budget and 2% thereafter, are based on conservative estimates keeping in view past growth performance.

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.

13 Other intangible assets

	Acquired intangibles £000	Development costs £000	Computer software £000	Other intangibles £000	Total £000
Cost					
At 31 March 2007	12,883	10,476	4,275	–	27,634
Assets of businesses acquired	18,472	–	130	–	18,602
Assets of business sold	–	–	(60)	–	(60)
Additions at cost	–	3,796	952	–	4,748
Disposals	–	–	(23)	–	(23)
Retirements	–	(903)	–	–	(903)
Exchange adjustments	1,858	411	115	–	2,384
At 29 March 2008	33,213	13,780	5,389	–	52,382
Assets of businesses acquired (note 24)	6,496	–	–	–	6,496
Assets of business sold	–	–	(27)	–	(27)
Additions at cost	–	3,846	1,631	220	5,697
Disposals	–	–	(89)	–	(89)
Retirements	–	(971)	–	–	(971)
Exchange adjustments	5,075	1,631	869	44	7,619
At 28 March 2009	44,784	18,286	7,773	264	71,107
Accumulated amortisation					
At 31 March 2007	5,237	4,361	2,698	–	12,296
Assets of businesses acquired	–	–	121	–	121
Assets of business sold	–	–	(44)	–	(44)
Charge for the year	4,757	1,981	631	–	7,369
Disposals	–	–	(11)	–	(11)
Retirements	–	(903)	–	–	(903)
Exchange adjustments	118	101	83	–	302
At 29 March 2008	10,112	5,540	3,478	–	19,130
Assets of business sold	–	–	(11)	–	(11)
Charge for the year	6,301	2,868	903	8	10,080
Disposals	–	–	(87)	–	(87)
Retirements	–	(738)	–	–	(738)
Exchange adjustments	947	422	468	2	1,839
At 28 March 2009	17,360	8,092	4,751	10	30,213
Carrying amounts					
At 28 March 2009	27,424	10,194	3,022	254	40,894
At 29 March 2008	23,101	8,240	1,911	–	33,252

Other intangibles comprise a license amortised over its useful economic life of five years.

Notes to the accounts (continued)

14 Property, plant and equipment

	Land and buildings			Plant, equipment and vehicles £000	Total £000
	Freehold properties £000	Long leases £000	Short leases £000		
Cost					
At 31 March 2007	25,942	1,558	3,583	71,586	102,669
Assets of businesses acquired	1,315	17	–	3,280	4,612
Assets of businesses sold	(624)	–	–	(348)	(972)
Additions at cost	3,724	34	886	10,143	14,787
Disposals	(390)	–	–	(3,200)	(3,590)
Exchange adjustments	779	4	72	1,739	2,594
At 29 March 2008	30,746	1,613	4,541	83,200	120,100
Assets of businesses acquired/fair value adjustments (note 24)	(125)	–	24	2,171	2,070
Assets of businesses sold	–	–	(44)	(538)	(582)
Additions at cost	855	100	859	13,395	15,209
Disposals	–	(92)	(235)	(3,857)	(4,184)
Exchange adjustments	3,767	44	537	11,688	16,036
At 28 March 2009	35,243	1,665	5,682	106,059	148,649
Accumulated depreciation					
At 31 March 2007	4,939	471	2,087	45,592	53,089
Assets of businesses acquired	130	8	–	2,686	2,824
Assets of businesses sold	(190)	–	–	(203)	(393)
Charge for the year	490	53	374	7,594	8,511
Disposals	(134)	–	–	(2,523)	(2,657)
Exchange adjustments	99	3	31	1,141	1,274
At 29 March 2008	5,334	535	2,492	54,287	62,648
Assets of businesses sold	–	–	(32)	(305)	(337)
Charge for the year	674	53	499	9,034	10,260
Disposals	–	(91)	(236)	(3,289)	(3,616)
Exchange adjustments	943	19	367	6,957	8,286
At 28 March 2009	6,951	516	3,090	66,684	77,241
Carrying amounts					
At 28 March 2009	28,292	1,149	2,592	39,375	71,408
At 29 March 2008	25,412	1,078	2,049	28,913	57,452

15 Inventories

	2009 £000	2008 £000
Raw materials and consumables	25,766	22,412
Work in progress	7,301	8,075
Finished goods and goods for resale	18,314	13,780
	51,381	44,267

There is no material difference between the balance sheet value of inventories and their cost of replacement.

16 Trade and other receivables

	2009 £000	2008 £000
Falling due within one year:		
Trade receivables	92,887	89,105
Other receivables	3,547	3,282
Prepayments and accrued income	7,110	7,354
	103,544	99,741

Trade receivables are stated net of provisions for estimated irrecoverable amounts of £1,638,000 (2008: £1,204,000). This provision has been determined by reference to previous default experience. The ageing of trade receivables was as follows:

	2009 £000	2008 £000
Not yet due	70,372	68,597
Up to 1 month overdue	14,402	14,162
Up to 2 months overdue	4,006	3,568
Up to 3 months overdue	1,349	1,239
Over 3 months overdue	2,758	1,539
	92,887	89,105

17 Borrowings

	2009 £000	2008 £000
Unsecured bank loans:		
Falling due within one year	6,559	7,035
Falling due after more than one year	79,614	65,358
Total borrowings	86,173	72,393

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

	2009 £000	2008 £000
Trade payables	37,093	40,081
Other taxation and social security	4,880	4,838
Provision for deferred purchase consideration	12	1,082
Other payables	4,741	3,816
Accruals and deferred income	16,653	19,603
	63,379	69,420

19 Trade and other payables: falling due after one year

	2009 £000	2008 £000
Provision for deferred purchase consideration	56	107
Other payables	3,676	2,767
	3,732	2,874

Notes to the accounts (continued)

20 Deferred tax

	Retirement benefit obligations £000	Acquired intangible assets £000	Accelerated tax depreciation £000	Short-term timing differences £000	Share-based payment £000	Goodwill timing differences £000	Total £000
At 29 March 2008	10,069	(7,726)	(3,143)	828	1,837	2,096	3,961
(Charge)/credit to Consolidated income statement	(1,213)	1,687	(3,837)	314	40	(998)	(4,007)
(Charge)/credit to Shareholders' funds	3,064	–	–	–	(659)	–	2,405
Acquired (note 24)	–	(1,539)	–	1,437	–	(3,887)	(3,989)
Exchange adjustments	–	(1,229)	(1,267)	442	–	(666)	(2,720)
At 28 March 2009	11,920	(8,807)	(8,247)	3,021	1,218	(3,455)	(4,350)

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:

	2009 £000	2008 £000
Deferred tax liabilities	(14,353)	(6,108)
Deferred tax assets	10,003	10,069
Net deferred tax (liability)/asset	(4,350)	3,961

Movement in deferred tax (liability)/asset:

	2009 £000	2008 £000
At beginning of year	3,961	7,994
Credit/(charge) to Consolidated income statement:		
UK	(1,788)	85
Overseas	(2,219)	(831)
Charge to Shareholders' funds	2,405	(226)
Acquired (note 24)	(3,989)	(2,785)
Exchange adjustments	(2,720)	(276)
At end of year	(4,350)	3,961

No provision is made for tax which might become payable if profits retained by overseas subsidiary companies are distributed as dividends unless there is an intention to distribute such profits. The gross undistributed earnings of these subsidiaries at 28 March 2009 was £22,421,000 (2008: £15,312,000).

At 28 March 2009 the Group had unused capital tax losses of £889,000 (2008: £695,000) for which no deferred tax asset has been recognised. None of these losses has an expiry date.

The £5,656,000 tax on items taken directly to reserves in note 22 (£6,315,000 in retained earnings offset by £659,000 in other reserves) comprises £3,251,000 of corporation tax and £2,405,000 of deferred tax.

21 Share capital

	Authorised		Issued and fully paid	
	2009 £000	2008 £000	2009 £000	2008 £000
Ordinary shares of 10p each	43,656	43,656	37,539	37,446

The number of ordinary shares in issue at 28 March 2009 was 375,390,677 (2008: 374,458,498), including treasury shares of 1,274,108.

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

	Issued and fully paid £000
At 29 March 2008	37,446
Share options exercised	93
At 28 March 2009	37,539

The total consideration received in cash in respect of share options exercised amounted to £1,290,000.

At 28 March 2009 options in respect of 6,776,695 (2008: 8,388,631) 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 375,413,293, including treasury shares of 1,438,837.

22 Reserves

	Share premium account £000	Treasury shares £000	Capital redemption reserve £000	Translation reserve £000	Other reserves £000	Retained earnings £000
At 31 March 2007	15,239	(1,664)	185	(4,272)	3,654	156,154
Profit for the year	-	-	-	-	-	50,284
Share options exercised	1,710	-	-	-	-	-
Foreign exchange translation differences	-	-	-	11,352	-	-
Exchange differences transferred to profit on disposal of foreign operations	-	-	-	64	-	-
Dividends paid	-	-	-	-	-	(27,329)
Actuarial gains on defined benefit pension schemes	-	-	-	-	-	(3,886)
Share-based payments	-	-	-	-	1,452	-
Treasury shares purchased	-	(1,628)	-	-	-	-
Tax on items taken directly to equity	-	-	-	-	-	343
At 29 March 2008	16,949	(3,292)	185	7,144	5,106	175,566
Profit for the year	-	-	-	-	-	52,581
Share options exercised	1,197	-	-	-	-	-
Foreign exchange translation differences	-	-	-	40,336	-	-
Exchange differences transferred to profit on disposal of foreign operations	-	-	-	193	-	-
Dividends paid	-	-	-	-	-	(28,785)
Actuarial losses on defined benefit pension schemes	-	-	-	-	-	(11,092)
Share-based payments	-	-	-	-	(201)	-
Net disposal of treasury shares	-	533	-	-	-	-
Tax on items taken directly to equity	-	-	-	-	(659)	6,315
At 28 March 2009	18,146	(2,759)	185	47,673	4,246	194,585

Treasury shares are ordinary shares in Halma p.l.c. purchased by the Company and held to fulfil the Company's obligations under the performance share plan. At 28 March 2009 the number of treasury shares held was 1,274,108 (2008: 1,563,813) and their market value was £1,981,238 (2008: £2,994,702).

The capital redemption reserve was created on repurchase and cancellation of the Company's own shares. The translation reserve is used to record differences arising from the retranslation of the financial statements of foreign operations.

The other reserve represents the provision being established in respect of the value of the equity-settled share option plans and performance share plan.

Notes to the accounts (continued)

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:

			2009		2008	
	Equity-settled £000	Cash-settled £000	Total £000	Equity-settled £000	Cash-settled £000	Total £000
Share incentive plan	306	–	306	251	–	251
Share option plans	39	–	39	204	–	204
Performance share plan	1,711	251	1,962	1,486	172	1,658
	2,056	251	2,307	1,941	172	2,113

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 issued options to acquire ordinary shares in the Company under three share option plans, approved by shareholders in 1990, 1996 and 1999. These share option plans provide 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, for the 1990 Plan, the growth in the Retail Price Index, for the 1996 Plan, the growth in the Retail Price Index plus 2% per annum and, for the 1999 Plan, 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, for the 1990 and 1996 Plans, all but the top quarter of companies which were within the FTSE 100 at the date of grant of any option and for the 1999 Plan, 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 ten years from the date of grant.

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

Options in respect of 616,000 ordinary shares remained outstanding at 28 March 2009 under the 1996 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
142,900	120.0p		2002
473,100	120.0p – 131.0p	2004	

Options in respect of 6,160,695 ordinary shares remained outstanding at 28 March 2009 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
320,900	111.0p		2003
426,900	163.5p		2004
434,953	144.33p		2005
568,211	134.0p		2006
987,729	142.25p		2007
405,393	145.67p		2008
558,300	111.0p	2005	
441,700	163.5p	2006	
613,430	144.33p	2007	
668,118	134.0p	2008	
735,061	142.25p	2009	

23 Share-based payments continued

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

	2009		2008	
	Number of share options	Weighted average option price	Number of share options	Weighted average option price
Outstanding at beginning of year	8,388,631	136.87p	10,451,523	136.50p
Exercised during the year	(932,179)	138.47p	(1,342,006)	139.80p
Lapsed during the year	(679,757)	123.63p	(720,886)	130.21p
Outstanding at end of year	6,776,695	137.98p	8,388,631	136.87p
Exercisable at end of year	3,286,986	140.26p	3,779,803	138.96p

The weighted average share price at the date of exercise for share options exercised during the year was 203.94p.

The options outstanding at 28 March 2009 had exercise prices from 111.0p to 163.5p and a weighted average remaining contractual life of three years.

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

The expected volatility was determined by calculating the historic 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 will be made.

Awards made under this Plan vest after three years on a sliding scale subject to the Group's relative Total Shareholder Return against the FTSE 250 excluding financial companies, combined with an absolute Return on total invested capital measure. Awards which do not vest on the third anniversary of their award lapse.

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

	2009		2008	
	Number of shares awarded	Number of shares awarded	Number of shares awarded	Number of shares awarded
Outstanding at beginning of year	4,493,694		3,361,308	
Granted during the year	1,572,194		1,379,707	
Vested during the year (pro-rated for 'good leavers')	(933,950)		(17,662)	
Lapsed during the year	(1,191,978)		(229,659)	
Outstanding at end of year	3,939,960		4,493,694	
Exercisable at end of year		–		–

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:

	2009		2008		2007	
Expected volatility (%)	25%		19%		20%	
Expected life (years)	3		3		3	
Share price on date of grant (p)	192.75		240.67		199.00	
Option price (p)	nil		nil		nil	
Fair value per option (%)	56%		55%		66%	
Fair value per option (p)	107.94		132.37		131.34	

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

Notes to the accounts (continued)

24 Acquisitions

	Book value £000	Fair value adjustments £000	Total £000
Non-current assets			
Intangible assets	–	6,496	6,496
Property, plant and equipment	1,798	272	2,070
Current assets			
Inventories	1,384	(474)	910
Trade and other receivables	1,486	143	1,629
Total assets	4,668	6,437	11,105
Current liabilities			
Trade and other payables	(948)	(103)	(1,051)
Corporation tax	–	72	72
Deferred tax	–	(3,989)	(3,989)
Non-current liabilities			
Other payables	–	(332)	(332)
Total liabilities	(948)	(4,352)	(5,300)
Net assets of businesses acquired	3,720	2,085	5,805
Cash consideration, including costs			12,388
Deferred purchase consideration			–
Total consideration			12,388
Goodwill arising on current year acquisitions			6,583
Goodwill arising on prior year acquisitions			(1,074)
Goodwill arising on acquisition			5,509

The goodwill in the current year arose on the acquisitions of the assets and liabilities of Fiberguide Industries, Inc and the Golden, Colorado business of Oerlikon Optics USA, Inc in September 2008 and November 2008 respectively.

Company from which assets acquired	Date of acquisition	Country of incorporation	Principal activity	Consideration (excluding costs)
Fiberguide Industries, Inc	September 2008	USA	Health and Analysis	\$14m
Oerlikon Optics USA, Inc	November 2008	USA	Health and Analysis	\$6m

Together these acquisitions contributed £5,531,000 of revenue and £567,000 of profit before tax and amortisation of acquired intangible assets to the Group results for the year ended 28 March 2009. If these acquisitions had been held since the start of the financial year, it is estimated the Group's reported revenue would have been £4,030,000 higher and profit before tax and amortisation of acquired intangible assets £233,000 higher.

Adjustments were made to the book value of the net assets of the companies acquired to reflect their provisional fair value 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 the Group where appropriate.

The adjustment to goodwill arising on prior period acquisitions relates mainly to additional fair value adjustments on the acquisition of PP Medizintechnik GmbH and its subsidiaries (including Rudolf Riester GmbH & Co. KG) and a revision to the estimated deferred purchase consideration on the acquisition of Trittech International/System Technologies.

25 Notes to the consolidated cash flow statement

	2009 £000	2008 £000
Reconciliation of profit from operations to net cash inflow from operating activities		
Profit from continuing operations before taxation	76,207	70,166
Profit on disposal of operations before taxation	(357)	–
Profit from discontinued operations before taxation	–	436
Depreciation of property, plant and equipment	10,260	8,511
Amortisation of computer software	903	631
Amortisation of capitalised development costs and other intangibles	2,876	1,981
Retirement of capitalised development costs	233	–
Amortisation of acquired intangible assets	6,301	4,757
Share-based payment expense in excess of amounts paid	1,634	1,997
Additional payments to pension plans	(6,224)	(6,352)
Profit on sale of property, plant and equipment and computer software	(14)	(1,186)
Operating cash flows before movement in working capital	91,819	80,941
Decrease/(increase) in inventories	(1,055)	(2,278)
Decrease/(increase) in receivables	7,440	(9,605)
(Decrease)/increase in payables	(11,779)	6,970
Cash generated from operations	86,425	76,028
Taxation paid	(20,494)	(17,627)
Net cash inflow from operating activities	65,931	58,401

The cash outflow on page 66 of £12,388,000 (2008: £46,537,000) on the acquisition of businesses includes cash acquired of £nil (2008: £295,000) and the payment of £18,000 (2008: £3,650,000) of deferred purchase consideration which arose from acquisitions made in earlier years, and where provision was made in prior years' financial statements.

	2009 £000	2008 £000
Reconciliation of net cash flow to movement in net debt		
Increase in cash and cash equivalents	2,193	4,492
Cash outflow/(inflow) from borrowings	3,519	(37,796)
Exchange adjustments	(12,623)	(3,260)
	(6,911)	(36,564)
Net debt brought forward	(44,275)	(7,711)
Net debt carried forward	(51,186)	(44,275)

	At 28 March 2008 £000	Cash flow £000	Exchange adjustments £000	At 28 March 2009 £000
Analysis of net debt				
Cash and cash equivalents	28,118	2,193	4,676	34,987
Bank loans	(72,393)	3,519	(17,299)	(86,173)
	(44,275)	5,712	(12,623)	(51,186)

The cash outflow from bank loans in 2009 of £3,519,000 related solely to repayment of borrowings. The cash inflow from bank loans in 2008 of £37,796,000 included a cash outflow on repayment of borrowings of £54,205,000 and a cash inflow on drawdown of new borrowings of £92,001,000.

Included within cash and cash equivalents is an amount of £893,000 (2008: £604,000) which is restricted.

Notes to the accounts (continued)

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. Policies have remained unchanged since the beginning of the financial year.

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') currency. 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 the net exposure hedged by means of forward foreign currency contracts.

The Group has a significant investment in overseas operations in the USA and Europe, with further investments in Australia, New Zealand, Malaysia, Singapore, 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.

Liquidity risk

The main source of long-term funding for the Group is its unsecured revolving credit facility for £165 million, which is a five-year facility to February 2013, with a small syndicate of its principal 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 £185,000 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 £210,000 impact on the Group's profit before tax for the year ended 28 March 2009.

Transactional exposures

The Group has net foreign currency monetary assets and liabilities that are assets and liabilities not denominated in the functional currency of the underlying company. These comprise cash and overdrafts as well as certain trade receivable and payable balances. These foreign currency monetary assets and liabilities give rise to the net currency gains and losses recognised in the consolidated income statement as a result of movement in exchange rates. The exposures are predominantly Euro and US Dollar and are minimal as Group policy is for all 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 £8,100,000 at 28 March 2009 (2008: £3,166,000). These comprised Sterling denominated deposits of £6,980,000 (2008: £2,946,000), and Euro and other currency deposits of £1,120,000 (2008: £220,000) which are placed on local money markets and earn interest at market rates. Cash balances of £26,887,000 (2008: £24,952,000) earn interest at local market rates.

The financial liabilities which are subject to interest rate fluctuations are bank loans, bank overdrafts and certain unsecured loans, which totalled £86,173,000 at 29 March 2008 (2008: £72,394,000). All bear interest at floating rates or fixed rates where the period of the fix is typically no more than three months. Interest rates are based on LIBOR plus a small margin. These comprise Sterling bank loans of £nil (2008: £9,000,000), US Dollar denominated bank loans of £39,182,000 (2008: £23,116,000) which bear interest with reference to the US Dollar LIBOR rates, and Euro denominated bank loans of £46,991,000 (2008: £40,278,000) which bear interest with reference to the Euro LIBOR rates.

Maturity of financial liabilities

With the exception of the deferred purchase consideration, other payables 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 deferred purchase consideration due after one year includes £13,000 (2008: £67,000) due between one and two years, with the balance of £43,000 (2008: £40,000) due between two and five years. Other creditors due after more than one year include £1,721,000 (2008: £1,000,000) due between one and two years, £817,000 (2008: £1,299,000) due between two and five years, with the balance of £1,138,000 (2008: £468,000) due after more than five years.

Borrowing facilities

The Group's principal source of long-term funding is its unsecured five-year £165 million revolving credit facility, which expires in February 2013.

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.

26 Financial instruments continued

The Group's undrawn committed facilities available at 28 March 2009 were £97,009,000 (2008: £105,872,000) of which £11,622,000 (2008: £6,230,000) mature within one year and £85,387,000 (2008: £99,642,000) between two and five years.

UK companies have cross-guaranteed £21,023,000 (2008: £19,658,000) of overdraft facilities of which £242,000 (2008: £73,000) was drawn.

Fair values of financial assets and financial liabilities

As at 28 March 2009 there was no significant difference between the book value and fair value (as determined by market value) of the Group's financial assets and liabilities.

Hedging

As explained above, 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 cost, which is typically £nil, and subsequently measured at fair value. Changes in fair value are taken to the Consolidated income statement.

The following table details the forward foreign currency contracts outstanding as at the year end, which all mature within one year:

	Average Exchange Rate/£		Foreign Currency		Contract Value		Fair Value	
	2009	2008	2009 '000	2008 '000	2009 £000	2008 £000	2009 £000	2008 £000
US Dollars	1.43	1.98	5,131	5,051	3,578	2,550	(11)	11
Euros	1.10	1.31	9,422	10,069	8,535	7,680	(189)	(311)
Other currencies	–	–	–	–	1,957	1,928	(69)	62
					14,070	12,158	(269)	(238)

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

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). If Sterling increased by 10% against the US Dollar, profits would decrease by £1,696,000 (2008: £1,425,000) and by 10% against the Euro by £1,930,000 (2008: £1,408,000). The 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 sensitivity has increased to both the US Dollar and Euro because more of the Group's profits are earned in these currencies.

27 Commitments

Capital commitments

Capital expenditure authorised and contracted at 28 March 2009 but not provided in these accounts amounts to £1,841,000 (2008: £1,469,000).

Commitments under operating leases

The Group has entered into commercial leases on properties and other equipment. The former expire between 2 May 2009 and 22 May 2019 and the latter between 3 April 2009 and 31 December 2015. Only certain property agreements contain an option for renewal at rental prices based on market prices at the time of exercise.

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

	Land and buildings		Other	
	2009 £000	2008 £000	2009 £000	2008 £000
Within one year	5,160	3,831	520	456
Within two to five years	12,367	9,133	766	624
After five years	4,354	3,469	–	–
	21,881	16,433	1,286	1,080

Notes to the accounts (continued)

28 Retirement benefits

Group companies operate both defined benefit and defined contribution pension plans. The Halma Group Pension Plan and the Apollo Pension and Life Assurance Plan 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.

Full actuarial valuations of the defined benefit plans are carried out every three years. The Halma Group Pension Plan was last assessed as at 1 December 2005, and the Apollo Pension and Life Assurance Plan as at 1 April 2006, using the projected unit method. At those dates the market value of the plan assets were £71.5 million for the Halma Group Pension Plan and £13.8 million for the Apollo Pension and Life Assurance Plan. The actuarial value of these assets represented 60% and 59% respectively of the benefits that had accrued to members after allowing for expected future increases in earnings. These shortfalls are being addressed by increased company contributions.

Defined contribution schemes

The amount charged to the Consolidated income statement in respect of defined contribution schemes was £2,388,000 (2008: £2,016,000).

Defined benefit schemes

The assumptions used to calculate scheme liabilities are:

	2009	2008	2007
Rate of increase in salaries	4.45%	4.75%	4.25%
Rate of increase of pensions in payment (pre-April 1997)	3.20%	3.50%	3.00%
Rate of increase of pensions in payment (post-April 1997)	3.20%	3.50%	3.00%
Discount rate	6.40%	5.85%	5.25%
Inflation assumption	3.20%	3.50%	3.00%
Mortality assumption – Halma pensioners	PA 92 medium cohort	PA 92 medium cohort	PA 92 medium cohort
Mortality assumption – Halma non-pensioners	PA 92 medium cohort	PA 92 medium cohort	PA 92 medium cohort
Mortality assumption – Apollo pensioners	PA 92 medium cohort plus one year	PA 92 medium cohort plus one year	PA 92 medium cohort plus one year
Mortality assumption – Apollo non-pensioners	PA 92 medium cohort plus one year	PA 92 medium cohort plus one year	PA 92 medium cohort plus one year

If assumed life expectancies had been one year greater in the defined benefit plans, the gross deficit would have increased by approximately £3 million; a 0.1% change in the discount rate used to value liabilities would have an approximate effect of £3 million.

The expected rates of return and the net deficit in the plans were:

	2009		2008	
	Expected rate of return %	Fair value £000	Expected rate of return %	Fair value £000
Equities	7.50	57,407	7.50	76,753
Bonds	6.00	28,880	5.85	29,742
Property	7.50	3,524	6.00	3,540
Total fair value of assets	6.80	89,811	7.01	110,035
Present value of plan liabilities		(132,379)		(145,992)
Net deficit		(42,568)		(35,957)

The fair value of plan assets includes £nil of Halma p.l.c. 10p ordinary shares (2008: £101,525) and a receivable of £1,103,000 (2008: £2,087,000) in respect of pension plan liabilities that Halma p.l.c. has assumed on discontinued UK operations. The equivalent liability is included in the Consolidated and Company balance sheets within trade and other payables/other creditors.

The amount charged/(credited) to the Consolidated income statement in respect of the schemes was as follows:

	2009 £000	2008 £000
Current service cost (included within administrative expenses)	2,731	2,844
Expected return on pension plan assets	(7,762)	(7,438)
Interest on plan liabilities	8,521	7,664
Net finance cost	759	226
Total charge	3,490	3,070

The amount charged to the Consolidated statement of recognised income and expense in respect of the actuarial loss of the plans was £11,092,000 (2008: £3,886,000 loss).

28 Retirement benefits continued

The movements in plan assets, liabilities and the net deficit are as follows:

	2009			2008		
	Fair value of plan assets £000	Present value of plan liabilities £000	Net deficit £000	Fair value of plan assets £000	Present value of plan liabilities £000	Net deficit £000
At beginning of year	110,035	(145,992)	(35,957)	108,341	(145,601)	(37,260)
Current service cost	–	(2,731)	(2,731)	–	(2,844)	(2,844)
Contributions paid	8,955	–	8,955	9,243	–	9,243
Net finance cost	7,762	(8,521)	(759)	7,438	(7,664)	(226)
Actuarial (loss)/gain	(35,957)	24,865	(11,092)	(14,003)	10,117	(3,886)
Movement on receivable from principal employer	(984)	–	(984)	(984)	–	(984)
At end of year	89,811	(132,379)	(42,568)	110,035	(145,992)	(35,957)

History of experience adjustments:

	2009 £000	2008 £000	2007 £000	2006 £000	2005 £000
Present value of defined benefit obligations	(132,379)	(145,992)	(145,601)	(141,580)	(112,914)
Fair value of plan assets	89,811	110,035	108,341	95,561	72,069
Deficit in the plan	(42,568)	(35,957)	(37,260)	(46,019)	(40,845)
Experience adjustments on plan liabilities:					
Amount	–	–	273	536	52
Percentage of plan liabilities	–	–	–	–	–
Experience adjustments on plan assets:					
Amount	(33,696)	12,327	1,321	11,271	2,821
Percentage of plan assets	(38)%	11%	1%	12%	4%

The estimated amount of contributions expected to be paid to the scheme during the current financial year is £9 million.

Independent Auditors' report to the members of Halma p.l.c.

We have audited the parent company financial statements of Halma p.l.c. for the 52 weeks to 28 March 2009 which comprise the Balance sheet together with the related notes numbered C1 to C13. These parent company financial statements have been prepared under the accounting policies set out therein. We have reported separately on the Group financial statements of Halma p.l.c. for the 52 weeks to 28 March 2009 and on the information in the Directors' Remuneration report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual report and the parent company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' responsibilities. Our responsibility is to audit the parent company financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the parent company financial statements give a true and fair view and whether the parent company financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the Directors' Report is consistent with the parent company financial statements. In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read the other information contained in the Annual report as described in the Contents section and consider whether it is consistent with the audited parent company financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent company financial statements. Our responsibilities do not extend to any further information outside the Annual report.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the parent company financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the parent company financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the parent company financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the parent company financial statements.

Opinion

In our opinion:

- the parent company financial statements give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice of the state of affairs of the Company as at 28 March 2009;
- the parent company financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the parent company financial statements.

Deloitte LLP

Chartered Accountants and Registered Auditors
Reading, UK

16 June 2009

Neither an audit nor a review provides assurance on the maintenance and integrity of the web site, including controls used to achieve this, and in particular whether any changes may have occurred to the financial information since first published. These matters are the responsibility of the directors but no control procedures can provide absolute assurance in this area. Legislation in the United Kingdom governing the preparation and dissemination of financial information differs from legislation in other jurisdictions.