

Chairman's introduction to Governance



“The Board is committed to maintaining the highest standards of corporate governance and ensuring values and behaviours are consistent across the business.”

Dear Shareholders,

As Halma's new Chairman, I am proud to be able to present Halma's Corporate Governance report on behalf of our Board for the first time. I hope the report provides you with a clear and meaningful explanation of how we as a Board and the committees discharge our governance duties and apply the principles of good governance enshrined in the UK Corporate Governance Code (the Code). Halma reports in accordance to the revised September 2012 Code, the Listing Rules and the Disclosure & Transparency Rules.

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

We were sorry to lose Geoff Unwin as Chairman during the year as he has been an invaluable and excellent leader and Chairman to our Board and team. I am honoured to have worked with him for a few brief months. It is my belief that we have to continually nurture talents throughout the Group to enable effective succession planning. We have continued to review our governance structures and the composition of our Board and Executive Board throughout the year.

I am delighted to report that we further strengthened our Board and aligned our Executive Board with the four market sectors in which we are engaged. We are also sorry that Lord Blackwell and Steve Marshall will both be retiring from our Board at the forthcoming AGM. I would like to thank them for their significant contribution to the Halma Board. We will soon be welcoming Roy Twite, an executive director at IMI plc, to our Board immediately following the end of our AGM on 24 July 2014. Roy brings with him substantial engineering and operational experience which I am sure will be invaluable to our Board discussions.

I am so pleased to welcome Jennifer Ward to our team. She has global responsibility for the development of management talent across Halma, with a strong focus on subsidiary company boards and Halma's senior management. This appointment reinforces our commitment to continuously improve the quality and performance of Halma's management talent across the world. Jennifer comes to us with a wealth of experience from a wide range of roles held in both the USA and London. Her biography is detailed on page 58 of the report.

Reviews of management capabilities and potential are performed on a routine basis and Halma is always focused on the ways in which we attract, identify, assess and develop Board-level talent which is a critical factor for us to achieve our mid to long-term strategic goals. Talent also continues to be developed through programmes such as the Halma Executive Development Programme which itself evolves to meet the changing needs of the Group. Whenever we identify a need for improvement to management resources we take action to ensure full strength is attained as soon as practicable.

Lastly, I would like to encourage all shareholders to find the time to attend our AGM on 24 July 2014. It is an excellent opportunity to meet the Board and the newly constituted Executive Board.

Paul Walker
Chairman

12 June 2014

Board of Directors



Paul Walker
Non-executive Chairman
Location UK

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



Andrew Williams
Chief Executive
Location UK

Andrew was appointed Chief Executive of Halma plc in February 2005. He was promoted to Director of the Halma plc Board in 2004. Andrew became a member of the Halma Executive Board in 2002 as Divisional Chief Executive after joining Halma in 1994 as Manufacturing Director of Reten Acoustics (now HWM-Water), where he became Managing Director in 1997. Andrew is a Chartered Engineer and a production engineering graduate of Birmingham University. He attended the Advanced Management Program at Wharton Business School, University of Pennsylvania in 2004.



Kevin Thompson
Finance Director
Location UK

Kevin was appointed to the Halma plc Board in 1998. He became Group Finance Director in 1997 after joining the Halma Executive Board as Finance Director in 1995. Kevin joined Halma as Group Financial Controller in 1987. Kevin qualified as a Chartered Accountant with Price Waterhouse and is an economics and accounting graduate of Bristol University. He attended the Advanced Management Program at Harvard Business School in 2007.



Neil Quinn
Sector Chief Executive,
Process Safety
Location UK

Neil was appointed to the Halma plc Board in 1998 and is Chief Executive of the Process Safety sector. He joined the Halma Executive Board in 1995 as Divisional Chief Executive. He became Managing Director of Apollo Fire Detectors in 1992, after joining as Sales Director in 1987. Neil has a material sciences degree from Sheffield University.



Steve Marshall
Non-executive Director
Location UK

Steve was appointed a non-executive Director of Halma in July 2010. He is executive Chairman of Balfour Beatty plc and non-executive Chairman of Wincanton plc and Biffa Group Holdings Limited. He is a former chairman of Delta plc, Queens' Moat Houses plc and Torex Retail plc as well as a former non-executive director at Southern Water Services Limited. He was Group Chief Executive of Railtrack Group plc and prior to that Thorn plc, having also served as Finance Director at each company. His earlier career included a wide range of corporate and operational roles at Grand Metropolitan plc, Burton Group, Black & Decker and BOC Group. He is a fellow of the Chartered Institute of Management Accountants and a member of its Governing Council.



Stephen Pettit
Senior Independent Director
Location UK

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



Carol Chesney
Company Secretary
Location UK

Carol was appointed Company Secretary of Halma plc in 1998. She joined Halma in 1995 as Group Finance Manager having spent three years with English China Clays plc. Carol is a non-executive director of Renishaw plc where she chairs the Audit Committee. She qualified as a Chartered Accountant with Arthur Andersen and is a mathematics graduate of Randolph-Macon Woman's College, Virginia.



Adam Meyers

Sector Chief Executive, Medical
Location USA

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



Jane Aikman

Non-executive Director
Location UK

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



Daniela Barone Soares

Non-executive Director
Location UK

Daniela was appointed a non-executive Director of Halma in November 2011. She is Chief Executive Officer of Impetus – The Private Equity Foundation (Impetus-PEF). She is on the advisory board and a trustee of a number of non-listed, social sector organisations in the UK and Brazil. In November 2013, Daniela was appointed to the UK National Advisory Board, which advises the G8 Social Impact Investment Taskforce. Her past business roles have included Head of Institutional Support at Save the Children, Assistant Vice President of Private Equity and Venture Capital at BancBoston Capital, Inc. and roles at Goldman, Sachs & Co. (New York) and Citibank, N.A. (Brazil). Daniela has an MBA from Harvard Business School and a BSc in economics from Universidade Estadual de Campinas (UNICAMP), Brazil.



Norman Blackwell

Non-executive Director
Location UK

Norman was appointed a non-executive Director of Halma in July 2010. He is non-executive Chairman of Lloyds Banking Group Plc and Interserve Plc. His past business roles have included non-executive director of Ofcom, the communications regulator, Senior Independent Director at both Standard Life Plc and SEGRO plc, Director of Group Development at NatWest Group and Partner at McKinsey & Company. He was Chairman of the independent Centre for Policy Studies from 2000 to 2009 and remained a board member until 2014. Norman was created a Life Peer in 1997 and served as Head of the Prime Minister's Policy Unit from 1995 to 1997.

Make-up of our Board (as at 29 March 2014)

Board tenure (number of years)		Board composition		Committee membership			
0-1	10%	Chairman	10%		Audit	Nom ¹	Rem ²
2-3	10%	Executive Director	40%	Paul Walker		•	•
4-5	20%	Non-executive Director	50%	Andrew Williams		•	
6-10	20%	Company Secretary		Kevin Thompson			
>10	40%			Stephen Pettit	•	•	•
		Nationality		Neil Quinn			
Gender		UK	80%	Adam Meyers			
Male	80%	USA	10%	Jane Aikman	•	• ³	• ³
Female	20%	Brazil	10%	Norman Blackwell	•	•	•
				Steve Marshall	•	•	•
				Daniela Barone Soares	•	• ³	• ³

• Chairman • Member

¹ Nomination

² Remuneration

³ Appointed in April 2014

Executive Board



Andrew Williams

Chief Executive
Location UK

Andrew was appointed Chief Executive of Halma plc in February 2005. He was promoted to Director of the Halma plc Board in 2004. Andrew became a member of the Halma Executive Board in 2002 as Divisional Chief Executive after joining Halma in 1994 as Manufacturing Director of Reten Acoustics (now HWM-Water), where he became Managing Director in 1997. Andrew is a Chartered Engineer and a production engineering graduate of Birmingham University. He attended the Advanced Management Program at Wharton Business School, University of Pennsylvania in 2004.



Kevin Thompson

Finance Director
Location UK

Kevin was appointed to the Halma plc Board in 1998. He became Group Finance Director in 1997 after joining the Halma Executive Board as Finance Director in 1995. Kevin joined Halma as Group Financial Controller in 1987. Kevin qualified as a Chartered Accountant with Price Waterhouse and is an economics and accounting graduate of Bristol University. He attended the Advanced Management Program at Harvard Business School in 2007.



Chuck Dubois

Sector Chief Executive, Environmental & Analysis
Location USA

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



Adam Meyers

Sector Chief Executive, Medical
Location USA

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



Neil Quinn

Sector Chief Executive, Process Safety
Location UK

Neil was appointed to the Halma plc Board in 1998 and is Chief Executive of the Process Safety sector. He joined the Halma Executive Board in 1995 as Divisional Chief Executive. He became Managing Director of Apollo Fire Detectors in 1992, after joining as Sales Director in 1987. Neil has a material sciences degree from Sheffield University.



Nigel Trodd

Sector Chief Executive, Infrastructure Safety
Location Singapore

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



Philippe Felten

Sector Vice President, Medical
Location Belgium

Philippe was appointed to the Executive Board in April 2012 and is Sector Vice President of the Medical sector. He joined the Group in 1998 as Sales Director for BEA Europe and was previously Chief Executive of BEA Group. Philippe completed the Programme for Executive Development at IMD Lausanne, holds a Bachelor degree in Marketing and Management (ICHEC – Brussels) and is an Electro-Mechanical Engineer (ECAM – Brussels).



Martin Zhang

Director – Halma China
Location China

Martin is a member of the Halma Executive Board and has been an adviser to that Board since February 2008. He joined the Group in June 2006 as Director of Halma China and successfully established Halma China offices in Beijing and Shanghai. Martin holds an Executive MBA from the University of Texas at Arlington (Tongji University Shanghai) and a Bachelor's degree in chemical engineering from Chengdu University of Science and Technology.



Jennifer Ward

Group Talent Director
Location UK

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

Corporate Governance Report

Compliance with the Code of best practice

As required by the Listing Rules this Report explains how the Company applies the principles and complies with the provisions of the Corporate Governance Code (the Code) that was published in 2012 by the Financial Reporting Council which applied to the Company throughout the year ended 29 March 2014.

Throughout the year, the Company has fully complied with the provisions as set out in the Code. The Group's internal controls are detailed on page 65.

The Board has determined its ideal composition as a Chairman, five independent non-executive Directors and four executive Directors. The Board adjudged this composition as an appropriate structure for the Company providing valuable direct knowledge of operations and effective challenge surrounding the issues facing the Group. The Board reverted to its ideal composition following Geoff Unwin's retirement after the 2013 annual general meeting.

Therefore, with the exception of Norman Blackwell and Steve Marshall, in accordance with the Code each of the Directors, being eligible, will offer themselves for election or re-election at the AGM. Norman Blackwell and Steve Marshall will be retiring from the Board with effect from the end of the AGM, at which time Roy Twite will be joining the Board. Further details on their resignations and appointment are provided on pages 62, 64 and 71.

Annual Report and Accounts

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

Reporting Requirements Chart

Reporting requirement	Location
Description of the business model and strategy.	Chief Executive's Strategic Review and Sector Reviews See pages 10 to 27 and 34 to 41
Description of the significant issues that the Audit Committee considered in relation to the financial statements and how these issues were addressed, having regard to the matters communicated to it by the external audit team.	Audit Committee Report See pages 68 and 69
Explanation of how the Audit Committee has assessed the effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor to enable shareholders to understand why it recommended reappointing or changing the auditor.	Audit Committee Report See pages 67 and 68
Identification of search consultancies used and any connections with the Company.	Corporate Governance Report and Nomination Committee report See pages 62 and 71
Statement that the Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides information necessary for shareholders to assess the Company's business model and strategy.	Corporate Governance Report and Audit Committee Report See pages 59 and 69
Future policy table and notes, performance scenario charts, remuneration obligations in service contracts and statement of shareholder vote on the 2012/13 remuneration report.	Remuneration Committee Report See pages 72 to 89
Implementation report, remuneration paid to service advisers, single total figure tables, CEO pay comparison to company performance and relative importance of spend on pay.	Remuneration Committee Report See pages 72 to 89
Directors' shareholdings and variable pay awarded in the year.	Remuneration Committee Report See pages 72 to 89

Corporate Governance Report continued

The Board

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

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

to their roles, following the performance evaluation as described on page 63.

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

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

Board meeting attendance

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

Board attendance	Committees				Overall attendance %
	Board	Audit	Remuneration	Nomination ¹	
Total meetings	6	3	4	2	
Geoff Unwin ²	3	–	2	1	100%
Paul Walker ³	5	–	3	1	100%
Andrew Williams	6	–	–	1	100%
Kevin Thompson	6	–	–	–	100%
Stephen Pettit	6	3	4	2	100%
Neil Quinn	6	–	–	–	100%
Jane Aikman	6	3	–	1	100%
Adam Meyers	6	–	–	–	100%
Lord Blackwell	6	3	4	1	100%
Steve Marshall	6	3	4	2	100%
Daniela Barone Soares ⁴	6	2	–	1	90%

¹ The first Nomination Committee meeting consisted of the reformulated Nomination Committee appointed for the Chairman succession search comprising four non-executive Directors, led by Stephen Pettit, the Senior Independent Director. The June Nomination Committee meeting was constituted by the usual members Geoff Unwin, Andrew Williams, Stephen Pettit, Steve Marshall, Norman Blackwell and the Chairman Designate Paul Walker.

² Geoff Unwin attended all meetings until he stepped down at the July 2013 annual general meeting.

³ Paul Walker attended all meetings from his appointment on 12 April 2013 as Chairman Designate.

⁴ Daniela Barone Soares was unable to attend one Audit Committee meeting due to conflicting work commitments.

Chairman's responsibilities

Governance

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

Strategy

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

People

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

Chief Executive's responsibilities

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

Corporate Governance Report continued

Board constitution

Halma refreshed the composition and diversity of our Board with the appointment of Paul Walker as our new non-executive Director and Chairman in April 2013. The Nomination Committee appointed for the Chairman succession search comprised four non-executive Directors, led by the Senior Independent Director, Stephen Pettit. A global search firm, Korn Ferry Whitehead Mann, which has no other connection to Halma was appointed. A wide range of high calibre candidates was considered for the role and each Director had the opportunity to meet Paul Walker ahead of his appointment. The Board confirmed Paul Walker's independence upon appointment and was unanimous in its decision to appoint Paul Walker.

Succession planning for the Senior Independent Director was well in hand when Norman Blackwell indicated that his April 2014 chairmanship of Lloyds Banking Group Plc may preclude his continuing as a non-executive Director at Halma. Similarly, Steve Marshall undertook the CEO role at Balfour Beatty plc in May 2014 and found that he could not continue to devote the time that is necessary as Remuneration Committee Chairman and non-executive Director of Halma. The Board search for a new independent non-executive Director was led by our Chairman, Paul Walker. A global search firm, JCA Group, which has no other connection to Halma was appointed. The Board considered a wide and diverse range of candidates and the Board, having had the opportunity to meet Roy Twite, confirmed his independence upon appointment and was unanimous in its decision to appoint Roy effective following the conclusion of the July 2014 AGM.

These matters are discussed on page 64 and in the Nomination Committee Report on page 71.

Board induction

Newly appointed non-executive Directors follow an induction programme which includes scheduled trips to a variety of companies in each of the four sectors. All new Directors appointed to the Board have a comprehensive induction programme tailored to their individual needs.

Paul Walker met with the Company Secretary to review an induction pack which included Halma's governance and risk management structure, Board evaluations, Board and Committee meeting minutes, strategy papers, recent analyst and broker reports on Halma, and access to Halma's policies and procedural notes was also provided. As well as providing a schedule of meetings with executives and company visits, Paul Walker also attended the biennial Halma Innovation and Technology Exposition (HITE) in 2013 to gain a better understanding of the Halma group, our strategy, our operating companies, their management teams and their products.

When new non-executive Directors are appointed, Halma tailors our existing induction and training programme to suit their individual needs and we will similarly be doing so for Roy Twite.

Board diversity

The Board reviewed the report of Lord Davies published in February 2011 on Boardroom Diversity and contributed to the FRC review of Gender Diversity on Boards noting its support for the benefits of greater diversity, which is not just gender specific, but relates also to other factors such as market and international experience and diversity of thought. It was agreed by the Board that a manufacturing and technology company such as Halma would have to adopt policies to attract a greater number of females into management roles. The Board hopes to support these aims through the adoption and implementation of Halma's Diversity Policy (detailed on page 45) rather than set quotas. Halma aims to improve the representation of women in senior roles and on the Board of Directors by refreshing our policies and reviewing implementation to ensure that they create and maintain a diverse and inclusive culture.

As at year end, the Board had a total of ten Directors. The skill set of the non-executive Directors includes financial, economics, banking, engineering, technology, IT, communications and consumer expertise. They include eight British, one American and one Brazilian nationals. 20% of the Board are women.

Board activity throughout the year

February

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

April

- Budget
- Chairman and NED fees
- HITE and CEO conference objectives
- Pensions strategy update
- 2015 Board Calendar

June

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

July

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

Halma has the ambition to increase the number of executives based outside Europe and the USA to better reflect the proportion of our revenue generated outside those markets. The diversity of all other employees is detailed on page 45 within the Corporate Responsibility report.

Board activity throughout the year 2013/14

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

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

Board performance and evaluation

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

This year's evaluation was conducted in the final quarter of the financial year and its outcome was first discussed with the Chairman and subsequently presented to the full Board. The evaluation results were circulated to the Board in February 2014 and discussed at the April 2014 Board meeting.

The Board members' many positive responses indicated their widely held view that ongoing improvements have been made since the 2011/12 external evaluation which concluded that the Board was effective, methodical and thorough in the way it approaches its work. There continues to be an open and transparent debate and an even contribution from all members of the Board and an active and collaborative approach to performance management reflected in the constructive debates in the Remuneration Committee. The Board continues to spend a significant amount of time considering risks and controls and was assisted by strong financial information, effective internal and external audit processes and a strong Audit Committee. Overall, the process confirmed the right blend of behaviours and skills around the Halma Board table although the Board recognises that additional geographic spread of experience and more gender diversity would aid more effective debate. The Board freely and openly expresses any concerns which results in more considered outcomes emphasising collective responsibility, transparency, clarity and integrity.

The most significant issue arising from the 2013 review surrounded the importance of Chairman and Senior Independent Director succession planning and the preservation of the Group's positive culture during such a transition in these roles. The Board felt that this was achieved during 2013/14 with the identification of Paul Walker as Chairman-elect and the smooth handover from Geoff Unwin.

Otherwise, the evaluation noted the Board's continuing recognition of the importance of the non-executive Directors investing sufficient time to enable them to operate with a sound knowledge of the Company and to establish relationships with the executive Directors.

The Board and Executive Board have also introduced more opportunities for interaction around topics of strategic and operational importance.

October

- Strategy/3-year plan
- Relative attractions of different sectors
- Candidates for acquisition/disposal
- Review progress towards annual objectives
- External sum of the parts valuation
- Debt/capital structure considerations
- Succession planning update/management bench

November

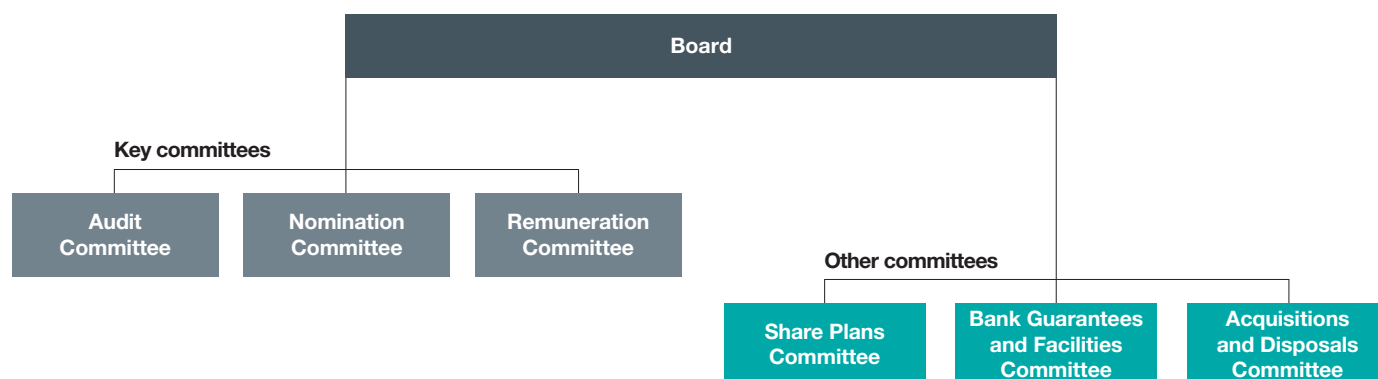
- Half-yearly results
- PSP vesting update
- Consideration of Board Evaluation process – internal/external review

Performance evaluation cycle



Corporate Governance Report continued

Board governance structure



In recognition of the time required to properly induct new Board Directors and accepting that a maximum of two new appointments per annum is ideal, the Nomination Committee and the Board proposed that Stephen Pettit's appointment be extended another year (having already extended it once in 2013) to ensure continuity and an appropriate transition process is undergone with the aim of preserving the Group's culture while permitting healthy reflection on our current structure and processes. In reaching this decision, the Board concluded that Stephen Pettit's independence was not compromised by his ongoing directorship and the entire Board supported his continuing involvement. Halma also consulted our advisers. Stephen Pettit will remain on the Board until such time as his experience of Halma's culture is embodied in his colleagues and no later than the 2015 annual general meeting.

As in prior years, the Board also met in February 2014 before the scheduled Board meeting. There was a meeting of the Chairman and non-executive Directors with the Chief Executive. This was followed by a meeting of the Chairman and non-executive Directors only. The Senior Independent Director also led a meeting with the non-executive Directors without the Chairman present. The Executives were also given the opportunity to meet with the Chairman and/or the Senior Independent Director separately. The outcome of these meetings was then fed back to individuals by the Chairman, Senior Independent Director or Chief Executive, as appropriate.

Committees of the Board

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

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

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

A chart setting out the Company's Board and Committees' structure is given above with the Board and Committee memberships and Directors' biographical details shown separately on pages 56 and 57. The responsibilities of the key Board Committees and the key issues and activities during 2013/14 are set out in the following Committee reports on pages 66 to 89.

Investor relations

The Board recognises the importance of effective communication with our shareholders. In regular meetings with shareholders and analysts the Chief Executive and Finance Director communicate the Group's strategy and results, disclosing such information as is permitted within the guidelines of the Listing Rules. Such meetings ensure that institutional shareholders representing over 50% of the Company's issued share capital meet or hold discussions with the Company on a regular basis. Major shareholders are also offered the opportunity to meet the Chairman and/or Senior Independent Director. Notes from all investor meetings are circulated to the Chairman with investor feedback results from roadshows circulated to the whole Board.

All shareholders are encouraged to attend the annual general meeting where they can gain a better understanding of the Company. Shareholders are able to pose questions to the Board on the matters put to the meeting, including the Annual Report and Accounts and the management of the Company. Major shareholders are also invited to briefings following the half-year and annual results. In February 2014, the Chief Executive, Finance Director and a Divisional Chief Executive held a Capital Markets Day at which an update on the Group's strategy and the new reporting sectors was detailed and the Group's mergers and acquisitions performance was reviewed. The content of presentations to shareholders and analysts at results announcements and all announcements are available on the Group website: www.halma.com.

The Group website also contains electronic versions of the latest Annual Report and Accounts, Half-year Reports, biographical information on Directors and the Executive Board, share price information, and full subsidiary company contact details as well as links to their own websites. The website also features the facility to request e-mail alerts relating to announcements made by the Group and there is a feedback form to invite suggestions for improvements to the website and our investor relations activities.

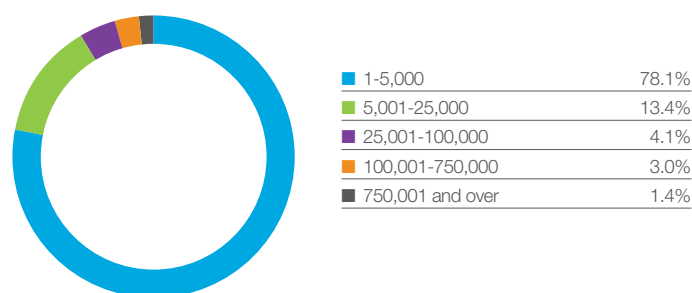
Shareholders can keep up to date with the latest Halma financial news, on the move, with our Investor Relations iPad app. This is available as a free download from the Apple iTunes store, as detailed below. The app is updated at the same time as our website and delivers news releases, regulatory announcements,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

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

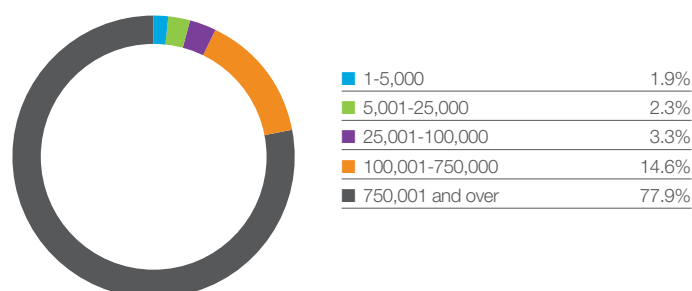
Type this link into your browser to go to the Halma Investor Relations app download page on iTunes: <http://goo.gl/4W91y>

The Financial calendar is set out on page 158.

Shareholders (number) at 15 May 2014



Analysis of shares (number) at 15 May 2014



Results of our 2013 annual general meeting

		Total votes for %	Total votes against %	Votes withheld %
1	Report and Accounts	99.0	0.0	1.0
2	Dividend	99.7	0.0	0.3
3	Remuneration Report	98.1	0.8	1.1
4-13	Directors	96.1 to 99.5	0.1 to 3.6	0.3
14	Reappointment of Auditor	98.5	0.5	1.0
15	Auditor's remuneration	99.1	0.6	0.3
16	Authority to allot shares	98.9	0.8	0.3
17	Disapplication of pre-emption rights	99.6	0.1	0.3
18	Authority to purchase own shares	99.6	0.1	0.3
19	Notice of general meetings	92.6	7.1	0.3

Internal control

The Board has overall responsibility to the shareholders for the Group's system of internal control and risk management, and the review of the system's effectiveness has been delegated to the Audit Committee. Whilst not providing absolute assurance against material misstatements or loss, this system is designed to identify and manage those risks that could adversely impact the achievement of the Group's objectives. The Group's risk management structure and process is detailed on pages 28 and 29. The Group's principal risks and uncertainties are detailed on pages 30 to 33.

The Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group, which has been in place for the year under review and up to the date of approval of the Annual Report and Accounts. This process has been reviewed by the Board and the Board is satisfied that the Group accords with the Turnbull guidance. The Board made several enhancements in the conduct of the process during the year and will continue to review the system routinely to ensure that the system of internal control and risk management remains fit for purpose.

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

Going concern

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

The Group has considerable financial resources (including a £360m five-year revolving credit facility, of which £255m was undrawn at 29 March 2014) together with contracts with a diverse range of customers and suppliers across different geographic areas and industries. No one customer accounts for more than 2% of Group turnover. The Directors have considered the Group's potential exposure to the Eurozone crisis and have concluded that this is minimal due to the fact that less than 5% of sales arise in areas experiencing macro-economic uncertainty and the Group does not maintain significant banking or other business relationships in these areas. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully.

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

Audit Committee Report



“The Audit Committee focused on the integrity of the Group’s financial reporting including the processes to make our Annual Report and Accounts ‘fair, balanced and understandable’, the effectiveness and appropriateness of our system of risk management and internal controls as well as our internal and external audit processes.”

Jane Aikman, Chairman, Audit Committee

Audit Committee members

- Jane Aikman (Chairman)
- Stephen Pettit
- Norman Blackwell
- Steve Marshall
- Daniela Barone Soares

Allocation of time %



During 2013/14, the Audit Committee focused on the integrity of the Group’s financial reporting including the processes to make our Annual Report and Accounts ‘fair, balanced and understandable’, the effectiveness and appropriateness of our system of risk management and internal controls as well as our internal and external audit processes. I am pleased to present the first Audit Committee Report prepared in accordance with the newly revised Corporate Governance Code, in which the role of the Audit Committee and its activities during the year are further expanded upon, in particular:

- description of the significant issues that the Audit Committee considered in relation to the financial statements and how these issues were addressed, having regard to the matters communicated to it by the auditor; and
- explanation of how the Audit Committee has assessed the effectiveness of the external audit process and the approach taken to the reappointment of the external auditor to enable shareholders to understand why it recommended reappointing our auditor.

During the course of the year, the regular challenge and engagement with management, internal audit and the external auditor, together with the timely circulation of reports and information, has enabled the Committee to discharge its duties and responsibilities effectively.

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

Responsibilities

The Audit Committee is appointed by the Board from the non-executive Directors of the Group. The Audit Committee’s terms of reference include all matters indicated by Disclosure and Transparency Rule 7.1 and the Code. The terms of reference are considered annually by the Audit Committee and are then referred to the Board for approval. The full terms of reference were recently updated in April 2014 in line with the revised recommendations of the Institute of Chartered Secretaries and Administrators (ICSA) June 2013 audit committee terms of reference guidance. The terms of reference can be found on the Company’s website or can be obtained from the Company Secretary.

The primary responsibilities of the Audit Committee are to:

- monitor the integrity of the financial statements of the Group and any formal announcements relating to the Group’s financial performance and review significant financial reporting judgments contained therein;
- have oversight of risk management, including the review of the Group’s financial, operational and compliance internal controls, as well as whistleblowing and fraud prevention procedures;
- monitor and review the effectiveness of the Group’s Internal Audit function;
- make recommendations to the Board, for a resolution to be put to the shareholders for their approval at the general meeting, on the appointment of the external auditor and the approval of the remuneration and terms of engagement of the external auditor;
- review and monitor the external auditor’s independence and objectivity and the effectiveness of the audit process, taking into consideration the periodic rotation of audit personnel and relevant UK professional and regulatory requirements; and
- develop and implement a policy on the engagement of the external auditor to supply non-audit services, taking into account relevant guidance regarding the provision of non-audit services by the external audit firm.

Key issues and activities

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

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

Audit Committee activities

Financial statements and reports

- reviewed the 29 March 2014 Annual Report and Accounts, the 28 September 2013 Half year report and the IMSs issued in July 2013 and February 2014. As part of these reviews the Committee received a report from the external auditor on the audit of the Annual Report and Accounts;
- reviewed the effectiveness of the Group's internal controls and disclosures made in the Annual Report and financial statements;
- considered acquisition valuation methodology;
- review of pension fund accounts; and
- review of taxation provisions.

Risk management

- considered the output from the Group-wide risk review process to identify, evaluate and mitigate risks, the Group's changing risk profile and future risk reports;
- devoted additional time to adequately address risk management in the Group; and
- export controls.

Internal audit

- evaluated the effectiveness and the scope of work to be undertaken by the Internal Audit function;
- reviewed management responses to audit reports issued during the year;
- reviewed the Group's whistleblowing policy which allows Internal Audit to receive, in confidence, complaints on accounting, risk issues, internal controls, auditing issues and related matters; and
- reviewed the resourcing of Internal Audit.

External auditor and non-audit work

- reviewed, considered and agreed the scope and methodology of the audit work to be undertaken by the external auditor;
- evaluated the independence and objectivity of the external auditor; and
- agreed the terms of engagement and fees to be paid to the external auditor for the audit of the 29 March 2014 financial statements.

Governance

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

Training

The Audit Committee has extended all of its meetings by an hour to incorporate additional time for risk-related topics and training on relevant topics, for example valuation of acquisitions and disposals, financial reporting (including additional coverage of audit procedures, scope and methodology), fraud, cyber security, internal control and governance.

Engagement of the external auditor

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

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

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

External auditor tendering

In accordance with UK regulations, the Company's Auditor adheres to a rotation policy based on best practice and a new Group lead engagement partner is appointed in place of the previous lead engagement partner once he has completed a term of five years in that role.

Following a rigorous evaluation of the audit service and a change in audit partner in 2010/11, the Audit Committee agreed that a full tender was not required for the 2012/13 audit. The Committee reconsidered its review during 2013/14 and concluded that a full tender is not currently required. In making this assessment the Committee focused on the robustness of the audit, the quality of delivery of audit services and the effectiveness, objectivity and independence of the Auditor in its reviews.

The Committee is satisfied that the audit continues to be effective and provides an appropriate independent challenge to the Group's senior management.

The Committee has noted the revisions to the UK Corporate Governance Code introduced by the Financial Reporting Council (FRC) in September 2012 and effective for Halma's 2013/14 financial year and in particular the recommendation to put the external audit out to tender at least every 10 years. The Committee noted the proposed transitional arrangements with respect to audit tendering to fit the five-yearly cycle of partner rotation.

The Committee is satisfied that Deloitte continues to provide an effective audit. The Committee remains supportive of the Code's requirement that the audit should be put out to tender at least once in every ten years and intends to conduct its external tendering arrangements before the end of December 2016.

Auditor independence

The Group's 'Policy on Auditor Independence and Services provided by the External Auditor' sets out restrictions on the categories of non-audit services which the external auditor is allowed to provide to the Group, a summary of which is provided in the table below. This policy is regularly reviewed and states that the Group will only use the appointed external auditor for non-audit services in cases where these services do not conflict with the auditor's independence.

Audit Committee Report continued

The Committee confirms that Deloitte LLP remains best placed to advise the Group on matters related to tax compliance and the structure of the Group. The Committee accepts that certain work of a non-audit nature is best undertaken by Deloitte, and appointments are made taking into account factors including expertise and fees. The Committee regularly reviews the amount and nature of the non-audit work Deloitte performs. The Audit Committee is notified of all of Deloitte's non-audit services with fees between £50,000 and £100,000. The policy also sets a fee level per project of £100,000 above which non-audit services are subject to a tendering process. The above fee levels for non-audit services are also subject to an annual cap equal to the audit fee. At each meeting, the Audit Committee also receives a summary of all fees, audit and non-audit, payable to the external Auditor.

The audit fees payable to Deloitte LLP during 2013/14 were £759,000 (2013: £740,000) and non-audit service fees were £65,000 (2013: £307,000). The principal non-audit service is tax-advisory related. A summary of fees paid to the external Auditor is set out in note 6 to the Accounts on page 116.

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

Accordingly, the Committee unanimously recommended to the Board that a resolution for the reappointment of Deloitte LLP as the Company's independent Auditor be proposed to shareholders at the AGM in July 2014 and the Board has accepted and endorsed this recommendation.

External audit effectiveness

The effectiveness of the external audit process is assessed by the Committee, which meets regularly throughout the year with the audit partner and senior audit managers. Key to the overall effectiveness of the process is a 'no surprises' approach adopted

by both the Group and the Auditor under which each party makes the other aware of accounting and financial reporting issues as and when they arise, rather than limiting this exchange to the period in which formal audit and review engagements take place.

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

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

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

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

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

Taken together the Committee believes that sufficient and appropriate information is obtained to form an overall judgment on the effectiveness of the external audit process.

Risk management and internal controls

Further details of risk management and internal controls are set out on pages 28 to 33. Through monitoring of the effectiveness of its internal controls and risk management, the Committee is able to maintain a good understanding of business performance, key areas of judgement and decision-making processes within the Group.

Significant issues in relation to financial reporting matters in 2013/14

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

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

Policy of auditor independence and services

Prohibited non-audit services

- appraisal or valuation services;
- financial information systems design and implementation;
- bookkeeping services;
- management functions;
- executive recruiting and resource services;
- broker-dealer services; and
- legal services.

Audit-related services not subject to separate tender if fees <£100,000

- audits of businesses acquired or to be sold and due diligence services;
- opinions/audit reports on information provided by the company upon request from a third party;
- advice on accounting policies;
- electronic data processing audits; and
- tax services including local tax compliance.

Permitted non-audit services, subject to approval

- due diligence services relating to acquisitions with fees in excess of £100,000;
- public reporting on investment circulars;
- liquidation services in respect of redundant subsidiaries or associate companies; and
- tax-advisory fees in excess of £100,000 where the firm's existing knowledge of the Group structure is preferred.

These issues were discussed with management at various stages during 2013/14 and during the preparation and conclusion of the financial statements. After reviewing the presentations and reports from management the Committee is satisfied that the financial statements appropriately address the critical judgements and key estimates, both in respect of the amounts reported and the disclosures made. The Committee is also satisfied that the significant assumptions used for determining the value of assets and liabilities have been appropriately scrutinised, challenged and are sufficiently robust. The Committee has discussed these issues with the Auditor during the audit planning process and at the conclusion of the year end audit and is satisfied that its conclusions are in line with those drawn by the Auditor in relation to these issues.

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

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

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

- the valuation of contingent consideration payable in respect of the acquisition of MicroSurgical Technology, Inc. (MST) in the prior year. Following a review of the expected performance of MST against its contingent consideration earnings targets, management concluded that a significant proportion of the accrued payable should be released to the Consolidated Income Statement as the balance was unlikely to be paid in full. The Committee challenged the assumptions on which management based its conclusion (company forecast and budget data and the impact of this on the contingent consideration calculation) by understanding the risks and opportunities in the forecast and budget data and concluded that, within a range of outcomes, the revised valuation was reasonable;
- the Committee reviewed the relative value of projects in development and completed projects comprising the capitalised development costs balance and the coverage of these values by expected future cash flows to test the assertion of management that no projects were at risk of impairment; and

- the Committee was briefed on the consultation that was undertaken with members of the Defined Benefit schemes regarding the closure of the schemes to future benefit accrual and reviewed the third party report that was prepared by the Group's pension advisers outlining the impact of the closure.

Fair, balanced and understandable report and accounts

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

These focused exercises can be summarised as follows:

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

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

On behalf of the Audit Committee

Jane Aikman
Chairman
12 June 2014

Nomination Committee Report



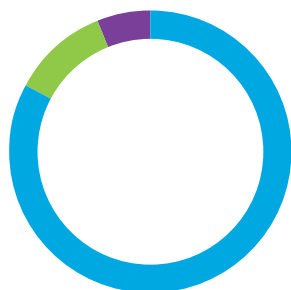
“The Nomination Committee continued to review our governance structures and the composition of our Board and Executive Board throughout the year. I am delighted to have further strengthened our Board and aligned our Executive Board with the four market sectors in which we are engaged.”

Paul Walker, Chairman, Nomination Committee

Nomination Committee members

- Paul Walker (Chairman)
- Andrew Williams
- Stephen Pettit
- Steve Marshall
- Norman Blackwell
- Jane Aikman (appointed 10 April 2014)
- Daniela Barone Soares (appointed 10 April 2014)

Allocation of time %



■ Succession planning	83%
■ Composition of Board	11%
■ (Re)-election of Directors	6%

Responsibilities

The Nomination Committee is appointed by the Board from the non-executive Directors of the Group and the Chief Executive. The Nomination Committee's terms of reference include all matters indicated by the UK Corporate Governance Code. The terms of reference are considered annually by the Nomination Committee and are then referred to the Board for approval. The full terms of reference were reviewed during the year and updated in April 2014 in line with the revised recommendations of the ICSA June 2013 nomination committee terms of reference guidance. The terms of reference can be found on the Company's website or can be obtained from the Company Secretary.

The primary responsibilities of the Nomination Committee are to:

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

Governance

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

Key issues and activities

The Committee and the specially formed sub-committee met on several occasions during the year and considered:

- the re-election of all Directors at the July 2013 annual general meeting;
- succession planning;
- external board evaluation;
- Geoff Unwin's proposed retirement;
- Stephen Pettit's re-election to the Board and its Committees;
- the nomination and appointment of Paul Walker as a non-executive Director and Chairman and his membership of the Nomination and Remuneration Committees (as described below); and
- the nominations and appointments of Jane Aikman and Daniela Barone Soares to the Nomination and Remuneration Committees.

When the need to appoint a Director is identified, a candidate profile is developed indicating the skills, knowledge and experience required taking into account the Board's existing composition. External search consultancies are retained when recruiting non-executive Directors and are used to evaluate internal and external candidates for succession planning.

As disclosed on page 60, the Nomination sub-committee appointed for the Chairman succession search comprised four non-executive Directors, led by the Senior Independent Director. A global search firm, Korn Ferry Whitehead Mann, which has no other connection to Halma was appointed. A wide range of high calibre candidates was considered for the role. The Board confirmed Paul Walker's independence upon appointment and was unanimous in its decision to appoint Paul Walker.

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

As noted on page 60 and on pages 62 to 64, the process of appointments to the Board is paramount in ensuring the Company's performance is maintained and continually improved upon. The Board search for a new independent non-executive Director was led by our Chairman, Paul Walker. A global search firm, JCA Group, which has no other connection to Halma was appointed. The Board considered a wide and diverse range of candidates and the Board having had the opportunity to meet Roy Twite confirmed his independence upon appointment and was unanimous in its decision to appoint Roy. Roy Twite, an executive director at IMI plc, will be appointed to the Board effective following the conclusion of the AGM on 24 July 2014. Roy Twite brings with him very relevant engineering experience which will be invaluable to Halma's Board discussions. The Board is in the process of seeking to identify an additional non-executive Director.

On behalf of the Nomination Committee

Paul Walker

Chairman

12 June 2014

Remuneration Committee Chairman statement



“...there were no substantive changes to the remuneration policy or structure of the Group during the year.”

Dear Shareholders,

On behalf of the Board I am pleased to present the Remuneration Committee's Directors' Remuneration Report for the year ended 29 March 2014.

As set out on page 5, Halma's strategy is to build a strong competitive advantage in specialised safety, health and environmental technology markets with resilient growth drivers. This strategy is underpinned by the Group's remuneration framework which balances a short-term cash incentive related to improvements in the Economic Value Added ('EVA') in a financial year, with a longer-term share incentive related to returns on invested capital and Total Shareholder Return.

Other than the announced closure of the Halma Defined Benefit pension plan in which a number of executives participated, there were no substantive changes to the remuneration policy or structure of the Group during the year. The Committee continuously assessed the appropriateness of its remuneration structure in the light of the business' performance and confirmed its satisfaction with the structure and the outcomes related to the application of the structure. Accordingly, the Committee:

- determined the remuneration of the Chairman, Executive Board and the Company Secretary in accordance with its Terms of Reference;
- determined the Chief Executive's achievement of personal objectives contributing to a proportion of his performance share plan (PSP) award granted in August 2013;
- confirmed the performance-related bonus arrangements for 2013/14 with no material change from prior year;
- confirmed the PSP arrangements for 2013/14 with no material change from prior year;
- confirmed the pension arrangements for UK senior executives;
- considered the framework for subsidiary chief executives and directors to ensure that a consistent approach was applied;
- considered the 'good leaver' status of departing PSP participants;
- consulted the top ten shareholders on the proposed remuneration of executive Directors for 2015; and
- decided to conduct a more thorough review of remuneration during 2015 to coincide with the necessity to introduce a new long-term incentive plan at the 2015 annual general meeting.

Other than the evaluation of Chief Executive objectives and the determination of good leaver status for departing executives, the Committee did not exercise any discretion during the year.

In August 2013, the UK Government Department of Business Innovation & Skills ('BIS') published a set of regulations on what companies must disclose in the Directors' Remuneration Report from 1 October 2013. In line with the requirements, this report is divided into three sections:

- this Annual Statement;
- the Directors' Remuneration Policy, which details Halma's executive remuneration policies and links to Group strategy, as well as projected pay outcomes under different performance scenarios; and
- the Annual Remuneration Report, which focuses on the remuneration arrangements and outcomes for the year under review, and how the Remuneration Committee intends to implement the policy next year.

As required under the new reporting regulations, the Directors' Remuneration Policy will be put to a binding shareholder vote at the Annual General Meeting on 24 July 2014, and the Annual Remuneration Report will be submitted to an advisory vote at the same time.

My colleagues on the Remuneration Committee ('the Committee') and I hope that you find the new layout of the Remuneration Report to be clear and transparent, and that we can count on your support for the Directors' Remuneration Policy – which remains unchanged – and its implementation during the year under review.

Steve Marshall

Chairman

12 June 2014

Remuneration Committee Report

Remuneration Policy

This section of the report details the policy for executive and non-executive Directors which shareholders are asked to approve at the 2014 AGM. The Committee intends that this policy will formally come into effect from 24 July 2014, being the date of the 2014 AGM, and be effective for up to three years.

Compliance Statement

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

In line with the Regulations, the following parts of the Annual Report on Remuneration are audited: the single figure for total remuneration for each Director, including annual bonus and performance share plan outcomes for the financial year ending 29 March 2014; plan interests awarded during the year; pension entitlements; payments to past Directors and payments for loss of office; and Directors' shareholdings and share interests. All other parts of the Directors' Remuneration Report are unaudited.

Remuneration Policy

Executive Director remuneration packages are designed to attract, retain and motivate the high calibre executives needed to manage the Group successfully, and to align their interests with those of our shareholders by rewarding them for enhancing shareholder value. Executive Director remuneration also seeks to reward achievement of stretching performance targets without driving unacceptable behaviours or encouraging excessive risk-taking. The performance measurement of the executive Directors and the determination of their annual remuneration package are undertaken by the Remuneration Committee.

There are six elements of the remuneration packages for executive Directors. The remuneration policy for executive Directors is summarised in the table below.

Element and objective	Operation and process
Salary To attract and retain key employees and reflect their experience and personal contribution to delivery of the Group's strategy	Reviewed annually or following a material change in responsibilities. Salary is benchmarked against appropriate comparators of similar size and operating in a similar sector, and is linked to individual performance and contribution. Salary is the only element of remuneration that is pensionable.
Benefits To provide benefits that are competitive within the relevant market	Benefits are appropriate to the location of the executive and typically comprise (but are not limited to) a company car, life assurance, permanent disability insurance, private medical insurance, relocation and tax advice for international assignments.
Pension To provide competitive post-retirement benefits, or to provide the opportunity for executives to save for their retirement	Executive Directors participate in either a Group Defined Benefit pension plan, Group Defined Contribution pension plan or the US 401k money purchase arrangement. Cash supplements in lieu of Company pension contributions may be made to some individuals. To the extent the pension contributions exceed the local tax allowance, the contributions may be paid to the executive, subject to taxes and social charges.

In addition to the elements of remuneration set out below, the Committee may consider it appropriate to grant an award under a different structure in order to facilitate the recruitment of an individual, exercising the discretion available under the relevant Listing Rule to replace incentive arrangements forfeited on leaving a previous employer. Such 'buyout awards' would have a fair value no higher than that of the awards forfeited. Further, the Committee also retains discretion to make non-significant changes to the policy without reverting to shareholders.

Opportunity	Performance measures
Base salary increases will be applied in line with the outcome of the review (normally with effect from 1 April). Salaries for the financial year under review (and the following year) are disclosed in the Annual Report on Remuneration (see page 85 for 2013/14 and 2014/15 salaries). It is not anticipated that salary increases for executive Directors will exceed those of the wider employee population over the period this policy will apply. Where increases are awarded in excess of the wider employee population, for example if there is a material change in the responsibility, size or complexity of the role, the Committee will provide the rationale in the relevant year's Annual Report on Remuneration.	Not applicable
Benefits may vary by role, and the level is determined to be appropriate for the role and circumstances of each individual executive Director. The maximum value will equate to the reasonable market cost of such benefits. It is not anticipated that the current cost of benefits (as set out in the Annual Report on Remuneration) would increase materially over the period for which this policy will apply. The Committee retains the discretion to approve a higher cost in exceptional circumstances (e.g. relocation expenses or an expatriation allowance on recruitment, etc.) or in circumstances where factors outside the Company's control have changed materially (e.g. market increases in insurance costs). The rationale behind the exercise of such discretion will be provided in the relevant year's Annual Report on Remuneration.	Not applicable
Defined Benefit: maximum pension after 25 years' pensionable service equivalent to two-thirds of final pensionable salary, up to a CPI-indexed cap; £153,684 for 2014/15. Defined Contribution: maximum contribution of 27.5% of pensionable salary for executive Directors (2014/15: 20% maximum). Cash supplement: Halma contributes 26% of salary in excess of the cap, or up to 26% of the full salary if the executive Director no longer participates in the Defined Benefit scheme. 401k contributions of 3% of salary with a discretionary 2% profit share component subject to IRS caps.	Not applicable

Remuneration Committee Report continued

Remuneration Policy

Element and objective	Operation and process
Annual Incentive To incentivise the achievement of an objective annual target which supports the short- to medium-term strategy of the Group.	The structure of the Annual Incentive (including, but not limited to, performance measures and their weightings) is reviewed at the start of the year to ensure they remain appropriately aligned with the Group's strategy. Performance targets are calibrated and set at the start of the year, with reference to a range of relevant reference points including, but not limited to, the annual budget agreed by the Board. At the end of the year, the Committee determines the extent to which these targets have been achieved.
Performance Share Plan (PSP) To incentivise executives to achieve superior returns to shareholders over a three-year period; to retain key individuals and align interests with shareholders, reflecting the sustainability of the business model over the long-term.	Executive Directors are granted annual awards of Halma plc shares as determined by the Committee, which vest after a period of at least three years based on Group performance. Dividend equivalents accrue over the vesting period. Dividend equivalents are paid in cash or shares at the end of the vesting period, and only on those shares which vest.
Share Incentive Plan (SIP) To encourage share ownership across all UK-based employees using HMRC-approved schemes.	The SIP is an HMRC-approved arrangement which entitles all UK-based employees to receive Halma shares in a potentially tax-advantageous manner. As part of their participation in the PSP, UK executive Directors may be awarded a proportion of their PSP awards in SIP Free Shares. Free shares are awarded based on length of service and earnings.

Notes to the Policy Table

Payments from Existing Awards

The Committee will honour any commitment entered into, and executive Directors will be eligible to receive payment from any award made, prior to the approval and implementation of the Remuneration Policy detailed in this report, i.e. before 24 July 2014. Details of these awards are disclosed in the Annual Report on Remuneration.

Selection of Performance Measures

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

In the annual bonus, the use of EVA, in summary, profit less a charge for capital employed (definition is provided on page 82) reinforces the Group's business objective to double Group revenue and profit every five years through a mix of acquisitions and organic growth. Profit is a function of the extent to which the Company has achieved both its organic growth target and its success in identifying appropriate acquisition targets in current and past years. Ensuring that the cost of funding acquisitions is reflected in the bonus model means that executives share the benefit of an acquisition that outperforms expectations, but equally bear the cost of overpaying for an acquisition. Good or poor management of working capital is also reflected in the calculation of EVA.

In the PSP, the Committee continues to believe that TSR provides close shareholder alignment and incentivises shareholder value creation, and ROTIC reinforces the focus on capital efficiency and delivery of strong returns, thereby further strengthening the alignment of remuneration with the Group strategy.

Opportunity	Performance measures
Maximum opportunity: 100% of salary. Target opportunity: 60% of salary. Bonus payable at threshold: 0% of salary. Target means the attainment of sufficient Economic Value Added (EVA) growth representative of approximately 8% profit improvement. In exceptional circumstances, the Committee has the ability to exercise discretion to override the formulaic bonus outcome within the limits of the scheme where it believes the outcome is not truly reflective of performance and to ensure fairness to both shareholders and participants.	The bonus is based 100% on the achievement of financial performance targets. No element of the bonus is linked to personal objectives. The primary measure used to determine bonus outcomes is EVA, although the Committee may, in its discretion and from time to time, supplement EVA with additional financial measures (including, but not limited to, revenue growth, cashflow, Return on Capital Employed (ROCE), etc.) that reflect Halma's strategic priorities for the year. Discretion is only exercised when a strategic priority that may not be immediately earnings enhancing is targeted. Details of the measures, weightings and targets applicable for the financial year under review are provided in the Annual Report on Remuneration.
Maximum opportunity: 140% of salary, subject to an executive's personal performance during the financial year prior to grant. In exceptional circumstances, such as to facilitate the recruitment of an external candidate, the Committee may, in its absolute discretion, exceed this maximum annual opportunity, as permitted by the Rules (currently up to 150% of salary). Threshold performance will result in the vesting of 16.7% of the maximum award.	Vesting of PSP awards is subject to continued employment and the Company's performance over a three-year performance period. If performance conditions are not met at the end of the performance period, awards will lapse. The performance measures and respective weightings may vary year-on-year to reflect strategic priorities, subject to retaining an element on Total Shareholder Return (TSR) and Return on Total Invested Capital (ROTIC), and subject to a minimum weighting of 25%, currently 50%, on each of these measures. The TSR peer group consists of the FTSE250 excluding financial companies. The Committee considers the performance condition of new awards annually. Details of the measures, weightings and targets applicable for awards made in the financial year under review are provided in the Annual Report on Remuneration.
Participation limits are in line with those set by HMRC from time to time (2013/14: £3,000; 2014/15: £3,600).	Not applicable.

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

Remuneration Policy for Other Employees

Our approach to salary reviews is consistent across the Group, with consideration given to the level of responsibility, experience, individual performance, market levels and the Company's ability to pay. The Committee considers remuneration surveys to establish market rates, as appropriate.

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

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

Approach to Recruitment Remuneration

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

Remuneration Committee Report continued

Remuneration Policy

External appointments

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

Component	Approach	Maximum incentive opportunity
Salary	The base salaries of new appointees will be determined by reference to relevant market data, experience and skills of the individual, internal relativities and the current salary of any incumbent in the same role. Where a new appointee has an initial base salary set below market, the Committee may make phased increases over a period of several years, subject to the individual's development and performance in the role.	–
Benefits	New appointees will be eligible to receive benefits in line with the current policy, as well as expatriation allowances and any necessary expenses relating to an executive's relocation on appointment.	–
Pension	New appointees will be eligible to participate in the Company's Defined Contribution pension plan or local equivalent.	–
Annual bonus	The scheme as described in the policy table will apply to new appointees with the relevant maximum being pro-rated to reflect the proportion of the year employed.	100% of salary
PSP	New appointees will be granted awards under the PSP on the same terms as other executives, as described in the policy table.	150% of salary
SIP	New appointees will be eligible to participate on identical terms to other employees.	£3,600

The Committee may also make an award in respect of a new appointment to 'buy out' incentive arrangements forfeited on leaving a previous employer, and may avail itself of the relevant Listing Rule to grant an award under a different structure, as appropriate. In making such awards, the Committee will consider relevant factors including any performance conditions attached to these awards, the likelihood of those conditions being met, and the remaining vesting period of these awards. If such an award is made, details will be disclosed in the following year's Annual Report on Remuneration.

Internal appointments

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

Share Ownership Guidelines

To ensure alignment between the interests of executive Directors and those of shareholders, the Company requires executive Directors to progressively build up and maintain a beneficial holding of Halma plc shares equivalent to a minimum of 100% of salary.

Executive Director Service Contracts and Exit Payment Policies

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

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

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

When considering termination payments under incentive schemes, the Committee reviews all potential incentive outcomes to ensure they are fair to both shareholders and participants. The table below summarises how the awards under the annual bonus and PSP are typically treated in specific circumstances, with the final treatment remaining subject to the Committee's discretion:

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

Pay-for-Performance: Scenario Analysis

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

Potential reward opportunities are based on Halma's current remuneration policy, applied to salaries as at 1 April 2014. Note that the projected values exclude the impact of share price movement.

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

The 'On-target' scenario shows fixed remuneration as above, plus a target payout of 60% of salary under the annual bonus and performance vesting of 44.45% under the PSP (ROTIC of 12% and TSR percentile of 50%).

The 'Maximum' scenario reflects fixed remuneration, plus full payout of all incentives.

Andrew Williams, Chief Executive

Percentages/amounts £000

Fixed	100%	677
On-target	54% 25% 21%	1,251
Maximum	38% 29% 33%	1,789

Kevin Thompson, Finance Director

Percentages/amounts £000

Fixed	100%	430
On-target	52% 24% 24%	828
Maximum	36% 27% 37%	1,209

Salary, pension and benefits Annual bonus Long-term incentives

Neil Quinn, Sector Chief Executive – Process Safety

Percentages/amounts £000

Fixed	100%	264
On-target	46% 26% 28%	571
Maximum	30% 29% 41%	868

Adam Meyers, Sector Chief Executive – Medical

Percentages/amounts £000

Fixed	100%	307
On-target	47% 26% 27%	654
Maximum	31% 29% 40%	989

Remuneration Committee Report continued

Remuneration Policy

Non-executive Directors

Unless otherwise indicated, all non-executive Directors (NEDs) have a specific three-year term of engagement which may be renewed for further three-year terms if both the Director and the Board agree. The remuneration of the Chairman and the NEDs is determined by the Committee and the Board based on independent surveys of fees paid to the Chairman and NEDs of similar companies.

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

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

Non-executive Director	Date of appointment	Notice period
Paul Walker	April 2013	6 months
Stephen Pettit	September 2003	3 months
Jane Aikman	August 2007	3 months
Norman Blackwell	July 2010	3 months
Steve Marshall	July 2010	3 months
Daniela Barone Soares	November 2011	3 months

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

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

Details of the policy on NED fees are set out in the table below:

Purpose and link to strategy	Operation and process	Opportunity
To attract and retain NEDs of the highest calibre with experience relevant to the Company	Fees are normally reviewed annually in April with any increase effective from 1 April. The fee paid to the Chairman is determined by the Committee, and fees to NEDs are determined by the Board. The fees are calculated by reference to current market levels and take account of the time commitment and the responsibilities of the NEDs. Additional fees are payable for acting as Senior Independent Director and for being the Chairman of a Board Committee, as appropriate. Fees are paid in cash.	Aggregate fees are limited to £0.5 million by the Company's Articles of Association. The fees paid to non-executive Directors in respect of the year under review (and for the following year) are disclosed in the Annual Remuneration Report. To avoid setting expectations, there is no prescribed maximum fee. Fee increases will be applied taking into account the outcome of the review.

NED Recruitment

In recruiting a new Chairman or NED, the Committee will use the policy as set out in the table above.

Considerations of Conditions Elsewhere in the Group

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

Considerations of Shareholder Views

When determining remuneration, the Committee takes into account the views of our shareholders and 'best practice' guidelines set by shareholder representative bodies. The Committee always welcomes feedback from shareholders on the Company's remuneration policy and commits to undergoing shareholder consultation in advance of any significant changes to policy. Detail on the votes received on the Directors' Remuneration Report at the prior annual general meeting is provided in the Annual Remuneration Report.

External Directorships

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

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

Annual Remuneration Report

The following section provides details of how Halma's remuneration policy was implemented during the financial year ending 29 March 2014, and how it will be implemented in 2014/15.

The Remuneration Committee

The primary responsibilities of the Remuneration Committee are to:

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

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

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

As at 29 March 2014, the Committee comprised the following non-executive Directors:

- Steve Marshall (Chairman)
- Stephen Pettit
- Norman Blackwell
- Paul Walker (from his appointment)

After year end, Jane Aikman and Daniela Barone Soares joined the Committee as recommended by the Nomination Committee and determined at the 10 April 2014 Board meeting. Geoff Unwin was a member of the Committee during the year, until his retirement from the Board.

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

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

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

External Advisers

Kepler Associates acted as the independent remuneration adviser to the Committee during the year, having been appointed by the Committee in 2011. Kepler attends Committee meetings, as appropriate, and provides advice on remuneration for executives, analysis on all elements of the remuneration policy and regular market and best practice updates. Kepler reports directly to the Committee Chairman and is a signatory to the Code of Conduct for Remuneration Consultants of UK-listed companies (which can be found at www.remunerationconsultantsgroup.com). Kepler provides no other services to the Company, and is therefore considered independent. Kepler's fees for the year were £24,000.

Independent pension advice was provided to the Committee and the Company by Lane, Clark & Peacock LLP during the year. Total fees paid to them for the year were £66,000 primarily related to advice pertaining to cessation of future DB accrual.

Shareholder Vote at 2013 annual general meeting

The following table shows the results of the advisory vote on the 2013 Directors' Remuneration Report at the 25 July 2013 annual general meeting.

	For	Against	Total votes cast	Abstentions
Total number of votes	270,191,620	2,081,758	272,273,378	3,063,744
% of votes cast	99.2%	0.8%	100%	1.1%

Total Single Figure of Remuneration for Executive Directors

The tables below set out the total single figure remuneration received by each Executive Director for the year to 29 March 2014 and the prior year.

							2014
Executive Director	Salary ¹ £000	Benefits ² £000	Pension ³ £000	Annual bonus ⁴ £000	PSP ⁵ £000	SIP ⁶ £000	Total remuneration £000
Andrew Williams	482	27	146	178	1,104	3	1,940
Kevin Thompson	310	14	101	114	684	3	1,226
Neil Quinn	241	14	–	235	538	3	1,031
Adam Meyers ⁷	261	12	12	105	606	–	996

Remuneration Committee Report continued

Annual Remuneration Report

	2013						
Executive Director	Salary ¹ £000	Benefits ² £000	Pension ³ £000	Annual bonus ⁴ £000	PSP ⁵ £000	SIP ⁶ £000	Total remuneration £000
Andrew Williams	450	27	159	216	922	3	1,777
Kevin Thompson	290	15	135	138	641	3	1,222
Neil Quinn	231	13	–	231	511	3	989
Adam Meyers ⁷	249	14	8	249	329	–	849

¹ Salary: amount earned for the year.

² Benefits: company car and private medical insurance.

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

⁴ Annual bonus: payment for performance during the year.

⁵ PSP: the value at vesting of awards vesting on performance during the years ending 29 March 2014 and 30 March 2013.

⁶ SIP: valued based on the face value of shares at grant.

⁷ Remunerated in US dollars and translated at the average exchange rate for the year (2014: US\$1.59; 2013: US\$1.58).

Incentive Outcomes for 2014

Annual bonus in respect of 2014

In 2014, the maximum bonus opportunity for executive Directors was 100% of salary, linked to performance as measured by an Economic Value Added (EVA) calculation (90%) and revenue growth outside the UK, USA and Mainland Europe (10%). In setting appropriate bonus parameters the Committee determined that bonuses of approximately 60% of salary were payable on the achievement of targeted levels of growth.

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

EVA calculation:

Profit for each year	Minus A charge on cost of acquisitions	Minus A charge on working capital	Plus/minus Unrealised profit in inventory	Minus The resultant bonus itself (to make it self-financing)	Equals The EVA for each year
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In the case of a Sector CEO, a bonus is earned if the profit of the sector for which they are responsible exceeds a target calculated from the profits of the three preceding financial years. The profits calculated for this purpose regard each Sector as a stand-alone group of companies charging it with the cost of capital it utilises including the cost of acquisitions.

Bonuses for 2014 are based on the divisional allocation that existed throughout 2014. Transitional provisions exist for restructuring to ensure Sector CEOs remain appropriately incentivised. Subsidiary executives participate in bonus arrangements similar to those established for senior executives.

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

Executive Director	EVA threshold 000	EVA actual 000	Overall bonus outcome (% of salary)	EVA maximum
Andrew Williams	£80,730	£92,712	37%	£101,979
Kevin Thompson	£80,730	£92,712	37%	£101,979
Neil Quinn	£26,605	£32,650	98%	£30,900
Adam Meyers	\$20,074	\$23,335	40%	\$25,075

No discretion was applied by the Committee in determining the annual bonus outcome calculation for 2014. The EVA maximum column represents the EVA performance at which 90% of salary is payable as a bonus (the maximum for 2013/14).

The overall bonus outcome above includes the revenue-related element and the EVA-related element of the incentive.

Performance Share Plan (PSP): 2010 Awards (vesting during the year to 29 March 2014)

On 6 August 2010, the executive Directors received awards of performance shares under the PSP. The performance targets for the 2010 awards are illustrated below and the vesting criteria were 50% TSR-related and 50% ROTIC-related.

Performance conditions for awards made in 2011/12 (and prior)

Percentage of award which vests	TSR (percentile)		
	<50%	50%	≥75%
ROTIC (post-tax)	≤ 9.5%	0%	16.7%
	11.0%	16.7%	33.3%
	12.5%	33.3%	50.0%
	14.0%	50%	66.7%

The three-year period over which performance was measured ended on 1 August 2013. Actual average ROTIC was 16.0% and TSR relative to the FTSE250 excluding financial companies was 74th percentile, which resulted in vesting of 98.13% of the maximum award. The award vested on 6 August 2013, as detailed in the table below:

Executive Director	Interest held	Face value at grant	Vesting %	Interest vesting	Price on vesting	Vesting value
Andrew Williams	200,215	£562,764	98.13%	196,470	561.78p	£1,103,729
Kevin Thompson	124,126	£348,893		121,804		£684,271
Neil Quinn	97,531	£274,140		95,707		£537,663
Adam Meyers	110,005	£309,202		107,947		£606,425

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

Performance Share Plan: Awards (granted during 2013/14)

In August 2013, the executive Directors were granted awards under the PSP, the size of which reflects an assessment of each individual executive's achievement of their objectives (agreed at the start of the 2013 financial year), as follows:

Performance against objectives	Maximum award permitted		Actual award 2014	Estimated vesting in 2017
Chief Executive	140%	At individual % assessment level	133%	84%
Finance Director	140%		129%	82%
Executive Directors	140%		133%	84%

The percentages above are relative to base salaries. The estimated vesting is at 63.2% of awards granted.

Details of the awards granted on 7 August 2013 are provided in the table below:

Executive Director	Awards made during the year	Market price at date of award	Face value at date of award	Face value at date of award (% of salary)
Andrew Williams	114,646	557.6p	£639,266	133%
Kevin Thompson	71,041		£396,125	128%
Neil Quinn	57,054		£318,133	132%
Adam Meyers	62,767		£349,989	140%

The face value of the awards as a percentage of salary can differ from the individual assessment level in the first table due to part of the total share award being delivered through the SIP (for UK executives) and due to using the prior year average exchange rate for translation of US executives' salaries when determining the award. On the latter basis, Adam Meyers' face value was 133% compared to his salary of \$415,000 translated at \$1.58.

Remuneration Committee Report continued

Annual Remuneration Report

The three-year performance period over which ROTIC performance will be measured is April 2013 to March 2016. TSR performance is measured between 1 May 2013 and 1 August 2016 due to three-month averaging of TSR at 1 August 2013 being compared to the three-month average at 1 August 2016. The award is eligible to vest in its entirety on the third anniversary of the date of grant (i.e. 7 August 2016), subject to 50% on ROTIC and 50% on TSR performance. The performance targets applicable to awards granted in 2013 are illustrated below.

Performance conditions for awards made in 2013/14 (unchanged from 2012/13)

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

Total Single Figure of Remuneration for non-executive Directors

The table below sets out the total single figure remuneration received by each NED for the year to 29 March 2014 and the prior year.

Non-Executive Director	Base fee		Additional fees		Total fees	
	2014	2013	2014	2013	2014	2013
Paul Walker ¹	£130,667	N/A	£2,310	N/A	£132,977	N/A
Stephen Pettit	£42,000	£40,000	£12,500	£12,500	£54,500	£52,500
Jane Aikman	£42,000	£40,000	£10,000	£10,000	£52,000	£50,000
Norman Blackwell	£42,000	£40,000	£7,500	£5,000	£49,500	£45,000
Steve Marshall	£42,000	£40,000	£12,500	£12,500	£54,500	£52,500
Daniela Barone Soares	£42,000	£40,000	£2,500	£2,500	£44,500	£42,500
Geoff Unwin ¹	£43,750	£165,000	N/A	N/A	£43,750	£165,000

¹ Paul Walker was appointed to the Board on 12 April 2013 and the Chairman of the Board on 25 July 2013. Geoff Unwin retired from the Board on 25 July 2013.

Payments to past directors

During the year under review, no payments were made to past directors.

Exit Payments

No exit payments were made during the year under review.

Implementation of Remuneration Policy for 2015 Salary

The Committee conducted a consultation of the top ten shareholders in February and March 2014. The consultation was prompted by the Committee's identification that, whilst Halma's performance in terms of TSR and market capitalisation has been strong in recent years, salaries for Halma's executive Directors (and the fair value of the total package) were not competitive for a Group of Halma's size and complexity. The Committee believed it was appropriate to move salaries above market lower quartile and closer to a market median level. Going forward, it is anticipated that salary increases will normally align with those awarded across the Group more generally. The Committee recognises the need to continue to exercise restraint on executive remuneration, and notes that the resulting packages remain below median for companies of our size and sector. Therefore, the Committee approved the following salary increases with effect from 1 April 2014. By way of comparison, the average salary increase across the sectors for 2015 was between 3% and 4%.

Executive Director	Salary from 1 April 2014	Salary from 1 April 2013	% change
Andrew Williams	£515,000	£482,000	6.8%
Kevin Thompson	£330,000	£310,000	6.5%
Neil Quinn	£250,000	£241,000	3.7%
Adam Meyers	\$450,000	\$415,000	8.4%

Pension and benefits

No change to the executive Directors' current pension and benefits arrangements is anticipated for 2014/15.

Annual bonus

The maximum annual bonus opportunity for executive Directors in 2015 will remain unchanged from the opportunity in 2014 and will be 100% of salary.

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

PSP

PSP awards of new shares will be made in August 2014. The number of shares of which awards will be made is determined by the share price leading up to the award, but the value of each award, relative to salary has been determined based on the individuals' personal, financial and governance objectives as follows:

Executive Director	Salary for 2014/15	PSP attainment (140% max)	Value of August 2014 award
Andrew Williams	£515,000	131.0%	£674,650
Kevin Thompson	£330,000	135.5%	£447,150
Neil Quinn	£250,000	136.4%	£341,000
Adam Meyers	\$450,000	126.5%	£358,019

Chairman and non-executive Director fees

The Chairman's and the NEDs' fees, as detailed below, were last reviewed by the Board in April 2014. Fees will next be reviewed in April 2015.

Fees	Fees from 1 April 2014	Fees from 1 April 2013
Chairman	£180,000	£175,000
Base fee	£48,000	£42,000
Senior Independent Director	£5,000	£5,000
Audit Committee Chair	£7,500	£10,000
Remuneration Committee Chair	£7,500	£7,500
Committee Member	£nil	£2,500

The committee membership fee has been consolidated into the base fee with effect from 1 April 2014 and appropriate adjustments made to committee chair fees such that the year on year total fees of the Chairman and non-executive Directors have an overall increase of 3%.

Percentage Change in CEO Remuneration

The table below shows the percentage change in the CEO's remuneration from the prior year compared to the average percentage change in remuneration for other employees. To provide a meaningful comparison, the analysis includes only salaried employees and is based on a consistent set of employees, i.e. the same individuals appear in the 2014 and 2013 populations.

	2014	2013		
	CEO £000	CEO £000	CEO % change	Other employees % change
Salary	482	450	7%	5%
Taxable benefits	27	27	–%	–%
Annual bonus	178	216	(18)%	(9)%

Remuneration Committee Report continued

Annual Remuneration Report

Relative importance of spend on pay

The table below shows the percentage change in total employee pay expenditure and shareholder distributions (i.e. dividends and share buybacks) from the financial year ended 30 March 2013 to the financial year ended 29 March 2014.

	2014 £m	2013 £m	% change
Distribution to shareholders	42.2	39.4	7.1%
Employee remuneration (gross)	180.8	164.9	9.6%
Employee remuneration (pro-rated)	180.8	174.8	3.4%

The Directors are proposing a final dividend for the year ended 29 March 2014 of 6.82p per share (2013: 6.37p).

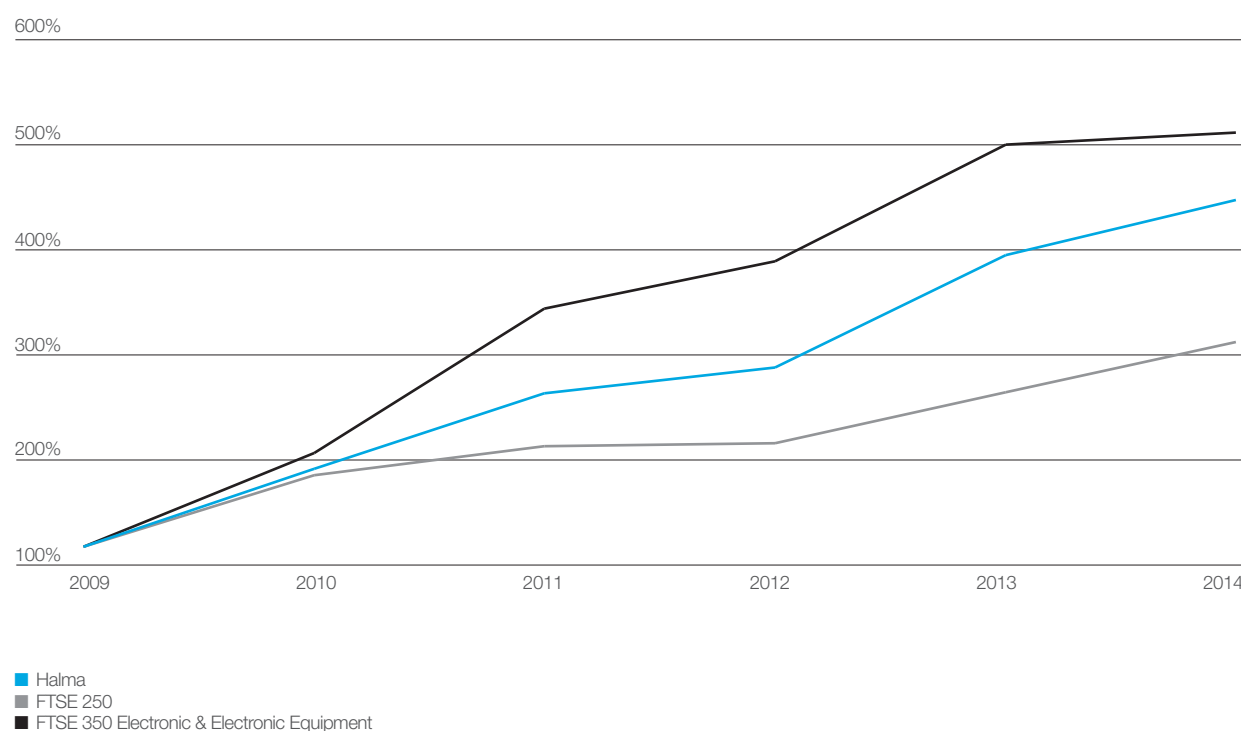
Pro-rated employee remuneration represents a restatement of the prior year employee remuneration for the current year number of employees.

Pay for performance

The five-year graph below shows the Company's TSR performance over the five years to 29 March 2014 as compared to the FTSE250 and the FTSE350 Electronic & Electrical Equipment indices. Over the period indicated, the Company's TSR was 425.2% compared to 292.0% for the FTSE250 and 488.4% for the FTSE350 Electronic & Electrical Equipment Index.

The FTSE250 has been selected as a broad market comparator, and the FTSE350 Electronic & Electrical Equipment index has been selected because the Company believes that the constituent companies of this index are the most appropriate for this comparison as they are affected by similar commercial and economic factors to Halma. The table below the chart details the CEO's single figure remuneration and actual variable pay outcomes over the same period.

Total Shareholder Return (five years)



	2010	2011	2012	2013	2014
CEO single figure remuneration (£000)	£1,349	£1,553	£1,805	£1,777	£1,940
Annual bonus outcome (% of maximum)	19%	100%	40%	48%	37%
PSP vesting outcome (% of maximum)	91%	96%	100%	100%	98%

Directors' Interests in Halma Shares

The interests of the Directors in office at 29 March 2014 and their families in the ordinary shares of the Company at the following dates were as follows:

	Shares 29 March 2014	Shares 30 March 2013
Paul Walker	30,000	–
Andrew Williams	522,029	501,501
Kevin Thompson	357,711	341,044
Stephen Pettit	2,000	2,000
Neil Quinn	301,264	271,736
Jane Aikman	2,000	2,000
Adam Meyers	296,953	267,313
Norman Blackwell	2,000	2,000
Steve Marshall	2,000	2,000
Daniela Barone Soares	1,319	736

The executive Directors have each met the guideline of holding Company shares to the value of at least one times salary. Paul Walker held no interests in the Company's shares upon his appointment. There are no other non-beneficial interests of Directors. There were no changes in Directors' interests from 29 March 2014 to 12 June 2014.

Details of Directors' interests in shares and options under Halma long-term incentives are set out in the sections below.

Directors' Interests in Halma Share Plans

Details of Directors' outstanding performance shares under the PSP free shares under the SIP and share options under the Share Option Scheme (SOS) are outlined in the tables below.

	Date of grant	As at 30 March 2013	Granted/ (vested) in the year	Five-day average share price on grant (p)	As at 29 March 2014
PSP					
Andrew Williams	6 Aug 10	200,215	(196,470)	281.08	–
	12 Aug 11	164,912		362.34	164,912
	8 Aug 12	141,658		403.70	141,658
	7 Aug 13		114,646	557.60	114,646
Kevin Thompson	6 Aug 10	124,126	(121,804)	281.08	–
	12 Aug 11	103,571		362.34	103,571
	8 Aug 12	98,066		403.70	98,066
	7 Aug 13		71,041	557.60	71,041
Neil Quinn	6 Aug 10	97,531	(95,707)	281.08	–
	12 Aug 11	80,810		362.34	80,810
	8 Aug 12	70,954		403.70	70,954
	7 Aug 13		57,054	557.60	57,054
Adam Meyers	6 Aug 10	110,005	(107,947)	281.08	–
	12 Aug 11	88,552		362.34	88,552
	8 Aug 12	82,408		403.70	82,408
	7 Aug 13		62,767	557.60	62,767

The performance conditions for PSP shares awarded in August 2010 and 2011 differ from those awarded in August 2012 and 2013. The performance conditions attached to the awards are outlined on pages 83 and 84.

As at year end, the vesting expectations for grants made in 2011 is 79%; for grants made 2012, 61%, and for grants made in 2013, 42%.

Remuneration Committee Report continued

Annual Remuneration Report

	Date of grant	As at 30 March 2013	Granted/ (withdrawn) in the year	Share price on award (p)	As at 29 March 2014
SIP					
Andrew Williams	1 Oct 10	857		319.60	857
	1 Oct 11	921		315.60	921
	1 Oct 12	695		431.10	695
	1 Oct 13		528	567.50	528
Kevin Thompson	1 Oct 10	882		319.60	882
	1 Oct 11	949		315.60	949
	1 Oct 12	695		431.10	695
	1 Oct 13		528	567.50	528
Neil Quinn	1 Oct 10	882		319.60	882
	1 Oct 11	949		315.60	949
	1 Oct 12	695		431.10	695
	1 Oct 13		528	567.50	528

The SIP shares are held in an external trust and become the employee's absolutely after three years. There are tax benefits for retaining the shares in the trust for five years.

Details of Directors' outstanding share options as at 29 March 2014 are outlined in the table below.

	As at 30 March 2013	Lapsed in the year	Exercised in the year	As at 29 March 2014
SOS				
Andrew Williams	69,666	(30,299)	–	39,367
Kevin Thompson	104,000	(47,761)	–	56,239
Neil Quinn	96,970	(47,761)	–	49,209
Adam Meyers	107,462	(37,992)	–	69,470

There were no share option grants or exercises during the financial year. Adam Meyers has one exercisable option over 38,063 shares at a price of 145.67p; this option must be exercised, in whole or in part, before 24 June 2015.

The remaining share options have an exercise price of 142.25p and are subject to performance conditions which have not yet been met, but will be independently tested upon publication of the 2014 Annual Report and Accounts. These options lapse on 18 August 2014 if not exercised before then.

The Company's Register of Directors' Interests, which is open to inspection at the Registered Office, contains full details of Directors' shareholdings and share options. There have been no variations to the terms and conditions or performance criteria for share options during the financial year.

Directors' pensions

As noted below, the UK executive Directors are members of the appropriate section of the Halma Group Pension Plan ('Plan'). This section is a funded final salary occupational pension plan registered with HMRC, which provides a maximum pension of two-thirds of final pensionable salary after 25 or more years' service at normal pension age (60). Up to 5 April 2006, final pensionable salary was the greatest salary of the last three complete tax years immediately before retirement or leaving service. From 6 April 2011, final pensionable salary was capped at £139,185 and is increased annually thereafter by CPI (currently £153,684).

Bonuses and other fluctuating emoluments and benefits-in-kind are not pensionable nor subject to any pension supplement. The Plan also provides for life cover of three times salary, pensions in the event of early retirement through ill-health and dependants' pensions of one-half of the member's prospective pension.

Early retirement pensions, currently possible from age 55 with the consent of the Company and the trustees of the Plan, are subject to actuarial reduction. Pensions in payment increase by 3% per annum for service up to 5 April 1997, by price inflation (subject to a maximum of 5%) through to 31 March 2007 and 3% thereafter.

Whilst pension benefits are accruing, executive Directors receive pension supplements to compensate them for the fact that their pension accrual entitlement under the Halma Group Pension Plan defined benefit arrangements is limited by the pensionable salary cap introduced from 6 April 2006 or the Lifetime Allowance. The Company introduced a pensionable salary cap in order to address changes affecting the Plan made in the Pension Act 2006.

During the year, the Company announced the closure of the DB section to future accrual with effect from 1 December 2014. The Company obtains external advice regarding the changes to the Plan and executive pension arrangements and provides educational seminars on the impact of pension legislation changes (annual and lifetime allowances) on individuals. Otherwise, executive Directors are responsible for obtaining advice specific to their circumstances.

Prior to drawing his pension, to the extent that an executive's current salary exceeds the Plan salary cap, the Company compensates him at an annual rate of 26% of the excess. In April 2006, Kevin Thompson chose to cease future service accrual in the Plan in return for the pension supplement on his full salary. In April 2014, Andrew Williams chose to cease future service accrual in the Plan in return for the pension supplement on his full salary. This change is, broadly, cost neutral.

Neil Quinn has reached the Normal Retirement Date and is drawing his pension, therefore no future pension contribution or cash supplement is payable.

Two Directors accrued benefits under the Company's Defined Benefit pension plan during the year as follows.

Executive Director	Age at 29 March 2014	Years of pensionable service at 29 March 2014	Increase in accrued benefits £000	Increase in accrued benefits net of inflation £000	Accrued benefits at 29 March 2014 £000
Andrew Williams	46	20	5	3	60
Kevin Thompson	54	18	4	1	112

The accrued pension shown is that which would be paid annually on retirement at age 60 based on service to the end of the year.

Executive Director	Transfer value at 30 March 2013 £000	Transfer value at 29 March 2014 £000	Director contribution in the year £000	Transfer value increase/ (decrease) after deducting Director contribution £000
Andrew Williams	816	864	17	31
Kevin Thompson	2,156	2,262	–	106

The transfer values disclosed above do not represent a sum paid or payable to the individual Director. Instead they represent a potential liability of the pension plan. The transfer values are Gilt-related and depend upon the relative standings of the Gilt market at the respective valuation dates. The increase in transfer values in recent years is predominantly due to the significant reduction in the yields available on UK Gilts. Other factors that have increased the transfer values are the impact of any additional service, revaluation in line with inflation and any real salary increases as well as the anticipated ageing of the member. These values have been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11.

Adam Meyers is a member of the US 401k money purchase scheme. Company contributions paid in the year were \$18,600 (£11,698) (2013: \$12,500 (£7,911)).

Other Statutory Information

Activities

Halma plc is a holding company. A list of its principal subsidiary companies and their activities is set out on pages 154 to 157.

Ordinary dividends

The Directors recommend a final dividend of 6.82p per share and, if approved, this dividend will be paid on 20 August 2014 to ordinary shareholders on the register at the close of business on 18 July 2014. Together with the interim dividend of 4.35p per share already paid, this will make a total of 11.17p (2013: 10.43p) per share for the financial year.

Share capital and capital structure

Details of the share capital, together with details of the movements in the share capital during the year, are shown in note 22 to the accounts. The Company has one class of ordinary shares which carry no right to fixed income. Each share carries the right to one vote at general meetings of the Company.

There are no other classes of share capital. There are no specific restrictions on the size of a holding nor on the transfer of shares, with both governed by the general provisions of the Articles of Association and prevailing legislation. No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

Rights and obligations of ordinary shares

Holders of ordinary shares are entitled to attend and speak at general meetings of the Company and to appoint one or more proxies or, if the holder of shares is a corporation, one or more corporate representatives. On a show of hands, each holder of ordinary shares who (being an individual) is present in person or (being a corporation) is present by a duly appointed corporate representative, not being himself a member, shall have one vote, as shall proxies (unless they are appointed by more than one holder, in which case they may vote both for and against the resolution in accordance with the holders' instructions). On a poll every holder of ordinary shares present in person or by proxy shall have one vote for every share of which he is the holder. Electronic and paper proxy appointments and voting instructions must be received not later than 48 hours before the meeting. A holder of ordinary shares can lose the entitlement to vote at general meetings where that holder has been served with a disclosure notice and has failed to provide the Company with information concerning interests held in those shares. Except as set out above and as permitted under applicable statutes, there are no limitations on voting rights of holders of a given percentage, number of votes or deadlines for exercising voting rights.

Restrictions on transfer of shares

The Directors may refuse to register a transfer of a certificated share that is not fully paid, provided that the refusal does not prevent dealings in shares in the Company from taking place on an open and proper basis or where the Company has a lien over that share. The Directors may also refuse to register a transfer of a certificated share unless the instrument of transfer is: (i) lodged, duly stamped (if necessary), at the registered office of the Company or any other place as the Board may decide accompanied by the certificate for the share(s) to be transferred and/or such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer; (ii) in respect of only one class of shares; (iii) in favour of a person who is not a minor, infant, bankrupt or a person of unsound mind; or (iv) in favour of not more than four persons jointly.

Transfers of uncertificated shares must be carried out using CREST and the Directors can refuse to register a transfer of an uncertificated share in accordance with the regulations governing the operation of CREST.

There are no other restrictions on the transfer of ordinary shares in the Company except certain restrictions which may from time to time be imposed by laws and regulations (for example insider trading laws); or where a shareholder with at least a 0.25% interest in the Company's certificated shares has been served with a disclosure notice and has failed to provide the Company with information concerning interests in those shares. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

Treasury shares

Shares held in treasury do not have voting rights and are not eligible for dividends.

Employee share plans

Details of employee share plans are set out in note 23 to the accounts.

Appointment and replacement of directors

With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association, the UK Corporate Governance Code, the Companies Act and related legislation. Directors can be appointed by the Company by ordinary resolution at a general meeting or by the Board. If a Director is appointed by the Board, such Director will hold office until the next annual general meeting and shall then be eligible for re-election at that meeting. Therefore, with the exception of Norman Blackwell and Steve Marshall, in accordance with the UK Corporate Governance Code each of the Directors, being eligible, will offer themselves for re-election at this year's Annual General Meeting. The Company can remove a Director from office, including by passing a special resolution or by notice being given by all the other Directors. The Articles themselves may be amended by special resolution of the shareholders.

Power of Directors

The powers of Directors are described in the Matters Reserved for the Board, copies of which are available on request from the Company Secretary, and the Corporate Governance Report on pages 59 to 65.

Essential contracts and change of control

There are a number of agreements that take effect, alter or terminate upon a change of control of the Company, principally bank loan agreements and employee share plans.

The only significant agreement, in terms of its likely impact on the business of the Group as a whole, containing such provisions is that governing the £360m syndicated revolving credit facility which, if within 10 days of a change of control notice to the Loan agent, can result in 30 days' notice being given to the Company by any Lender, for all amounts outstanding to that Lender, to be immediately due and payable, at which time the commitment of that Lender will be cancelled. If all of the Lenders give this notice the whole facility would be cancelled.

The Group has contractual arrangements with a wide range of suppliers. The Group is not unduly dependent upon contractual arrangements with any particular customer. Whilst the loss or disruption to certain of these arrangements could temporarily affect the Group's business, none is considered to be essential.

The Company's share plans contain provisions as a result of which options and awards may vest and become exercisable on a change of control of the Company in accordance with the rules of the plans.

The Directors are not aware of any agreements between the Company and its directors or employees that provide for

compensation for loss of office or employment that occurs because of a takeover bid.

Allotment authority

Under the Companies Act 2006 the Directors may only allot shares if authorised by shareholders to do so. At the Annual General Meeting an ordinary resolution will be proposed which, if passed, will authorise the Directors to allot and issue new shares up to an aggregate nominal value of £12,500,000 (up to 125,000,000 new ordinary shares of 10p each), being just less than one-third of the issued share capital of the Company (excluding treasury shares) as at 9 June 2014 (the latest practicable date prior to the publication of the Notice of Meeting).

In accordance with the Directors' stated intention to seek annual renewal, the authority will expire at the conclusion of the annual general meeting of the Company in 2015. Passing this resolution will give the Directors flexibility to act in the best interests of shareholders, when opportunities arise, by issuing new shares.

As at 9 June 2014 (the latest practicable date prior to the publication of the Notice of Meeting), the Company had 379,018,522 ordinary shares of 10p each in issue of which 1,278,148 were held as treasury shares, which is equal to approximately 0.3% of the issued share capital of the Company (excluding treasury shares) as at that date.

The Companies Act 2006 also requires that, if the Company issues new shares for cash or sells any treasury shares, it must first offer them to existing shareholders in proportion to their current holdings. At the Annual General Meeting a special resolution will be proposed which, if passed, will authorise the Directors to issue a limited number of shares for cash and/or sell treasury shares without offering them to shareholders first. The authority is for an aggregate nominal amount of up to 5% of the aggregate nominal value of the issued share capital of the Company as at 9 June 2014 (the latest practicable date prior to the publication of the Notice of Meeting). The resolution will also modify statutory pre-emption rights to deal with legal, regulatory or practical problems that may arise on a rights issue or other pre-emptive offer or issue. The authority will expire at the same time as the resolution conferring authority on the Directors to allot shares. The Directors consider this authority necessary in order to give them flexibility to deal with opportunities as they arise, subject to the restrictions contained in the resolution. There are no present plans to issue shares, except under share plans previously approved in general meeting.

Directors

The names of the Directors of the Company who served throughout the year, with brief biographies, are set out on pages 56 and 57.

Directors' indemnities

The Company has entered into deeds of indemnity with each of the current Directors, which remain in force at the date of this report. These are qualifying third-party indemnity provisions for the purposes of the Companies Act 2006.

Purchase of the Company's own shares

The Company was authorised at the 2013 annual general meeting to purchase up to 37,700,000 of its own 10p ordinary shares in the market. This authority expires at the end of the 2014 Annual General Meeting. In accordance with the Directors' stated intention to seek annual renewal, a special resolution will be proposed at the Annual General Meeting to renew this authority, until the end of next year's annual general meeting, in respect of up to 37,700,000 ordinary shares, which is approximately 10% of the Company's issued share capital (excluding treasury shares) as at 9 June 2014 (the latest practicable date prior to the publication of the Notice of Meeting). The Directors consider it desirable that the possibility of making such purchases, under appropriate circumstances, is available. Their present intention is that the shares purchased under the authority will be held in treasury for future cancellation, sale for cash or transfer for the purposes of, or pursuant to, an employee share plan, although in the light of circumstances at the time it may be decided to cancel them immediately on repurchase. The effect of any cancellation would be to reduce the number of shares in issue. For most purposes, while held in treasury, shares are treated as if they have been cancelled (for example, they carry no voting rights and do not rank for dividends).

Following approval of the Performance Share Plan (PSP) at the 2005 annual general meeting, the Directors made, and intend to continue to make, routine purchases of Halma shares in the market for holding in treasury until required for vesting under the PSP. In the year to 29 March 2014, 1,333,516 shares, with a nominal value of £133,351.60, which is 0.3% of the Company's issued share capital as at 9 June 2014 (the latest practicable date prior to the publication of the Notice of Meeting), were purchased in the market for treasury. Otherwise, the Directors have no present intention of using this authority. In reaching a decision to purchase shares, the Directors will take into account the Company's cash resources, capital requirements and the effect of any purchase on the Company's earnings per share. It is anticipated that renewal of the authority will be requested at subsequent annual general meetings.

As at 9 June 2014, which is the latest practicable date prior to the publication of the Notice of Meeting, options were outstanding to subscribe for a total number of 626,810 ordinary shares, or 0.2% of the Company's issued share capital. If the proposed authority were to be used in full and all of the repurchased shares were cancelled (but the Company's issued share capital otherwise remained unaltered), the total number of options to subscribe for ordinary shares at that date would represent approximately 0.2% of the Company's issued share capital (excluding treasury shares).

Other Statutory Information continued

Substantial shareholdings

On 9 June 2014, the Company had been notified, in accordance with chapter 5 of the Disclosure and Transparency Rules, of the following voting rights as a shareholder of the Company.

	29 March 2014		9 June 2014		Nature of holdings
	No. of ordinary shares	Percentage of voting rights and issued share capital	No. of ordinary shares	Percentage of voting rights and issued share capital	
Massachusetts Financial Services Company	18,904,896	5.00	37,841,275	10.20	Indirect
Sprucegrove Investment Management Ltd	18,776,510	4.97	18,776,510	4.97	Indirect
Schroder Investment Management	18,667,466	4.94	18,667,466	4.94	Indirect
Norges Bank	14,872,138	3.94	14,872,138	3.94	Direct
BlackRock Inc	14,646,007	3.88	14,646,007	3.88	Indirect
Mawer Investment Management	11,333,276	3.00	11,333,276	3.00	Direct
Capital Group	11,543,117	3.06	11,251,043	2.98	Indirect

Annual General Meeting

The Company's Annual General Meeting will be held on 24 July 2014. The Notice of Meeting, together with an explanation of the proposed resolutions, is enclosed with this Annual Report and Accounts and is also available on the Company's website at www.halma.com.

Special Business

The Board will propose three special resolutions under Special Business at the Annual General Meeting. One of these is to permit the Company to retain the ability to call general meetings (other than annual general meetings) at 14 days' notice rather than 21 days' notice, in accordance with the EU Shareholder Rights Directive implemented in August 2009.

Auditor

Each of the persons who is a Director at the date of approval of this Annual Report and Accounts confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's Auditor is unaware; and
- the Director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Deloitte LLP has expressed its willingness to continue in office as Auditor and a resolution to reappoint Deloitte LLP will be proposed at the forthcoming Annual General Meeting.

By order of the Board

Carol Chesney
Company Secretary

12 June 2014

Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have chosen to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

By order of the Board

Andrew Williams
Chief Executive
12 June 2014

Kevin Thompson
Finance Director

Independent Auditor's Report to the Members of Halma plc

Opinion on financial statements of Halma plc

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 29 March 2014 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The financial statements comprise the Group Consolidated Income Statement, the Group Consolidated Statement of Comprehensive Income, the Group Consolidated and Parent Company Balance Sheets, the Group Consolidated Cash Flow Statement, the Group Consolidated Statement of Changes in Equity, the Parent Company Reconciliation of Movements in Shareholders' Funds and the related notes 1 to 31 and C1 to C12. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Going concern

As required by the Listing Rules we have reviewed the Directors' statement contained within page 65 that the Group is a going concern. We confirm that:

- we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
- we have not identified any material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team:

Risk	How the scope of our audit responded to the risk
Valuation of goodwill and intangible assets There is a risk relating to the assumptions and assertions used by management to support their assessment of both the recoverable amount of goodwill and intangible assets. There are a number of key judgements in determining their recoverable amounts, including growth rates, discount rates applied and the forecast future trading performance.	We challenged the adequacy and reasonableness of assumptions used in management's impairment calculations and the appropriateness of judgements and forecasts used to conclude on asset impairment including a specific review and challenge of discount rates and growth rates, the appropriateness of the level of aggregation of individual cash generating units (CGUs) and the methodology applied. We benchmarked the discount rates with published rates for the external peer group and agreed the CGU groupings to information reviewed by management to make decisions about their business. We also challenged the forecast cash flows used in the model against historical performance and post period trading data. We recalculated management's sensitivity analysis and replaced key assumptions with alternative scenario values applying the highest discount rate applied by peer group companies, capping the short-term growth rates at long term rates and capping the growth assumed in the budgets at historical growth levels. Having audited the assumptions within management's annual impairment assessment, we checked the arithmetical accuracy of the impairment model. We also assessed whether the annual report disclosure included specific growth and discount rates for those deemed to be significant CGUs.
Acquisition accounting There is a risk that acquisitions are not accounted for correctly in line with IFRS 3 'Business combinations'. The risk relates to the assumptions and assertions used by management to forecast future trading performance to determine both the fair value of acquired assets and future contingent consideration payments. For this period there is a risk that the contingent consideration provisions are provided at the incorrect value, based on inaccurate forecasts. This would result in future cost variances on settlement being recorded in that period's Consolidated Income Statement.	For historical acquisitions we compared the forecast contingent consideration positions to post year end trading results, approved budgets and historical levels of settlement. We recalculated the release of £12m of the balance based on the latest management budgets and assessed whether management has disclosed adequately the release of the provision in the Consolidated Income Statement. We agreed the underlying data in the contingent consideration calculation to signed sale and purchase agreements and the trading performance to the audited entity trial balance for the current period. We assessed whether management's treatment of contingent consideration payment arrangements for former owners, as either additional purchase consideration or post-acquisition remuneration, is appropriate. We obtained calculations updating the fair value adjustments for material acquisitions in the prior period and confirmed that the period of assessment was correct as well as confirming that the adjustment was supported by actual trading data.

Risk	How the scope of our audit responded to the risk
Defined Benefit pension plan assumptions There is a risk relating to judgements made by management in valuing the Defined Benefit pension plans including the use of key model input assumptions such as the discount rate, mortality assumption and inflation level. There is also a risk in accounting for non-standard pension transactions that occur infrequently and are by their nature potentially complex.	We used our internal actuarial experts to assess the assumptions applied in determining the pension obligations, particularly given recent market volatility, and determined whether the key assumptions are reasonable. This included reviewing available yield curves and inflation data to recalculate a reasonable range for the key assumptions. We challenged management to understand the sensitivity of changes in assumptions and quantify a range of reasonable rates that could be used in their calculation. We discussed the output of sensitivity analysis with management and the third party actuarial advisers. We checked the arithmetical accuracy of the pension calculation model. Additionally we benchmarked key assumptions against other listed companies to check for any outliers in the data used. During the period a curtailment gain of £4.2m was recorded in respect to the closure of the UK Defined Benefit pension plans to future benefit accruals. We verified the amendments to the trust deed and confirmed that the trustees' deed of amendment letters were signed before the year end, confirming the obligation to close the plans to future benefit accruals. The Audit Committee's consideration of these risks is set out on pages 68 and 69. Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the Group to be £9.8m which is 7% of statutory pre-tax profit and 2% of net assets.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £196,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

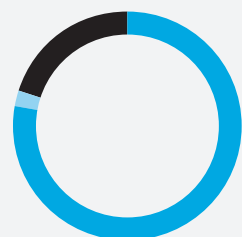
An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. Based on that assessment, we focused our Group audit scope primarily on the audit work at 43 locations covering 52 out of 81 trading entities in the Group. 46 of the 52 entities were subject to a full audit, whilst the remaining 6 were subject to specified audit procedures where the extent of our testing was based on our assessment of the risks of material misstatement and of the materiality of the Group's operations at those locations. These 52 entities represent principal business units and account for 80% of the Group's net assets, 74% of the Group's revenue and 73% of the Group's profit before tax. They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. Our audit work on the 52 entities was executed at levels of materiality applicable to each individual entity which were lower than Group materiality.

At the Parent entity level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.

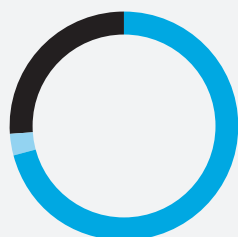
The Group audit team continued to follow a programme of planned visits that has been designed so that the Senior Statutory Auditor or a senior member of the Group audit team visits key locations where the Group audit scope is focused at least once every three years and any significant components at least once a year (defined as contributing greater than 10% of Group profit or revenue).

Net assets



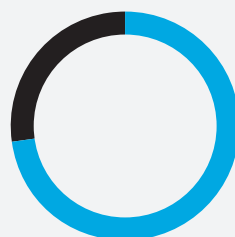
■ Full audit scope	78%
■ Specified audit procedures	2%
■ Head office review	20%

Revenue



■ Full audit scope	71%
■ Specified audit procedures	3%
■ Head office review	26%

Profit before tax



■ Full audit scope	73%
■ Specified audit procedures	0%
■ Head office review	27%

Independent Auditor's Report to the Members of Halma plc continued

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

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

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns. We have nothing to report arising from these matters.

Corporate Governance Statement

Under the Listing Rules we are also required to review the part of the Corporate Governance Statement relating to the Company's compliance with nine provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

Our duty to read other information in the Annual Report and Accounts

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report and Accounts is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the Annual Report and Accounts is fair, balanced and understandable and whether the Annual Report and Accounts appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

Respective responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team, strategically focused second partner reviews and independent partner reviews.

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

Scope of the audit of the financial statements

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

Alexander Butterworth ACA (Senior statutory auditor)

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

Reading, UK

12 June 2014