



HALMA plc

RESULTS FOR THE 52 WEEKS TO 28 MARCH 2015

11 JUNE 2015

Record performance and sustained dividend growth

Halma, the leading safety, health and environmental technology group, today announces its results for the 52 weeks to 28 March 2015.

Financial Highlights

	2015	2014	Change
Continuing Operations:			
Revenue	£726.1m	£676.5m	+7%
Adjusted Profit before Taxation ¹	£153.6m	£140.2m	+10%
Adjusted Earnings per Share ²	31.17p	28.47p	+9%
Statutory Profit before Taxation ³	£133.6m	£138.7m	-4%
Statutory Earnings per Share ³	27.49p	28.14p	-2%
Total Dividend per Share ⁴	11.96p	11.17p	+7%
Return on Sales ⁵	21.2%	20.7%	
Return on Total Invested Capital ⁶	16.3%	16.7%	
Net Debt	£100.9m	£74.5m	

- Adjusted¹ pre-tax profit up 10% on revenue up 7%. Organic constant currency growth⁶: profit up 7%, revenue up 5%.
- Organic constant currency⁶ revenue growth in all four sectors. Strong profit growth in Process Safety, Infrastructure Safety and Medical; Environmental & Analysis restructuring now complete with improved profitability in the second half of the year.
- Organic constant currency⁶ revenue growth in all major regions with good performance in the USA; solid progress in the UK, Europe and Asia Pacific.
- Revenue from developing markets outside of the UK, Europe and the USA continued to expand, reaching 27% of total revenue (2014: 25%).
- Simplified sector management structure operating well, with clear progress on sector growth strategies and building management talent.
- Three acquisitions completed for £84m net of cash/debt acquired. One business disposal completed at a small gain. Acquisition pipeline remains healthy.
- Strong cash flow and significant financial capacity for further investment. Net debt of £100.9m at year end (2014: £74.5m).
- 7% increase in total dividend per share; 36th consecutive year of dividend per share increases of 5% or more.

Andrew Williams, Chief Executive of Halma, commented:

“Halma has delivered a strong performance, achieving record revenue and profit for the twelfth consecutive year. Widespread organic growth, three acquisitions and one disposal once again demonstrated the benefits of having a clear growth strategy, a simple financial model and a customer-focused organisation.

Changes made to our organisation in April 2014 mean that, in the longer term, each of our four sectors has the potential to grow to become the size of the whole of Halma today, through continued and disciplined execution of our well-proven growth strategy. We expect to make further progress in the year ahead.”

Notes:

- 1 Adjusted to remove the amortisation of acquired intangible assets, acquisition items, profit or loss on disposal of operations and the effects of closure to future benefit accrual of the Defined Benefit pension plans net of associated costs (prior year only), totalling £20.0m (2014: £1.6m). See note 2 to the Results.
- 2 Adjusted to remove the amortisation of acquired intangible assets, acquisition items, profit or loss on disposal of operations, the effects of closure to future benefit accrual of the Defined Benefit pension plans net of associated costs (prior year only), and the associated tax thereon. See note 6 to the Results.
- 3 Statutory profit before taxation and statutory earnings per share were below the prior year because of credits arising in 2014 due to revisions to the estimate of contingent consideration payable on prior years' acquisitions and from the closure to future accrual of the Defined Benefit pension plans. See notes 2 and 6 to the Results.
- 4 Total dividend paid and proposed per share.
- 5 Return on Sales is defined as adjusted¹ profit before taxation from continuing operations expressed as a percentage of revenue from continuing operations.
- 6 Organic growth rates and Return on Total Invested Capital (ROTIC) are non-GAAP performance measures used by management. ROTIC is now calculated using the average Total Invested Capital. The prior year has been restated. See note 11 to the Results.

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A copy of this announcement, together with other information about Halma, may be viewed on its website: www.halma.com.

NOTE TO EDITORS

1. Halma develops and markets products used worldwide to protect life and improve the quality of life. The Group comprises four business sectors:

- Process Safety Products which protect assets and people at work.
- Infrastructure Safety Products which detect hazards to protect assets and people in public spaces and commercial buildings.
- Medical Products used to improve personal and public health.
- Environmental & Analysis Products and technologies for analysis in safety, life sciences and environmental markets.

The key characteristics of Halma's businesses are specialist technology and application knowledge for markets offering strong long term growth potential. Many Group businesses are market leaders in their specialist field.

2. High resolution photos of Halma senior management, including Chief Executive Andrew Williams, and images illustrating Halma business activities can be downloaded from its website: www.halma.com. Click on the 'News & Media' link, then 'Image Library'. Photo queries: David Waller +44 (0)1494 721111, e-mail: dwaller@halmapr.com.
3. You can view or download copies of this announcement and the latest Half Year and Annual Reports from the website at www.halma.com or request free printed copies by contacting halma@halma.com.
4. A copy of the Annual Report and Accounts will be made available to shareholders on 23 June 2015 either by post or online at www.halma.com and will be available to the general public online or on written request to the Company's registered office at Misbourne Court, Rectory Way, Amersham, Bucks HP7 0DE, UK.
5. This announcement contains certain forward-looking statements which have been made by the Directors in good faith using information available up until the date they approved the announcement. Forward-looking statements should be regarded with caution as by their nature such statements involve risk and uncertainties relating to events and circumstances that may occur in the future. Actual results may differ from those expressed in such statements, depending on the outcome of these uncertain future events.

Chairman's Statement

Structured for growth

This has been another successful year for Halma demonstrating the breadth and strength of our portfolio of companies which are focused on protecting life and improving the quality of life for people worldwide.

Last year we announced a significant organisation change in the Group into the four market sectors that we operate in and that the composition of the Executive Board was to be aligned with these sectors. I am pleased to report that the transition of the organisation into this new structure has gone extremely well while at the same time retaining the important elements of local management and entrepreneurship in the businesses. We also believe that this structure provides more opportunity to improve succession planning for senior management as there is clearer visibility of talent and emerging talent in the respective sectors.

During the financial year we acquired three businesses in the Process Safety, Infrastructure Safety and Medical sectors for a total cost of £84m. These businesses have been successfully integrated into their respective sectors and are all performing in line with our expectations on acquisition. It is encouraging that at the start of this new financial year, we have a strong pipeline of potential acquisitions. Identifying suitable acquisitions is an important part of our long-term growth model and I believe that the Sector CEOs will broaden our M&A activity as they focus on the future needs of the markets in which they operate.

The continuing success at Halma is a tribute to the outstanding efforts of our talented workforce and a culture that encourages innovation and strong local decision making.

In April 2015 we held our biennial leadership conference with 250+ people from around the business; this was a great opportunity for our colleagues and the Board to be involved and experience the development and innovation of products and services in the last year. This event has certainly created a healthy competitive culture to be the most innovative company in the Group. In addition, the significant progress that has been made in driving collaboration between the businesses, not only on a sector basis but also across sectors, was pleasingly evident. The examples of businesses sharing technology and know-how with each other, and case studies of how collaboration has enhanced product offering in the marketplace were numerous. Such an innovative culture and the success in our collaborative efforts create an important platform for future growth at Halma.

Governance

The Board continues to maintain a focused and disciplined approach to governance and I believe that a strong governance structure can be one of the principal supports for producing outstanding revenue growth, successful acquisitions and the continued expansion of our business through innovation. The Board also remains focused on ensuring its own effectiveness and the effectiveness of governance processes throughout the Group. It was therefore pleasing that the external Board evaluation this year highlighted the Board's strength and the value it brings to the Group.

During the year I was delighted to welcome Roy Twite and Tony Rice as non-executive Directors to the Halma Board. Roy and Tony bring valuable and different perspectives to our discussions as well as very relevant engineering experience.

After 17 years of service, Neil Quinn retired from the Board in May 2015. I, and my colleagues, would like to thank Neil for his huge contribution to the many businesses with which he has worked successfully over a long period of time. Neil's leadership style allowed businesses to flourish and retain their entrepreneurial spirit in true Halma style.

I would also like to take this opportunity to thank Stephen Pettit, our Senior Independent Director, for his significant contribution and wise counsel to the Company over the last 11+ years. Stephen will retire at the conclusion of our AGM in July after agreeing to stay on for an extra year at last year's AGM after we had two unanticipated Board retirements.

Further information on Corporate Governance is included in the Annual Report and Accounts.

Performance and dividend

This is the twelfth successive year of revenue, adjusted profit and dividend growth which reflects the efforts of our very talented workforce in our businesses around the world. The Board and I would like to thank all of our colleagues for their commitment to driving innovative growth which in turn delivers great value for our shareholders.

I am pleased to report that revenue for the year increased by 7% (2014: 9%) to £726m (2014: £677m) with adjusted¹ profit before tax increasing by 10% (2014: 9%) to £154m (2014: £140m). With half of the profit increase coming from acquisitions, this sits nicely within our financial KPI objective of achieving at least a 5% contribution from acquisitions and at least another 5% organically.

Once again, the Board is recommending a final dividend increase of 7% which is 7.31p per share giving a total dividend for the year of 11.96p. The final dividend per share is subject to approval by shareholders at the AGM on 23 July 2015 and will be paid on 19 August 2015 to shareholders on the register at 17 July 2015. This marks the 36th consecutive year of dividend per share increases of 5% or more.

Summary

During a year of organisation change we have continued to make great progress: strategically; operationally; and financially. However there is no complacency in the changing markets in which we operate. Our priorities for 2016 are to continue to improve focus on our customers and their needs through innovation and our go-to-market strategies. We are also upgrading our talent and education programmes to ensure we have the best people to meet the growing demands of our customers. A key component of this is to ensure that diversity and inclusion are at the heart of our people agenda - essential for a business operating in international markets.

Finally I would like to, again, thank all of my colleagues for their considerable efforts in contributing to a successful

2015 and I look forward to further progress in 2016.

Paul Walker, Chairman

¹ See Financial Highlights.

Strategic Review

A record year with increased investment for the future

Halma has delivered a strong performance, achieving record revenue and profit¹ for the twelfth consecutive year. Widespread organic growth, three acquisitions and one disposal once again demonstrated the benefits of having a clear growth strategy, a simple financial model and a customer-focused organisation.

These results, combined with increased investment in talent, innovation and international expansion give us good momentum for the future. The sector-focused management structure, introduced in April 2014, is well-established and ensures Halma can continue to grow whilst harnessing our core values and operating culture. I have been particularly impressed with the way in which our operating companies continued to perform well during this period of organisational change and thank all Halma employees for their contributions to another successful year.

Good organic growth, high returns and strong cash generation

Adjusted¹ profit was up by 10% to £153.6m (2014: £140.2m) after absorbing a 2% negative impact from currency. Organic profit growth was 7% at constant currency.

Revenue increased by 7% to £726m (2014: £677m), after absorbing a 2% negative impact from currency. Organic revenue growth was 5% at constant currency.

High returns were maintained with Return on Sales increasing to 21.2% (2014: 20.7%). Return on Capital Employed at the operating company level remained exceptionally strong at 78% (2014 restated: 77%) and Return on Total Invested Capital (post-tax) was 16.3% (2014 restated¹: 16.7%).

Strong cash generation ensured that we ended the financial year with net debt of £101m (2014: £74m) after spending £23m on capital expenditure (2014: £17m), £88m on current and prior year acquisitions (2014: £17m) and paying out £43m in dividends (2014: £40m) to shareholders and £31m (2014: £28m) of tax.

Our balance sheet is strong and we have revolving credit facilities of up to £360m until November 2018 to support investment in our future growth.

Widespread growth in all regions

We achieved organic constant currency revenue growth in all four sectors and all major regions.

Revenue from the USA increased by 4% to £223m (2014: £214m) including organic constant currency growth of 7%. UK revenue grew by 8% to £138m (2014: £128m) and Mainland Europe revenue was up by 2% to £167m (2014: £164m) with both including organic constant currency growth of 2%.

Revenue from outside the USA, UK and Mainland Europe improved by 16% to £197m (2014: £170m), representing 27% of total Group revenue (2014: 25%). This included 5% organic constant currency growth from China which, at £49m (2014: £47m), contributes 7% to total Group revenue. Strong growth in our two safety-related sectors helped revenue from Africa, Near and Middle East grow by 33% to £44m (2014: £33m).

Organic revenue growth in all sectors at constant currency

Process Safety revenue grew by 25% to £159m (2014: £127m) including organic constant currency growth of 9%. Profit² improved by an impressive 28% to £44.8m (2014: £34.9m) with organic constant currency growth of 14%. Return on Sales increased from 27.5% to 28.3%.

Organic revenue growth in constant currency was strongest in the USA with good growth in Mainland Europe and a small decline in the UK, Asia Pacific and Africa, Near and Middle East. There was an encouraging contribution from Rohrbach Cosasco Systems, Inc. (RCS), the pipeline corrosion monitoring product company acquired in May 2014, which traded in line with expectations.

Infrastructure Safety revenue increased by 6% to £234m (2014: £220m) including organic constant currency growth of 5%. Profit² was up by 12% to £50m (2014: £44.4m) including organic constant currency growth of 12%. Return on Sales increased from 20.2% to 21.4%.

Organic revenue growth in constant currency was strongest in the UK and Africa, Near and Middle East with more modest growth in the USA and Europe and a small decline in Asia Pacific. Advanced Electronics Limited, the UK-based fire detection control systems manufacturer acquired in May 2014, performed well.

In the **Medical** sector, revenue increased by 4% to £169m (2014: £163m) including organic constant currency growth of 6%. Profit² improved by 9% to £45.4m (2014: £41.8m) including organic constant currency growth of 10%. Return on Sales increased from 25.6% to 26.8%.

There was strong organic constant currency revenue growth in the USA, more modest increases in Mainland Europe and Asia Pacific and a slight decline in the UK. The integration of Plasticspritzerei AG, acquired in May 2014, into our ophthalmic surgical device business, Medice, was completed to schedule and trading has been good for the combined business.

Environmental & Analysis revenue was £164m (2014: £167m) including a small organic constant currency increase. Profit² was 14% lower at £27.4m (2014: £31.7m) including a 12% decline in organic constant currency terms. Return on

Sales was 16.7% (2014: 19.1%).

After a disappointing first half year, operating performance improved in the second half with organic constant currency revenue growth of 2%, providing encouragement for a more sustained recovery in revenue and profitability in 2015/16.

Regionally, in organic constant currency terms, revenue was down in the USA and UK with the latter mainly due to lower investment by UK water utilities in the final year of their five-year investment cycle. There was organic constant currency revenue growth in Mainland Europe and all other major regions (in particular Asia Pacific).

Three acquisitions completed and a good pipeline

Halma completed three acquisitions and one disposal during the year.

The current M&A market remains competitive although our pipeline of opportunities remains good. In the coming years, we expect to benefit from our new sector-focused structure which will provide greater resources to support our acquisition activity.

Our core strategy remains to continue to find privately-owned businesses in, or adjacent to, our existing markets although each sector has the freedom to find new niches which possess the right product, market and financial characteristics.

Every transaction is approved by the Group CEO and Finance Director, with all deals worth more than £10m also approved by the Halma plc Board.

All transactions in the year were completed in May 2014.

- Plasticspritzerei AG, a Swiss-based supplier to our ophthalmic surgical instrument company, Medigel, was acquired for CHF6m (£4m), excluding the cash acquired. This business was immediately merged into Medigel and contributed to the Medical sector's performance.
- Advanced Electronics Limited, a UK-based manufacturer of networked fire detection and control systems was acquired for an initial cash consideration of £14m. Advanced operates as a stand-alone business within our Infrastructure Safety sector.
- Rohrback Cosasco Systems Inc., a California-based manufacturer of pipeline corrosion monitoring systems was acquired for US\$108m (£64m), excluding the cash acquired. RCS operates as a stand-alone business within our Process Safety sector.
- Monitor Elevator Products Inc., a New York-based manufacturer of elevator control panels was sold to another industry player, Innovation Industries, for US\$6m (£4m). Halma recorded a gain before tax of approximately £1m on this transaction. Monitor used to report its performance within our Infrastructure Safety sector.

In May 2015, we completed the acquisition of Value Added Solutions, LLC (trading as VAS Integrated). VAS, which will become part of Diba Industries within the Medical sector, designs and manufactures fluidic-related plastic machined components and assemblies for life sciences and analytical instruments. The initial cash consideration was US\$5m (£3m).

New sectors and Executive Board changes now well established

In April 2014, Halma's Executive Board was reorganised with four new Sector Chief Executive (SCE) positions replacing seven Divisional Chief Executive roles and the addition of a Group Talent Director. During the year, the Executive Board has devoted significant time to developing into their new roles both individually and collectively, and this leaner board is already proving to be a more efficient leadership team.

The strategic rationale for making this change was to give each sector the potential to grow to become the size of the whole of Halma today while retaining the growth strategy and culture which has made Halma successful in the past.

This improved scalability of the Halma model comes from the SCEs appointing Sector Vice Presidents (SVPs) to chair operating companies within their sector and, during the year, we have recruited a new SVP for each sector including two internal promotions. Each sector also has a Sector Finance Director which, together with the SVPs, provides significant additional resources to support each SCE's acquisition efforts.

In May 2015, Philippe Felten took over from Neil Quinn as Process Safety SCE, after a succession planning process started in April 2014. I would like to thank Neil for his service to Halma since joining Apollo Fire Detectors as their Sales Director in 1987. Over 28 years, Neil has served as a Managing Director, Divisional Chief Executive, Sector Chief Executive and as a Halma executive Director, making a significant contribution to Halma's growth.

Continued strategic investment to drive organic growth

Halma is a diverse and decentralised business. Our companies benefit from being part of the Group both through collaboration with other Halma companies and the targeted central investment made by Halma in three key areas: Talent Development, Innovation and International Expansion.

Talent development

Following the appointment of our Group Talent Director, Jennifer Ward in April 2014, we have spent considerable time assessing our senior management talent and we are putting in place better processes to improve our talent pipeline, both internally and externally.

Each subsidiary Managing Director has completed an individual assessment which has highlighted their core strengths and development needs against our future leadership requirements. We have also revised and re-launched our Diversity and Inclusion policy and this was a focus for our senior managers attending the Halma Innovation and Technology Exposition (HITE) in Barcelona in April 2015. We have an increasingly diverse customer base and recognise the need to continuously work to reflect this in the diversity of our leadership teams.

Innovation

Our investment in new products increased once again, with R&D spend up by 8% to £34.6m (2014: £32.1m), representing around 5% of revenue. New product innovation is a vital component of growing revenue through market share gain and market expansion, but Halma's commitment to innovation is much broader and encompasses all aspects of our business.

The biennial HITE events enable senior managers of all Halma's subsidiary companies to meet and share their experience and knowledge with each other. This year's event embraced digital technology with a 'virtual' tradeshow which increased the time and space available for collaboration. It also enabled the winners of the Halma Annual Innovation Awards to be voted for by HITE delegates during the event itself.

The award for Best Product Innovation was won by Alicat Scientific's Whisper series of gas flow meters which accurately measures gas flow rates without the sensor device itself adversely affecting the measurement. The Best Process Innovation was awarded to Netherlocks for its R&D internship programme and the Best Collaboration award went to Crowcon and Perma Pure for Crowcon's Sprint eVo gas analyser which incorporated Perma Pure's gas sample conditioning technology.

International expansion

Halma continues to invest to accelerate subsidiaries' growth in international markets. Regions outside the USA, UK and Mainland Europe now contribute over 27% of the Group revenue compared with less than 18% in 2005, even though we have achieved strong growth in our core developed markets too. A catalyst for our success has been the Halma hubs first created in China in 2006, in India in 2008 and, more recently, replicated by individual sectors in South America.

Halma's approach is to put in place the commercial infrastructure necessary to enable our subsidiary companies to build a direct presence in these target markets more quickly than they would be able to do so alone. For example, in the last two years Halma has subsidised the cost of additional R&D engineers in China for our businesses to develop new products for the local market. To date subsidiary companies have added around 25 new engineers and revenue from the new products launched so far exceeded £2m in 2014/15 and is forecast to be more than double that in the coming year.

Delivering corporate responsibility and sustainability

Our primary market growth drivers mean that Halma companies operate in markets in which their products contribute positively to the wider community. These market characteristics and our commitment to health and safety, the environment and people development are reflected in the values held by our employees and our operating culture.

We review our responsibility and sustainability reporting in accordance with best practice. Legislative changes, particularly concerning the environment and bribery and corruption, have provided an opportunity to review and ensure that our procedures in these important areas are accessible, compliant and firmly embedded within our business.

A detailed report on Corporate Responsibility is set out in the Annual Report and Accounts.

Outlook

I am very pleased with the progress that Halma has made this year by achieving good organic growth, completing three acquisitions and a disposal while further increasing investment in talent development, innovation and international expansion.

Changes made to our organisation in April 2014 mean that, in the longer term, each of our four sectors has the potential to grow to become the size of the whole of Halma today, through continued and disciplined execution of our well-proven growth strategy. We expect to make further progress in the year ahead.

Andrew Williams, Chief Executive

¹ See Financial Highlights.

² See Note 2 to the Results.

Financial Review

Strong record of long-term achievement

Halma aims to deliver sustainable growth and shareholder value over the long-term. We have consistently delivered record profits, high returns, strong cash flow with low levels of balance sheet gearing and a long track record of growing dividends. Once again this year we continued this record of achievement, further strengthening the platform for future growth.

Record results

Adjusted¹ profit grew by 10% to £153.6m in 2014/15 on revenue up 7% to £726.1m. High returns and strong cash flow enabled us to continue investment in our business, spend £84m (net of cash/(debt) acquired) on three acquisitions and increase the dividend by a further 7%, the 36th consecutive year of 5% or more dividend increases. This is the twelfth consecutive year of record results.

The revenue increase of 7% to £726.1m (2014: £676.5m) was evenly weighted between organic and acquisition growth. Organic revenue growth at constant currency and acquired growth were both 5%, in line with our KPI, offset by a 1% reduction due to the Monitor disposal. There was an adverse currency translation impact on revenue of 2%.

Adjusted¹ profit increased 10%, by £13.4m, to £153.6m (2014: £140.2m). Adding back the 2% adverse currency translation impact shows growth including acquisitions of 12%. Acquisitions contributed 5% to growth and so organic profit growth at constant currency was 7%, ahead of our 5% KPI target.

Statutory profit before taxation declined by 4% to £133.6m (2014: £138.7m). Statutory profit is calculated after charging the amortisation of acquired intangible assets of £19.9m (2014: £17.5m) and after charging acquisition transaction items and the movements on acquisition contingent consideration including related foreign exchange movements of £1.5m (2014: credit of £12.5m). The prior year credit relates to the revision to the estimate of deferred contingent consideration payable on the MicroSurgical Technologies acquisition. More detail on the latest estimate is given below. The credit of £4.0m in 2014 following the decision to close the two UK Defined Benefit pension plans to future accrual was the other main factor in the year-on-year reduction in statutory profit. There was also a gain in 2015 on disposal of £1.4m (2014 disposal: £0.5m loss), mainly relating to Monitor Elevator Products, Inc.

In the first half revenue grew by 2% and in the second half by 12%. There was a significant (5%) adverse currency translation impact in the first half and minimal net impact in the second half. Acquisition contribution was a little higher in the second half than the first. Organic constant currency revenue growth was 4% in the first half and increased to 6% in the second half.

Adjusted¹ profit also grew by 13% in the second half following 6% growth in the first half with a similar currency translation and acquisition profile to that of revenue. Organic constant currency profit growth was 7% in both halves. The first half/second half profit split was weighted slightly more than usual to the second half at 45%/55% due to the currency impact noted above.

Three of our four sectors grew both revenue and adjusted profit this year. Environmental & Analysis increased revenue marginally when measured at organic constant currency. The highest rate of growth came from our Process Safety sector, benefiting from the RCS acquisition but also achieving strong underlying growth. Infrastructure Safety delivered another very good performance and Medical finished the year strongly. Environmental & Analysis delivered a disappointing performance overall but achieved a much improved second half profit performance, broadly in line with the second half of the previous year and meeting our expectations.

Central administration costs increased to £9.0m (2014: £7.9m) as expected. The main elements of the increase were our investment in talent development, further expenditure on our graduate programme and the costs of support for geographic expansion. We expect a further increase in costs in 2015/16 with our biennial HITE conference and continued investment in China and other developing markets.

Revenue and profit growth

	2015 £m	2014 £m	Increase £m	Total	Percentage growth	
					Organic growth ²	Organic growth ² at constant currency
Revenue	726.1	676.5	49.6	7.3%	3.1%	4.9%
Adjusted ¹ profit	153.6	140.2	13.4	9.5%	5.0%	7.2%

Growth in all regions

We achieved growth in all geographic regions. Currency translation had an adverse effect on the reported performance in all major regions. The USA remains our largest sales destination at 31% (2014: 32%) of total revenue. The USA grew by 4%, including growth of 7% at organic constant currency with strong growth from the Process Safety and Medical sectors. Mainland Europe saw some underlying growth in all sectors with Process Safety growing fastest. UK growth of 8% reflected a good performance in Infrastructure Safety, including the benefit of an acquisition, but offset by a decline in Environmental & Analysis due to reduced spending in the UK water market as part of its regular spending cycle. Asia Pacific growth of 5% was mixed across the sectors but Environmental & Analysis grew well. There was very strong growth in Africa, Near and Middle East and other countries, in particular in South America. The acquisition of RCS and the benefit of oil & gas related projects within Process Safety boosted demand in these regions.

We saw stronger growth in all territories in the second half compared with the first half, except the UK which had 8% growth in both periods.

In 2010 we targeted 30% of Group revenue to come from territories outside the UK/Mainland Europe/USA by 2015. This year we made further good progress by increasing the percentage to 27.1% (2014: 25.2%). In the period since we set the target we have doubled the 'Rest of World' revenue but made achievement of our target tougher by delivering 47% growth in the UK/Mainland Europe/USA. This KPI sets an important direction for investment and growth in developing global markets and we will continue to focus on international expansion and high rates of growth in developing territories as well as more economically developed regions.

Geographic revenue growth

	2015		2014				% organic growth at constant currency
	£m	% of total	£m	% of total	Change £m	% growth	
United States of America	223.4	31%	214.5	32%	8.9	4%	7%
Mainland Europe	167.4	23%	163.7	24%	3.7	2%	2%
United Kingdom	138.3	19%	127.9	19%	10.4	8%	2%
Asia Pacific	116.8	16%	111.6	16%	5.2	5%	1%
Africa, Near and Middle East	44.0	6%	33.0	5%	11.0	33%	8%
Other countries	36.2	5%	25.8	4%	10.4	40%	30%
	726.1	100%	676.5	100%	49.6	7%	5%

Continued high returns

Halma's Return on Sales² has exceeded 16% for 30 consecutive years and this year increased to 21.2% (2014: 20.7%). Our target is to deliver a Return on Sales in the range of 18% to 22% and continue our emphasis on growth. Infrastructure Safety and Medical sectors further increased their Return on Sales this year. Process Safety saw a modest increase, remaining the sector with the highest Return on Sales. Environmental & Analysis saw a reduction on its Return on Sales at 16.7% and showed improved profitability in the second half.

Gross Margin (revenue less direct material and direct labour costs) remained stable at 64.6% (2014: 64.4%) a solid performance showing our ability to achieve a good return on the high value we deliver for our customers.

Return on Total Invested Capital² (ROTIC), the post-tax return on the Group's total assets including all historic goodwill, was 16.3% (2014 restated: 16.7%) and this year we revised our calculation to use average Total Invested Capital as the denominator to give a calculation better reflecting each year's performance.

Volatility in currency impacts

Halma reports its results in Sterling. Our other key trading currencies are the US Dollar, Euro and to a lesser extent the Swiss Franc. Approximately 40% of Group revenue is denominated in US Dollars and 15% in Euros.

The Group has both translational and transactional currency exposure. Translational exposures arise on the consolidation of overseas company results into Sterling. Transactional exposures arise where the currency of sale or purchase transactions differs from the functional currency in which each company prepares its local accounts.

This year we saw greater volatility in currencies and a currency headwind stronger than the minimal impact we experienced in 2013/14. In the first half of the year both the US Dollar and Euro were weak relative to Sterling causing a 5% adverse currency translation impact on both revenue and profit. In the second half the US Dollar strengthened, but the Euro weakened further and the net result for the year was only a 2% adverse translation impact on our results. In the full year the sectors most affected by adverse currency translation impacts were Medical and Infrastructure Safety.

	Weighted average rates used in the Income Statement			Exchange rates used to translate the Balance Sheet	
	2015	2015	2014	2015	2014
	First half	Full year	Full year	Year end	Year end
US\$	1.68	1.61	1.59	1.48	1.66
Euro	1.24	1.27	1.19	1.37	1.21

Based on the current mix of currency denominated revenue and profit, a 1% movement in the US Dollar relative to Sterling changes revenue by £2.9m and profit by £0.6m. Similarly, a 1% movement in the Euro changes revenue by £0.9m and profit by £0.2m.

Towards the end of the year we saw significant strengthening of the US Dollar and also the Swiss Franc. In more recent weeks we have seen the US Dollar weaken somewhat and the Euro remain weak so it is difficult to predict the currency impact in 2015/16. If currencies were to continue at current levels (approximately US Dollar 1.55/Euro 1.40 relative to Sterling) and assuming constant mix of currency results, we might expect approximately 1% favourable currency translation impact on revenue and profit due to currency translation in 2015/16 compared with 2014/15. The positive impact would be greater in the first half of 2015/16 than the second half.

We take a neutral view of the future movements of currencies. After matching currency of revenue with currency costs wherever practical, forward exchange contracts are used to hedge a proportion (up to 75%) of the remaining forecast net transaction flows where there is a reasonable certainty of an exposure. We hedge up to 12 months and, in certain specific circumstances, up to 24 months forward. At 28 March 2015 over 50% of our next 12 months' currency trading transactions were hedged. There is a good degree of natural hedging within the Group in US Dollars but we typically buy fewer products

in Euros than we sell and so have a net exposure of approximately €30m at any time.

Consistent financing cost

The net financing cost in the Income Statement of £4.9m was in line with the prior year (2014: £4.7m). The average cost of bank financing was a little higher than 2014 due to more of our borrowing being in Sterling and we had higher levels of average debt for the year, following acquisitions made in the first half year (see the 'Average debt and interest rates' table below for more information).

Interest cover (EBITDA as a multiple of net interest expense as defined by our revolving credit facility) was 51 times (2014: 53 times) which was well in excess of the four times minimum required in our banking covenants.

The net pension financing charge is included within the net financing cost. This year it decreased to £1.4m (2014: £1.9m) because the net pension deficit at the start of the year, on which the interest cost is based, was below the deficit at the prior year end.

Stable Group tax rate

The Group has major operating subsidiaries in 10 countries so the Group's effective tax rate is a blend of these national tax rates applied to locally generated profits. Our approach to taxation is to manage the tax burden in a responsible manner, keeping good relationships with tax authorities based on legal compliance, transparency and cooperation. This approach means that Halma is committed to paying in full and on time the taxes due in each relevant jurisdiction, that our tax arrangements have an underlying business purpose and, where possible, we mitigate the burden of tax in compliance with local legislation. Intercompany trading is set on a commercial arm's length basis.

The effective tax rate on adjusted¹ profit reduced slightly to 23.2% (2014: 23.3%). A significant proportion (approximately one third) of Group profit is generated and taxed in the UK and the UK Corporation tax rate fell from 23% to 21% this year, with it reducing to 20% in 2016. This reduction was offset by increased profits earned in the USA and taxed at relatively higher rates. Halma continues to benefit from the UK 'Patent Box' rules, resulting in lower tax on profit generated from the use of patents in our products.

Growing earnings per share and increasing dividends

Adjusted¹ earnings per share increased by 9% to 31.17p (2014: 28.47p) in line with the increase in adjusted¹ profit. Statutory earnings per share decreased by 2% to 27.49p (2014: 28.14p) due to the factors noted above affecting the calculation of statutory profit. A key way in which we deliver shareholder value is via consistent growth in earnings per share. Earnings per share growth will now feature more prominently in our share based incentives.

The Board is recommending a 7.2% increase in the final dividend to 7.31p per share (2014: 6.82p per share), which together with the 4.65p per share interim dividend, gives a total dividend of 11.96p (2014: 11.17p), up 7.1%. The final dividend for 2014/15 is subject to approval by shareholders at the AGM on 23 July 2015 and will be paid on 19 August 2015 to shareholders on the register at 17 July 2015. With this latest rise Halma will have increased its dividend by 5% or more for 36 consecutive years.

Over a long period we have maintained a progressive dividend policy balancing dividend increases with the rates of organic profit growth achieved, taking into account potential acquisition spend and maintaining moderate debt levels. Our policy is to maintain dividend cover (the ratio of adjusted profit after tax to dividends paid and proposed) above two times and this year dividend cover is 2.61 times (2014: 2.55 times). We continue to determine the dividend payout each year based on all of the factors noted above.

Revisions to KPIs

We report in the Annual Report and Accounts the Key Performance Indicators (KPIs) we use to measure the performance of the Group. The majority of these externally reported KPIs mirror those used every day in monitoring performance in our operations. In addition these include Group metrics which link to our remuneration performance measures.

This year we have updated our published KPIs and the main changes are as follows:

- Organic revenue and profit growth is stated at constant currency to give a clearer view of underlying performance;
- Adjusted¹ earnings per share are now included as this forms part of the new Directors' remuneration performance measures;
- Acquisition related profit growth is included to give a clearer picture of the contribution acquisitions are making to our overall growth;
- Return on Total Invested Capital² (ROTIC) is now calculated using average Total Invested Capital; and
- Health and Safety is included as a new non-financial KPI. It replaces the KPI of CO₂ emissions reduction, which is now disclosed in our Corporate Responsibility report.

In future reports we plan to replace our current international expansion metric with a KPI expressed in terms of absolute international revenue growth.

Strong cash generation

Cash generation is an important component of the Halma model allowing us to further invest in our businesses, make value enhancing acquisitions and pay an increasing dividend. Our cash performance in 2014/15 was strong. Adjusted operating cash flow was £138.7m (2014: £129.0m) and represents 87% (2014: 89%) of adjusted operating profit, ahead of our KPI target of 85% cash conversion.

Operating cash flow summary

	2015 £m	2014 £m
Operating profit	137.1	143.6
Net acquisition costs and contingent consideration fair value adjustments	1.5	(12.5)
Defined Benefit pension plan closure costs/curtailment gain	–	(4.0)
Amortisation of acquisition-related acquired intangibles	19.9	17.5
Adjusted operating profit	158.5	144.6
Depreciation and other amortisation	21.0	18.8
Working capital movements	(6.0)	(10.9)
Capital expenditure net of disposal proceeds	(22.2)	(15.6)
Additional payments to pension plans	(6.6)	(5.9)
Other adjustments	(6.0)	(2.0)
Adjusted operating cash flow	138.7	129.0
Cash conversion %	87%	89%

Non-operating cash flow and reconciliation to net debt

	2015 £m	2014 £m
Adjusted operating cash flow	138.7	129.0
Tax paid	(30.8)	(28.3)
Acquisition of businesses and shares of associates including cash/debt acquired	(88.2)	(16.7)
Net movement in loan notes	2.1	(0.2)
Net finance costs and arrangement fees	(3.0)	(2.5)
Dividends paid	(43.4)	(40.5)
Issue of shares/treasury shares purchased	(6.0)	(7.3)
Disposal of businesses	4.2	1.9
Effects of foreign exchange	–	0.4
Movement in net debt	(26.4)	35.8
Opening net debt	(74.5)	(110.3)
Closing net debt	(100.9)	(74.5)

Net debt to EBITDA

	2015 £m	2014 £m
Adjusted Operating profit	158.5	144.6
Depreciation and amortisation (excluding acquired intangible assets)	21.0	18.8
EBITDA	179.5	163.4
Net debt to EBITDA	0.56	0.46

A summary of the year's cash flow is shown in the table above. The largest outflows in the year were in relation to acquisitions (see below) dividends and taxation paid. Working capital movements, comprising changes in inventory, receivables and creditors, totalled £6.0m (2014: £10.9m) and reflects strong control of operations at local company level.

Capital expenditure on property, plant and computer software this year was £23.2m (2014: £17.4m). This maintains investment in our operating capability and includes investment of £5m in a property in our Medical sector with a further £5m expected in 2015/16. This year's spend represents 108% of depreciation, falling within the 100% to 125% range we expect.

Dividends totalling £43.4m (2014: £40.5m) were paid to shareholders in the year. Taxation paid increased to £30.8m (2014: £28.3m).

Strong financial position maintained

Halma operations are inherently cash generative and the Group has substantial bank facilities. We have access to competitively priced finance at short notice and spread our risks to provide good liquidity for the Group. Group treasury policy is conservative and no speculative transactions are undertaken.

We use debt to accelerate the Group's development, reviewing our funding needs and the structure of borrowing facilities regularly to ensure we have ample headroom. We hold a syndicated revolving credit facility of £360m which runs to November 2018. This facility provides Halma with the financial resources to operate within its existing business model for the medium term, continuing investment in our business and with capacity for further acquisitions. Our objective is to increase the pace of acquisitions whilst maintaining the disciplined approach we have adopted over many years. Over time we expect that funding of the Group will include an element of term debt.

At the year end net debt was £100.9m (2014: £74.5m), a combination of £142.1m of debt and £41.2m of cash held around

the world to finance local operations. The ratio of net debt to EBITDA was 0.56 times (2014: 0.46 times). This is well below the level of 1.25 times within which we feel comfortable operating, although we would be prepared to exceed this level temporarily if the timing of acquisitions required it. Net debt represents 4% (2014: 3%) of the Group's year end market capitalisation. The Group continues to operate well within its banking covenants with significant headroom under each financial ratio.

Average debt and interest rates

	2015	2014
Average gross debt (£m)	164.8	150.9
Weighted average interest rate on gross debt	1.38%	1.26%
Average cash balances (£m)	45.6	47.1
Weighted average interest rate on cash	0.29%	0.54%
Average net debt (£m)	119.2	103.8
Weighted average interest rate on net debt	1.80%	1.59%

Continued acquisition and disposal activity

Acquisitions and disposals are an important part of our growth strategy. We buy businesses already successful in, or adjacent to, the niches in which we operate. The acquisition pipeline remains healthy and each sector is increasing its own resource to accelerate acquisition activity.

In the year we spent £84m on three acquisitions (net of cash/(debt) acquired of £9m). In addition we paid £4m in contingent consideration and settlement of loan notes for acquisitions made in prior years.

All acquisition and disposal transactions during the 2014/15 year were completed in May 2014:

- Plasticspritzerei AG, a strategic supplier to one of our businesses in the Medical sector, was acquired for a net cash consideration of CHF6m (£4m).
- Advanced Electronics Limited, a manufacturer of networked fire detection and control systems, was acquired for our Infrastructure Safety sector. We paid an initial consideration of £14m (excluding cash and debt acquired of £2m). Contingent consideration of up to £10.1m is payable on earnings growth for the period to March 2015. Of this we have settled £2.8m and our current estimate is that a further £3.4m will be paid subject to finalisation under the acquisition contract.
- Rohrback Cosasco Systems Inc., a manufacturer of pipeline corrosion monitoring products and systems, was acquired for US\$108m (£64m), net of cash acquired of US\$9m (£5m). RCS adds valuable new technology and application know-how to the Process Safety sector.

We sold Monitor Elevator Products, Inc., a business within the Infrastructure Safety sector, for a consideration of US\$6m (£4m). This continues our active approach to portfolio management.

We have revised our accrual for contingent consideration on recent acquisitions in line with latest best estimates. This has resulted in a reduction in our estimate payable on the ASL acquisition and an upward revision on that payable for MicroSurgical Technologies (MST) following further growth in the year.

Following the year end in May 2015, we acquired Value Added Solutions LLC (VAS) for a cash consideration of \$5m (£3.2m) with contingent consideration of up to \$1.5m (£1m) payable on growth to October 2016. VAS designs and manufactures fluidic-related plastic machined components and assemblies for life science and analytical instruments. VAS will become part of our US-based Diba Industries within the Medical sector.

The businesses acquired in 2014/15 and 2015/16, net of the disposal made in 2014/15, are expected to add a net amount of £6m to revenue and £1.5m (after financing costs) to profit in 2015/16, based on their run rate at the time of each transaction.

Pensions update

The Group accounts for post-retirement benefits in accordance with IAS19 Employee Benefits. The Balance Sheet reflects the net deficit on our pension plans at 28 March 2015 based on the market value of assets at that date and the valuation of liabilities using year end AA corporate bond yields.

Following consultation with all stakeholders, we announced in March 2014 that the Defined Benefit (DB) sections of the Group's UK pension plans would cease future accrual as at 1 December 2014. This change has been implemented. Members earn future pension benefits within the Group's Defined Contribution (DC) section of the pension plan with agreed transitional arrangements. This change reduces Group risk for the future.

On an IAS19 basis the deficit on the Group's DB plans at March 2015 has increased significantly to £66.8m (2014: £36.8m) before the related deferred tax asset. Plan assets increased to £224.8m (2014: £190.5m) due to further recovery in equity values and cash contributions by Halma. In total, about 50% of plan assets are invested in return seeking assets providing a higher expected level of return over the longer term. Plan liabilities increased to £291.6m (2014: £227.3m) primarily due to the significant fall in discount rates.

We continue to make extra cash contributions to the UK pension plans to eliminate the pension deficit as agreed with the trustees and in 2014/15 these contributions amounted to £7m. We are in the process of reviewing, together with the trustees, the initial results from the 2014 triennial actuarial valuation and will agree appropriate future contributions following this process.

New product investment

We continue to innovate and invest in new products across all sectors. This year R&D expenditure increased by 8% with a higher rate of investment in the second half of the year. R&D expenditure as a percentage of revenue was 4.8% (2014: 4.7%). We have a good pipeline of new products which should benefit 2015/16 and beyond. In the medium-term we expect R&D expenditure to increase broadly in line with revenue.

Under IFRS accounting rules we are required to capitalise certain development projects and amortise the cost over an appropriate period, which we determine as three years. In 2014/15 we capitalised/reclassified £7.4m (2014: £5.2m), acquired £1.2m, and amortised/impaird £5.6m (2014: £3.9m). This results in an asset carried on the Consolidated Balance Sheet, after £0.1m of foreign exchange movements, of £15.9m (2014: £13.0m). All R&D projects and particularly those requiring capitalisation, are subject to rigorous review and approval processes.

Risk management and the year ahead

Halma has a well established business and financial model delivering success consistently over the long term. The model is based on considerable autonomy and accountability at operating company and sector level, within a robust strategic framework supported by strong policies and clear procedures.

Risk is managed closely and is spread across well-resourced companies, each of which manages risk to its individual level of materiality. There are extensive review processes in place including peer financial review and Internal Audit. The key Group risks have been referenced below and in the Chief Executive's Strategic Review and Sector Reviews.

The adoption of a clear four sector structure in April 2014 has enabled Sector Finance Directors to be appointed focusing on successful control and development of each sector. I have been working with them to ensure that our strong control framework is maintained as the Group's activities continue to grow.

The updated UK Corporate Governance Code issued recently by the Financial Reporting Council (FRC) requires regular monitoring of risk by the Board. As noted above, for many years we have had comprehensive and regular review of risk taking place at many levels throughout the organisation. Our focus will be to ensure that the output and actions from this review are communicated well, up and down the business, building on this strength.

We have an ethical approach to business and this is reflected in our Code of Conduct which is adopted internationally by all employees. We are conscious also of the increased risks arising in the area of cyber security and have been very active this year in monitoring such threats and acting accordingly. Awareness of these potential threats has been increased with our employees across the Group and good progress continues to be made.

The Board considers all of the above factors in its review of 'Going Concern' and has been able to conclude its review satisfactorily.

The Annual Report and Accounts is prepared in line with the latest requirements for integrated reporting and the Board has taken care to ensure that it is 'fair, balanced and understandable'. The Audit Committee took a key role in assessing compliance with reporting requirements supported by robust management processes.

In the year ahead, in addition to organic growth, we will focus on the search for further acquisition opportunities within each sector and on achieving strong cash generation to fund investment and increasing dividends. Our aim is to continue to deliver significant long-term value to shareholders.

Kevin Thompson, Finance Director

¹ In addition to those figures reported under IFRS Halma uses adjusted figures as key performance indicators. The Directors believe the adjusted figures give a more representative view of underlying performance. Adjusted profit figures exclude the amortisation of acquired intangible assets; acquisition items; profit or loss on disposal of operations and the effects of closure to future benefit accrual of the Defined Benefit pension plans net of associated costs (prior year only). All of these are included in the statutory figures. More details are given in Note 11.

² See Financial Highlights.

Process Safety Sector Review

Products which protect assets and people at work. Specialised interlocks which safely control critical processes. Instruments which detect flammable and hazardous gases. Explosion protection and corrosion monitoring products.

Philippe Felten, Sector Chief Executive, Process Safety

Record sales and profits were achieved in our Process Safety sector despite volatile market conditions resulting from the slide in global oil prices. We increased our global footprint with additional regional offices and sector-specific hubs to support collaboration and cooperation. Product development spend increased on the prior year to a new record level as we expanded our product portfolio to meet our twin aims of market and geographic diversification. The acquisition of RCS expanded our range of products and it has continued to perform well. Trading in the business met pre-acquisition targets.

Market trends and growth drivers

Long-term growth in our Process Safety markets is supported by three key drivers:

- population growth resulting in rising energy demand
- increasing and more stringent global health, safety and environmental regulations and legislation
- increasing development, complexity and geographic spread of energy resources and their safety requirements

The global process safety market is forecast to continue to grow. A key driver is aftermarket demand for replacement and upgrading of older safety systems to meet updated safety standards. Our commitment to developing new products designed to meet new standards assists our customers in maintaining compliance while minimising downtime and degradation of assets.

Due to the significant oil price fluctuation in the past year, many of the major players in the international oil market are facing exceptional short-term uncertainty. However, new energy industry projects have long lead times; despite the current global economic conditions, the world's population continues to grow and demand for energy will continue to rise.

Global oil production continues to exceed demand, but demand is forecast to continue to grow during 2015. The major oil producers are indicating varying levels of capital expenditure reduction in new oil exploration activity. The impact on mid and downstream activity is less severe and there are significant regional variations regarding the extent of proposed cut backs. With the majority of our sales in the mid and downstream sectors, the underpin of increasing safety awareness and our strong regional presence in the USA, Middle East and Asia, we expect to maintain growth.

We are committed to developing products and technology platforms which improve the safety and reliability of industrial operations. Investment in new oil and gas extraction techniques and the delivery of conventional, unconventional and renewable energy resources has continued to support our sales growth. Throughout the world governments continue to impose stricter regulations to protect people and the environment from avoidable process system failures. We support regulatory development in our markets by having our staff on advisory bodies responsible for recommending legislative change.

Geographic trends

Underlying global growth in demand for energy, food, chemicals, water and metals continues to increase despite some regional variations due to macro-economic issues. The USA and Asia remain buoyant. The European market has returned to growth and the emerging market of South America has been a key contributor to our success in the last year. Economic factors have reduced demand in India and Australia and we anticipate that a return to growth in these areas will be a slow process.

While new offshore fields have been identified in North and South America, and Africa, the current oil price cycle is delaying their exploitation.

Governments worldwide are increasing programmes to eliminate bribery and corruption from process safety contracting. We adhere to strict Group and government guidelines to avoid projects we believe are subject to these unwanted practices.

Strategy

In the Process Safety sector, our strategy for growth focuses on:

- geographic market diversification via shared regional hubs
- investment in new products to both diversify our markets and meet local market needs
- acquisitions in adjacent markets

Our investment in new product development has increased again to a new record resulting in sales of products designed in the last three years maintaining a level of over 30% of total sales. New technology and shorter product lifecycles, coupled with industry-leading quality and customer service, ensures that we maintain competitive advantage and improve customer value propositions. This results in sales growth ahead of market growth.

The global footprint of our Process Safety companies continues to expand; we now have 22 manufacturing sites across five continents. Regional sales and service centres have risen from 22 to 35 and we opened a new sector hub in Houston, USA during 2014 adding to our existing sector hubs in Brazil, UAE and Poland. We continue to decentralise marketing resources into these facilities to ensure that we rapidly identify local market opportunities and customer needs. Developing internal collaboration and alliances within the sector supports growth and we continue technology partnerships with external companies where they will help us meet our strategic product goals.

The acquisition of RCS, in the adjacent market of pipeline corrosion monitoring, expands our portfolio of critical safety products sold into the energy and utility markets to protect life and operational assets.

Performance

Process Safety grew sales by 25% to £159m (2014: £127m) and profit¹ by 28% to £45m (2014: £35m). As a consequence of strong product margins and good operational management, return on sales increased to 28.3% (2014: 27.5%). New product introductions contributed to both margin expansion and revenue growth through diversification into new application niches.

We achieved strong revenue growth in the USA, which was mostly organic, and in Asia Pacific, Middle East and South America mainly due to the contribution from the RCS acquisition. The UK increased only marginally as a result of reduced North Sea investment.

Two sector companies relocated to new factories during 2014/15 and an additional two undertook significant facility expansion, all without disruption to supply performance. These investments ensured that we maintained the quality and service expected by our customers.

Outlook

The long term growth prospects in the Process Safety sector remain positive as we continue geographic and product expansion. Our progress in the food, pharmaceutical and chemical process markets will continue to allow us to counter a short-term slowdown in the oil and gas market. In the medium term these markets will continue to be a major contributor to our ongoing success. Specialist markets in railway infrastructure and logistics are expanding in line with our previous plans.

We continue to search for acquisitions, particularly in non-intrusive corrosion monitoring, hazardous area maintenance and machinery safe access control.

¹ See Note 2 to the Results.

Infrastructure Safety Sector Review

Products which detect hazards to protect assets and people in public spaces and commercial buildings. Fire and smoke detectors, fire detection systems, security sensors and audible/visual warning devices. Sensors used on automatic doors and elevators in buildings and transportation.

Nigel Trodd, Sector Chief Executive, Infrastructure Safety

The Infrastructure Safety sector delivered strong revenue and profit growth in 2014/15. We achieved good results in both recently acquired and established businesses. Advanced Electronics was acquired in May 2014 to broaden our fire product portfolio and further strengthen Halma's position in the global fire systems market.

Market trends and growth drivers

Increasing health and safety regulation remains the primary driver in our Infrastructure Safety sector. Rising infrastructure investment is also driven by:

- population ageing, rising safety awareness, continuing global trend of urbanisation and population growth
- rising demand in emerging markets where existing infrastructure requires modernisation and rapid economic growth requires high infrastructure investment
- growing need for 'connectivity', with rising demand for wireless technologies alongside automation in 'smart' buildings

Governments throughout the world continue to implement increasingly stringent health and safety regulations. In mature markets, safety standards are constantly updated and compliance becomes increasingly demanding for our customers. New European fire regulations, for example, require fire detection devices to be totally compatible with all other components of a fire alarm system. This ensures maximum protection from fire risk in modern buildings while minimising disruption from false alarms. Developing markets increasingly adopt and enforce globally-recognised safety standards which protect assets and eliminate hazards to people in domestic, public and industrial environments.

Increasing urbanisation, especially in Asia, drives demand for high-rise properties with elevators. Strengthened health and safety legislation in Europe requires elevators to be upgraded with emergency communication devices.

The global elevator market is forecast to continue to grow with the principal growth in Asia, where, as well as ongoing infrastructure development, we see increasing elevator density due to use in low and mid-rise buildings. This trend is partly due to population ageing and demand for higher living standards. With a 2013 global installed elevator base of 12m units, tight regulation of elevator maintenance further stimulates demand for our elevator safety products.

The world market for pedestrian automatic door controls is driven by regulation; safety standards continue to evolve in all regions. Introduced in 2013, the first pan-European safety regulations that protect users of power-operated pedestrian doors from hazards have reached mature implementation in Western Europe. Implementation is still underway in the rest of Europe.

Demand for safety sensors in the industrial door market is growing, for both door activation and safeguarding the area around a door to prevent crushing injuries. New European standards are due in 2015/16. In the Americas we have seen increasing use of high performance industrial security doors for parking and automotive markets as well as for mining and heavy industrial applications.

The trend of convergence of building automation and information technology in smart buildings drives growth of our wireless communications intrusion detection security products. Product certifications remain important for intrusion detection systems in Europe, particularly those with police-response remote monitoring.

Geographic trends

The global fire protection systems market is forecast to grow with Asia leading the way driven by urbanisation and increasing safety requirements. In the USA residential fire protection is increasingly based on wireless detectors as home automation and security systems including smoke detection grow in popularity.

The global elevator market is growing strongly and is forecast to continue to rise by about 7% per year at least until 2017. China remains the principal growth market for elevator products. Of the 2013 elevator global market estimate of €54bn, China accounted for 26% of the sales value, and 67% of the new elevator installations. Asia as a whole accounts for 78% of new installations. India is forecast to become the next big elevator and escalator growth market and increasing urbanisation could see new installations rise to 100,000 units per year by 2018. Elevator installations in Europe and the Americas remained flat, though mild growth in construction starts are expected in the next couple of years. Our focus in these territories remains in elevator upgrades and maintenance.

Our automatic door control products continued to penetrate more geographic markets in Eastern and Northern Europe, South America, Canada, Australia, Japan, India and the Middle East.

Despite a growing focus on safety in China, implementation of safety regulations for automatic pedestrian doors is slow. In the transportation door controls niche, we saw rising safety awareness (not regulation), especially in the subway train Platform Screen Doors market. Japan is considering adopting the latest European automatic door safety regulations as national industry standards by 2017. This could open a considerable new door safety control market.

We achieved strong sales growth of intrusion detection products outside our traditional UK and Western European markets, with good progress in South Africa, the Middle East and China. We significantly improved UK market share in 2014/15.

Strategy

New market penetration is a primary growth strategy in the Infrastructure Safety sector, particularly in high infrastructure investment territories such as Russia and Eastern Europe, ASEAN nations and Brazil.

In our fire products sub-sector, we continue a strategy of growth through international expansion, new products, new detection technologies and acquisitions. In 2014/15 we strengthened our fire sales presence in both India and China and we will open an ASEAN sales office in Singapore in 2015. We have changed strategy in China to focus on premium fire products.

Over 70% of our elevator product sales are door safety light curtain detectors but increasing competition is putting pressure on margins. We will continue to develop premium products for upgrade and refurbishment alongside economy ranges for the new installation market. The global market for in-car elevator telephones is estimated to be the same size as the light curtain market; the in-car display market is at least twice the size. To deliver long-term growth, we will invest in development of our telephone and display business. Elevator emergency telephone and display markets are fragmented and present an opportunity for consolidation, potentially via acquisition.

Our strategy for automatic door sensor growth focuses on expanding outside our established pedestrian and industrial door sectors into new applications such as detecting and counting flows of people and vehicles.

In Western Europe, we anticipate increasing adoption of smart security and building automation systems. During 2014/15 we increased investment in European sales resources for intrusion detection alarm systems on the back of new product approvals.

Performance

Revenue growth of 6% was in line with expectations while sector profit¹ growth was 6% higher than revenue growth as reported and 7% ahead at constant currency. We continue to exceed Group targets on Return on Capital Employed and cash generation.

Return on Sales increased to 21.4%, due primarily to successful new product launches and an effective balance between investment and cost control to maintain strong margins.

Revenue in all major markets increased during the year, with 23% growth in the UK and 44% in Africa and the Middle East. In the USA, excluding the Monitor disposal, we achieved 5% growth and this should continue as home security OEMs source increasingly from Apollo America. Our strategy of increasing investment in locally based sales and technical resources continues to pay dividends.

The Advanced Electronics business, acquired in 2014, has strengthened our position to offer small fire systems in selected markets and has broadened our understanding of fire control panels globally. We will continue to leverage the synergies we have experienced with the Advanced teams on board.

We sold Monitor Elevator Products Inc, a New York-based manufacturer of elevator control panels to another industry player, Innovation Industries, in May 2014. Monitor did not have the international growth potential we believed was necessary to maintain growth and high returns in the medium term.

We continued integration and reorganisation of our four elevator companies into a single business unit. New in-elevator emergency telephone products and in-car displays extended penetration of these niche markets. Trading in the elevator door sensor market has been challenging, with increasing competition from Asian light curtain manufacturers. Despite this, we maintained high elevator business Return on Sales by focusing on higher margin telephone and display products.

In the past year we strengthened our global leadership of the pedestrian and industrial high speed door sensors markets and increased market share in public transportation and security.

Outlook

Continued growth is anticipated due to rising demand driven by the demographic trends of population ageing and urbanisation, increasing regulatory pressure, technology advances and localised manufacture.

We expect to see revenue growth remaining ahead of market growth rates in most of our niches. This will be driven by geographic and market expansion, the launch of new products into established channels and by acquisition. Developing economies are an exciting market for all Infrastructure Safety businesses as buildings and homes become increasingly more complex and sophisticated.

The acquisition pipeline for the sector is very promising and we aim to add complementary businesses during the coming years.

¹ See Note 2 to the Results.

Medical Sector Review

Products used to improve personal and public health. Devices used to assess eye health, assist with eye surgery and primary care applications. Fluidic components such as pumps, probes, valves and connectors used by medical diagnostic OEMs.

Adam Meyers, Sector Chief Executive, Medical

The Medical sector again delivered record revenue and profit with strong contributions both from recent acquisitions and long-established businesses. Profit performance was very strong and constant currency revenue growth was above Group target. Returns remain high and continue well above Group targets. The Medical sector set a new Return on Sales record and cash generation remained strong.

Continued investment in innovative technology and products is increasing the proportion of sector revenue from products launched in the last three years. Our Medical business acquisition pipeline is robust and we continue to focus on acquiring in this sector. In May 2015 we acquired VAS LLC which will operate within Diba Industries and brings in important new component technology.

Market trends and growth drivers

The Medical sector growth driver of increasing demand for healthcare is underpinned by:

- worldwide population ageing and increasing life expectancy
- increasing prevalence of diabetes, obesity and hypertension
- increasing healthcare access in developing economies
- new medical diagnostic technologies
- new or improved surgical and pharmaceutical therapies

The proportion of the global population aged over 60 continues to rise steadily and drives demand for healthcare, both in developed and developing geographies. Population ageing is a key driver for our ophthalmology and hypertension management businesses because eyesight problems and high blood pressure are both age-related.

For example, one in three American adults has high blood pressure which causes, or leads to, over 2.4 million American deaths annually. Rising obesity increases both hypertension-related illness and diabetes-related eye disorders. In China, people suffering from hypertension increased by 34% between 2002 and 2010, but less than 20% of those affected were controlling their condition. We expect continued growth in spending on hypertension management instruments.

The global growth rate for medical devices is expected to be 4% to 5% in the near term with developing economies offering slightly stronger growth. Within the overall medical market, cataract operations, one of the most frequent surgical procedures throughout the world and a strong focus of our ophthalmic surgery companies, are growing annually at about 5%. Eye surgeons continue to switch to the type of single-use instruments we make so our growth rate should continue to outpace the procedure growth rate.

Increasing healthcare access and ageing populations are also strong drivers in the laboratory automation market, where demand is forecast to rise annually by 6% through 2017, underpinning demand for our critical fluidic components. Ageing populations require higher level medical testing and laboratories need faster throughput and more specialised equipment. North America and Europe are the largest laboratory automation markets while growth in Asia is expected to outpace all other geographies, with forecast annual growth of over 8%. One of the fastest growing laboratory automation segments is molecular diagnostics (tests on patients' genetic codes), forecast to grow worldwide by 11% annually through 2019.

The global medical product regulatory environment continues to get tougher - higher registration costs, increasing testing and more audits. We continue to invest in personnel to address these market pressures including hiring local regulatory affairs staff in key territories. Increasingly complex medical device registration requirements, combined with current macro-economic conditions, places significantly more value on Halma's well-established Medical sector channels and market access. Each year we add staff in our Asian and South American healthcare markets, particularly in China, India, Brazil and the Middle East.

Geographic trends

Continued expansion of the global medical device market provides opportunity for sustained revenue growth but we are also prepared for market variation due to local economic conditions, government spending programmes and currency fluctuations.

US healthcare spending is forecast to continue to grow above 4% for the next few years. Over 16 million Americans have gained health insurance since the Affordable Care Act became law in 2010. This has begun to raise patient flows but has yet to drive increased market revenue, so the US market is uncertain. The market for single-use surgical devices in America is set to continue to grow, but capital equipment sales may grow more slowly until increased patient flow raises medical revenues or economic growth accelerates.

The US healthcare market was stronger than anticipated in the past year and may continue to compensate for a weaker European market. Recent Euro exchange weakness should aid US market penetration for our European businesses, but our US and Swiss businesses will face higher price pressure when selling into Europe.

The major European economies should see medical device demand grow between 2% and 6% over the next few years. However, stagnant economies and continued austerity measures are expected to challenge sales growth elsewhere in Europe. Our non-Euro Zone companies expect increased price pressure due to exchange rates.

While growth in Asia, and in particular China, may be slowing, these markets are still expected to grow faster than other

regions. Our Chinese investment continues with more product registrations, more R&D engineers and development of localised products.

About 400,000 Chinese people become blind from cataracts each year but China has the lowest cataract surgery rate in Asia. China will see increasing rates of cataract surgery as access is improved, particularly in rural areas, and as more surgeons are trained to perform this surgery.

A third of China's adult population, about 330 million people, have high blood pressure with prevalence increasing particularly among the young and rural populations. Raised awareness and programmes to combat hypertension will increase demand for our diagnostic devices.

Other territories, such as South and Latin America, the Middle East and Africa are forecast to grow annually by 7% to 8% for the next few years. Medical sector companies are increasing sales and marketing collaboration here and in particular we are increasing the use of our Brazil Sector hub.

Strategy

Medical sector strategy is to increase growth organically and via acquisition by:

- increasing collaboration and shared resources to drive expansion and joint product development
- increasing R&D investment to broaden product lines and commercialise innovative new products
- further geographic penetration
- improving talent and increasing diversity
- expansion into adjacent market niches

Our Medical sector companies are increasing collaboration as they have multi-company sales and marketing teams in China, India and the Middle East and are looking to add parts of Europe and South America to the mix in 2015/16. As a result, a new collaboratively-developed product is scheduled for launch in our hypertension management niche and we have appointed a 'President of Ophthalmology, Greater China' to assist our Medical sector companies with growth in China.

R&D investment will rise to capitalise on our competitive advantage from strong sales channels in niche markets and excellent customer relationships. Medical sector R&D spend as a percentage of sales has historically been below the group target as recent acquisitions typically spent less on R&D than we did as a sector. This is being built up as we increase investment in our newer businesses and continue to pursue product development activities in our long standing businesses.

Medical sector R&D focuses on high quality components and instrumentation that will be readily accepted by our conservative customer base. However, local development and manufacture in emerging markets to satisfy local customer needs better is increasingly important and is a key strategic priority.

Acquisition of a small Swiss ophthalmic component producer in May 2014 secured important manufacturing IP and the purchase of VAS LLC in May 2015 adds important component technology. We still seek to acquire value-enhancing healthcare businesses within existing and adjacent niches and we have focused more resources on achieving this objective.

Performance

The Medical sector grew revenue by 4% to £169m (2014: £163m) and profit¹ by 9% to £45m (2014: £42m). This was virtually all organic as we only made one small acquisition in 2014/15. Organic revenue growth at constant currency was 6% and organic constant currency profit growth was 10% both above Group targets.

Return on Sales improved to 26.8%, a new Medical sector record. Margin improvement is due to improved ratios at recent acquisitions, cost reductions and overhead control.

Currency translation had an adverse impact in 2014/15. If exchange rates remain at current levels we expect an opposite impact in 2015/16 due to reversal of the relative strength of the US Dollar and Swiss Franc against Sterling.

Outlook

Ageing populations in both developed and developing economies, increasing access and higher demand for healthcare in the developing world, and increasing prevalence of hypertension, diabetes and obesity globally, create a favourable environment of increasing demand for our high quality medical components and instrumentation.

We expect our Medical businesses to outperform the market in the medium term driven by enhanced distribution in export markets, new products and acquisitions.

We expect growth to vary across territories and market niches in developed markets due to currency volatility, government austerity and spending controls. We still see strong short-term growth opportunities in developing markets, especially Asia and the Middle East with Latin and South America. We seek to acquire value-enhancing businesses in the healthcare market and our pipeline remains very active.

¹ See Note 2 to the Results.

Environmental & Analysis Sector Review

Products and technologies for analysis in safety, life sciences and environmental markets. Market-leading opto-electronic technology and gas conditioning products. Products to monitor water networks, UV technology for disinfecting water, and water quality testing products.

Chuck Dubois, Sector Chief Executive, Environmental & Analysis

This was a year of significant change for the Environmental & Analysis sector with several restructuring projects completed. Facilities were combined and businesses rationalised to focus on those areas of the market that are best poised for growth in the coming years. In addition, we established a stand-alone business in China to better pursue that geographic market. While the markets were stable or growing for the most part, we did have some headwind in the UK water market, as well as being impacted by some of the turmoil in the Middle East. We achieved strong growth in Asia.

With the restructuring largely behind us, as evidenced by the improvements in the second half of the year, we are in a strong position for growth in FY16.

Market trends and growth drivers

Our products monitor and treat water, air and food. They enable the development and manufacture of new products that improve our health. We operate in sustained growth markets that are underpinned by four key drivers:

- rising demand for basic resources such as energy and water
- increasing environmental monitoring and regulation
- growing demand for healthcare
- scientific advances transferring into new industries

Today, 1.8 billion people drink faecally contaminated water and an even greater number drink water that is unsanitary. Approximately 3.5 million people die each year due to inadequate water supply, sanitation and hygiene.

According to the UN, by 2025 two thirds of the world's population could live under water stress conditions as demands are placed on water usage by agriculture, manufacturing, energy production and domestic usage. By 2050 global water withdrawals are expected to increase by 55%.

These trends and forecasts continue to drive regulation and enforcement. Some of the greatest improvements have been made in water quality and environmental monitoring in China and other developing countries. Here we see increasing demand for our pollution monitoring equipment and we have developed products to meet the specific needs of these markets.

There are also significant opportunities in new markets as our technologies developed for scientific applications are used in industrial settings for product improvement and quality control. Increasing demand for improved food safety has brought use of our spectroscopy products into food processing and even crop management.

The shipping industry is undergoing changes to its monitoring and treatment practices. Ship stack emissions monitoring has begun. Pollution and concerns over invasive species are key drivers behind the International Maritime Organization's (IMO) Ballast Water Management initiative.

Manufacture of new technologies, such as LED lighting, requires new levels of quality control, which can be met by our products. Our technology is also used to ensure the quality of pharmaceuticals, particularly as manufacturing is increasingly outsourced.

Advances in communication technologies which allow remote monitoring data collection are creating new markets for our sensors and data-loggers used to monitor water distribution networks.

Geographic trends

This sector sells into a significant number of market niches. While growth rates in the western economies are modest, our niche markets are expected to expand at rates between 4% and 7%. We see opportunities for US market growth and improved market share in the UK and Europe. In particular, the deregulation of the UK water market is beginning to provide new opportunities. We are putting resources in place to take advantage of opportunities in Europe for our products that support manufacturing.

China offers the greatest growth opportunity for our Environmental & Analysis businesses geographically. We continue to invest in China and now have over 80 employees there. We expect continued growth in the coming year as we take full advantage of our expanded R&D and production capabilities.

We have revamped some product lines that assist water quality testing by NGOs, particularly in Africa and South America, and we are seeing increased demand for these products.

Strategy

Our organic profit growth strategy centres on R&D investment in new product development, geographic expansion (with a strong focus on Asia) and diversification of existing technologies into adjacent and growing regulated markets.

R&D is focused on applications that have long-term drivers and defensible market positions. More new products are the result of collaboration between companies and one company now has established development projects with six other companies in the sector.

An increasing number of our companies manufacture in China. Our Chinese markets continue to improve as regulations enacted in the past few years are increasingly enforced. China's advance into more technological manufacturing also benefits our quality and assurance products.

Our strategy within core geographies, such as the USA and Europe, is to grow by finding new applications for our existing technologies. For example, our spectrometers are being used on drones to monitor crop development, enabling farmers to optimise fertilisation and irrigation.

Performance

Revenue declined by 1% to £164m (2014: £167m) and profit¹ fell by 14% to £27m (2014: £32m). At constant currency, organic revenue was marginally positive and profit was down 12%. Return on Sales was 16.7% (2014: 19.1%).

The downturn was partly due to business restructuring. The cost of consolidation of our optical coatings businesses were roughly within budget (less than £1m), but ramp-up and customer qualifications took longer and were much more expensive than anticipated. We saw improvement in the second half of the year and having further strengthened the management team, we have positioned this business for further progress in 2015/16.

The establishment of Ocean Optics Asia was an important step in our overall strategy, and met performance expectations. However, in our other spectroscopy businesses some significant OEM customers had over-purchased in 2013, resulting in diminished orders this year. These customers are now back on track and should drive growth in the coming year.

We restructured our UV water treatment businesses and rationalised some product lines. Sensing products developed by this group have been moved to other group companies with greater market potential for these products.

Our water quality testing businesses continued to grow. Uptake of our products in emerging markets was brisk and should remain that way through the coming year. Overall, we enter 2015/16 with a much stronger and focused approach, and anticipate greater year-on-year growth.

Our gas conditioning businesses performed well due to the introduction of new products designed for emerging markets and continuing penetration of our existing markets. We expect these businesses to continue to grow based on these initiatives in the medium term.

Outlook

2015/16 should deliver solid growth as we capitalise on the business restructuring changes made over the last two years. The improved sector performance in the second half of 2014/15 bears this out. New products introduced towards the end of last year are having a positive impact and we expect to see markets with difficult trading conditions return to growth. These include the UK water utilities, which started a new five-year investment cycle in 2015. We expect this to have a positive impact on our water monitoring business in the second half of 2015/16 onwards.

Many new products have been launched in this sector in the last year. The proportion of sector revenue due to sales of products introduced in the last three years improved significantly in 2014/15 and we expect this to increase again in the coming year.

¹ See Note 2 to the Results.

Principal Risks and Uncertainties

Halma's principal risks and uncertainties are detailed below and are supported by the robust risk management and internal control systems and procedures noted in the Annual Report and Accounts 2015.

Risk description	Potential impact	Mitigation
Globalisation A key operational risk emanates from the remoteness of operations from Head Office and the increasing global spread of our businesses.	- Weakening of financial, tax, audit and legal control and divergence from overall Group strategy in remote operations, leading to businesses taking on more risks than intended or unexpected financial outcomes - Failure to comply with local laws and regulations in unfamiliar territories, leading to reputational issues and legal or regulatory disputes - Continued international growth increases risk - Missed opportunities due to failure to mobilise resources efficiently	- Control is exercised locally in accordance with the Group's policy of autonomous management. We seek to employ local high-quality experts. - The increasing geographic diversity of operating personnel emphasises the importance the Group places on local knowledge and experience. - The Group's acquisition model ensures retention of management and staff in acquired businesses, meaning that local expertise is retained. - Sector Chief Executives ensure that overall Group strategy is fulfilled through ongoing review of the businesses. The right balance between autonomy and adherence to the overall objectives of the Group is a key function of the Sector Chief Executives, Sector Vice Presidents and Senior Finance Executives. - Regular visits to the more remote operations and maintenance of key adviser relationships by senior management, finance staff and Internal Audit support local control.
Competition The Group faces competition in the form of pricing, service, reliability and substitution.	- Loss of market share due to price pressure and changing markets - Reduced financial performance arising from competitive threats	- By empowering and resourcing innovation in local operations to respond to changing market needs, the potential adverse impact of downward price pressure and competition can be mitigated and growth maintained. - We recognise the competitive threat coming from emerging economies and by operating within these economies, typically using local staff, we are better placed to make fast progress ourselves. - The Group operates in specialised global niche markets offering high barriers-to-entry.
Economic conditions In times of uncertain economic conditions, businesses face additional or elevated levels of risk. These include market and customer risk, customer default, fraud, supply chain risk and liquidity risk.	- Reduced financial performance - Loss of market share - Unforeseen liabilities - Disruption of service to customers	- Risks are primarily managed at the operating company level where local knowledge is situated. The financial strength and availability of pooled finances within the Group mitigates local risks faced by operating companies as does the robust credit management processes in place across the Group. - The Halma Executive Board identifies any wider trends which require action. - The Group's geographic diversity limits its exposure to economic risk arising in any one territory. The Group does not have significant operations, cash deposits or sources of funding in economically uncertain regions.
Financial Funding A key risk is that the Group may run out of cash or not have access to adequate funding. In addition, cash deposits need to be held in a secure form and location.	- Constraints on trading and/or buying new companies - Inability to deliver on growth strategies - Permanent loss of shareholders' funds	- The strong cash flow generated by the Group provides financial flexibility. - Cash needs are monitored regularly. In addition to short-term overdraft facilities, the Group renewed and increased to £360m its five-year revolving credit facility in 2013/14 providing security of funding and sufficient headroom for its current needs. - Cash deposits are monitored centrally and spread amongst a number of high credit-rated banks. Subsidiaries report their cash/indebtedness status to Head Office every week.

Treasury Foreign currency risk is the most significant treasury-related risk for the Group. In times of increased volatility this can have a significant impact on performance. The Group is exposed to a lesser extent to other treasury risks such as interest rate risk and liquidity risk.	- Volatile financial performance arising from translation of profit from overseas operations or poorly-managed foreign exchange exposures - Deviation from core strategy through the use of speculative or overly complex financial instruments - Financial penalties and reputational damage arising from breach of banking covenants - More of Group profit now earned in non-Sterling currencies - Increased interest rate risk on higher forecast borrowings	- The risk has increased because more of the Group's profits are derived from non-Sterling currencies. Currency profits are not hedged. Currency hedging must fit with the commercial needs of the business and we have in place a hedging strategy to manage Group exposures. This requires the hedging of a substantial proportion of expected future transactions up to 12 months (and in exceptional cases 24 months) ahead. Longer-term currency trends can only be covered through a wide geographic spread of operations. - The Group does not use overly complex derivative financial instruments and no speculative treasury transactions are undertaken. - We closely monitor performance against the financial covenants on our revolving credit facility and operate well within these covenants.
Pension deficit To meet our pension obligations, we must adequately fund our pension plans. Our UK Defined Benefit pension plans are now closed to new members and future benefit accrual for existing members.	- Excessive consumption of cash, limiting investment in operations - Unexpected variability in the Company's financial results	- There is regular dialogue with pension fund trustees and pension strategy is a regular Halma Board agenda item. The Group's strong cash flows and access to adequate borrowing facilities mean that the pensions risk can be adequately managed. - The Group has maintained additional pension contributions with the overall objective of paying off the deficit in line with the Actuary's recommendations. We monitor and consider alternative means of reducing our pension risk in light of the best long-term interest of shareholders. - Although the pension deficit increased in 2014/15, the UK Defined Benefit pension plans were closed to future accrual on 1 December 2014 reducing future risk.
Cyber security/Information Technology/Business interruption Group and operational management depend on timely and reliable information from our software systems. We seek to ensure continuous availability, security and operation of those information systems. Cyber threats show an increasing trend.	- Delay or impact on decision making through lack of availability of sound data - Reduced service to customers due to poor information handling or interruption of business - Global threats to systems and critical information increase each year - Loss of commercially sensitive information - Intended and unintended actions of employees cause disruption	- There is substantial redundancy and back-up built into group-wide systems and the spread of business offers good protection from individual events. - We have a small central resource, Halma IT Services, to assist Group companies with strategic IT needs and to ensure adequate IT security policies are used across the Group. - An IT security committee was set up in December 2012 comprising Halma plc IT members and selected subsidiary IT managers. - Halma IT has been ISO 27001: 2013 certified for its information security management systems. - We carry out regular IT health checks. Comprehensive IT systems monitoring was introduced in 2013/14. - Cyber security is a regular Board agenda item. - We utilise external penetration testing and have completed the rollout of a centralised IT disaster recovery solution to supplement local processes. - Business continuity plans are well advanced in each business unit. - High levels of integrity are expected from all Group employees. Education and awareness of cyber threats is an increasing focus.
Acquisitions The identification and purchase of businesses which meet our demanding financial and growth criteria are an important part of our strategy for developing the Group, as is ensuring the new businesses are rapidly integrated into the Group.	- Failure to attract sufficient numbers of high-quality businesses to meet our strategic growth target - Failure to deliver expected results resulting from poor acquisition selection - Reduced financial performance arising	- The sector restructuring in April 2014 freed up additional resource to dedicate to M&A activities. Such resources remain under constant review. - We acquire businesses whose technology and markets we know well. Sector Chief Executives are responsible for finding and completing acquisitions in their business sectors, subject to Board approval, supported by central resources to search for opportunities. We employ detailed post-acquisition integration plans. - Thorough due diligence is performed by a combination of in-house and external experts to ensure that a comprehensive appraisal of the commercial, legal and financial position of every target is obtained. - Incentives are aligned to encourage acquisitions which are value-enhancing

	from failure to integrate acquisitions into the Group - Unforeseen liabilities arising from a failure to understand acquisition targets fully	from day one.
Laws and regulations Group operations are subject to wide-ranging laws and regulations including business conduct, employment, environmental and health and safety legislation. There is also exposure to product litigation and contractual risk. The laws and regulations we are exposed to as our businesses expand around the world increase each year.	- Reputational damage arising from inadvertent non-compliance - Diversion of management resources resulting in lost opportunities - Penalties arising from breach of laws and regulations - Loss of revenue and profit associated with contractual disputes	- The Group's emphasis on excellent internal controls, high ethical standards, the deployment of high-quality management resources and the strong focus on quality control over products and processes in each operating business help to protect us from product failure, litigation and contractual issues. - Each operating company has a health and safety manager responsible for compliance and our performance in this area is good. Health and Safety policies, guidance and monthly reporting requirements are updated to reflect changing reporting and governance requirements and to enhance compliance. Our well-established policies on bribery and corruption have been maintained during the year to ensure continued compliance with best practice internally, via the Group Code of Conduct and externally, via appropriate clauses included in third-party agreements. - We carry comprehensive insurance against all standard categories of insurable risk. Contract review and approval processes mitigate exposure to contractual liability. - The Group's whistleblowing policy and externally facilitated hotline assist the timely identification of potential problem areas. - Continued investment in international markets may introduce additional risk while we develop the appropriate commercial infrastructure necessary to build a direct presence.
Succession planning and staff quality Group performance is dependent on having high-quality leaders at all levels and an organisation allowing us to continue to grow through acquisition as well as driving organic growth.	- Failure to recruit and to retain key staff leading to reduced innovation and progress in the business - Unethical actions of staff causing reputational damage to the Group - Acquisition growth limited due to our organisation's and leaders' ability to absorb acquisitions effectively - International growth increasing risk and the need for high-quality local talent	- Group development programmes enhance the skills of executives and middle managers needed in their current and future roles. - Comprehensive recruitment and ongoing evaluation processes assist high-quality hiring and development. - The Group regularly surveys staff to assess the alignment of individuals with Group values. - The appointment of a Group Talent Director underpins our identification and development of Group executives. - Additional focus on increasing the diversity of our employees worldwide to better meet our markets' needs and provide sufficient opportunities for advancement as well as clear succession planning. - Considerable time spent assessing our senior management talent and establishing better processes to improve our talent pipeline has advanced our succession planning and talent quality.
Research & Development and Intellectual Property strategy New products are critical to our organic growth and underpin our ability to earn high margins and high returns over the long term. Protection of our intellectual property builds competitive advantage by strengthening barriers-to-entry. Our intangible resources include patents, product approvals, technological know-how, branding and our workforce.	- Loss of market share resulting from product obsolescence and failure to innovate to meet customer needs - Loss of market share resulting from a failure to protect key intellectual property - Loss of market share resulting from product quality issues	- By devolving control of product development to the autonomous operating businesses, we both spread risk and ensure that the people best placed to service the customers' needs are driving innovation. - New product development 'best practice' is shared between Group companies and return on investment of past and future innovation projects is tracked monthly. This ensures that the collective experience and expertise of the Group can be utilised to maximum effect. - Large R&D projects, especially those which are capitalised, require Head Office approval, ensuring that the Group's significant projects are aligned to overall strategy. - Workforce quality and retention is a central objective. This focus ensures that intangible resources stay and grow within the business. - Operating businesses are actively encouraged to develop and protect know-how in local jurisdictions. - Innovation is encouraged and fostered throughout the Group, inter alia, via the Halma Innovation Awards.

Going Concern Statement

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 herein.

The Group has considerable financial resources (including a £360m five-year revolving credit facility, of which £220m was undrawn at 28 March 2015) 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. 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.

Responsibility Statement of the Directors on the Annual Report and Accounts

The responsibility statement below has been prepared in connection with the Company's full Annual Report and Accounts for the 52 weeks to 28 March 2015. Certain parts thereof are not included within these Results.

We confirm that to the best of our knowledge:

1. the financial statements (on which the Results are based), 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;
2. 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
3. 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.

This responsibility statement was approved by the Board of Directors on 11 June 2015 and is signed on its behalf by:

A J Williams
Chief Executive

K J Thompson
Finance Director

Results for the 52 weeks to 28 March 2015

Consolidated Income Statement

		52 weeks to 28 March 2015			52 weeks to 29 March 2014		
		Before adjustments* £000	Adjustments* (note 2) £000	Total £000	Before adjustments* £000	Adjustments* (note 2) £000	Total £000
Notes							
Continuing operations							
Revenue	2	726,134	–	726,134	676,506	–	676,506
Operating profit		158,500	(21,437)	137,063	144,660	(1,089)	143,571
Share of results of associates		64	–	64	307	–	307
Profit/(loss) on disposal of operations	9	–	1,430	1,430	–	(483)	(483)
Finance income	3	167	–	167	622	–	622
Finance expense	4	(5,113)	–	(5,113)	(5,340)	–	(5,340)
Profit before taxation		153,618	(20,007)	133,611	140,249	(1,572)	138,677
Taxation	5	(35,706)	6,096	(29,610)	(32,685)	335	(32,350)
Profit for the year attributable to equity shareholders	2	117,912	(13,911)	104,001	107,564	(1,237)	106,327
Earnings per share	6						
From continuing operations							
Basic		31.17p		27.49p	28.47p		28.14p
Diluted				27.48p			28.13p
Dividends in respect of the year	7						
Paid and proposed (£000)				45,252			42,235
Paid and proposed per share				11.96p			11.17p

* Adjustments include the amortisation of acquired intangible assets; acquisition items; profit or loss on disposal of operations; the effects of closure to future benefit accrual of the defined benefit pension plans net of associated costs (prior year only); and the associated taxation thereon.

Consolidated Statement of Comprehensive Income and Expenditure

	Notes	52 weeks to 28 March 2015 £000	52 weeks to 29 March 2014 £000
Profit for the year		104,001	106,327
Items that will not be reclassified subsequently to the Income Statement:			
Actuarial (losses)/gains on defined benefit pension plans		(34,795)	2,060
Tax relating to components of Other comprehensive income that will not be reclassified		6,791	(1,570)
Items that may be reclassified subsequently to the Income Statement:			
Effective portion of changes in fair value of cash flow hedges		71	499
Exchange gains/ (losses) on translation of foreign operations and net investment hedge		30,900	(31,379)
Exchange losses transferred to Income Statement on disposal of operation	9	189	–
Tax relating to components of Other comprehensive income that may be reclassified		(23)	(129)
Other comprehensive income/(expense) for the year		3,133	(30,519)
Total comprehensive income for the year attributable to equity shareholders		107,134	75,808

The exchange gain of £30,900,000 (2014: loss of £31,379,000) includes gains of £862,000 (2014: losses of £2,200,000) which relate to net investment hedges as set out in the Annual Report and Accounts 2015.

Consolidated Balance Sheet

	28 March 2015 £000	29 March 2014 £000
Non-current assets		
Goodwill	406,190	335,278
Other intangible assets	138,691	112,754
Property, plant and equipment	86,303	74,417
Interests in associates	4,236	5,088
Deferred tax asset	28,596	20,677
	664,016	548,214
Current assets		
Inventories	79,734	71,034
Trade and other receivables	156,464	135,177
Tax receivable	20	172
Cash and bank balances	41,230	34,531
Derivative financial instruments	1,069	496
	278,517	241,410
Total assets	942,533	789,624
Current liabilities		
Trade and other payables	102,717	88,291
Borrowings	1,705	4,136
Provisions	11,746	4,482
Tax liabilities	12,405	11,340
Derivative financial instruments	636	167
	129,209	108,416
Net current assets	149,308	132,994
Non-current liabilities		
Borrowings	140,419	104,891
Retirement benefit obligations	66,790	36,849
Trade and other payables	3,756	3,564
Provisions	1,549	6,777
Deferred tax liabilities	51,862	43,127
	264,376	195,208
Total liabilities	393,585	303,624
Net assets	548,948	486,000
Equity		
Share capital	37,965	37,902
Share premium account	23,608	22,778
Treasury shares	(8,450)	(7,054)
Capital redemption reserve	185	185
Hedging and translation reserve	45,500	14,363
Other reserves	(4,073)	(2,745)
Retained earnings	454,213	420,571
Shareholders' funds	548,948	486,000

Consolidated Statement of Changes in Equity

	Share capital £000	Share premium account £000	Treasury shares £000	Capital redemption reserve £000	Hedging and translation reserve £000	Other reserves £000	Retained earnings £000	Total £000
At 29 March 2014	37,902	22,778	(7,054)	185	14,363	(2,745)	420,571	486,000
Profit for the year	–	–	–	–	–	–	104,001	104,001
Other comprehensive income and expense:								
Exchange differences on translation of foreign operations	–	–	–	–	30,900	–	–	30,900
Exchange losses transferred to Income Statement on disposal of operation	–	–	–	–	189	–	–	189
Actuarial losses on defined benefit pension plans	–	–	–	–	–	–	(34,795)	(34,795)
Effective portion of changes in fair value of cash flow hedges	–	–	–	–	71	–	–	71
Tax relating to components of other comprehensive income	–	–	–	–	(23)	–	6,791	6,768
Total other comprehensive income and expense	–	–	–	–	31,137	–	(28,004)	3,133
Share options exercised	63	830	–	–	–	–	–	893
Dividends paid	–	–	–	–	–	–	(43,399)	(43,399)
Share-based payments	–	–	–	–	–	(1,619)	–	(1,619)
Deferred tax on share-based payment transactions	–	–	–	–	–	291	–	291
Excess tax deductions related to share- based payments on exercised options	–	–	–	–	–	–	1,044	1,044
Net movement in treasury shares	–	–	(1,396)	–	–	–	–	(1,396)
At 28 March 2015	37,965	23,608	(8,450)	185	45,500	(4,073)	454,213	548,948
At 30 March 2013	37,888	22,598	(4,534)	185	45,372	(1,484)	353,242	453,267
Profit for the year	–	–	–	–	–	–	106,327	106,327
Other comprehensive income and expense:								
Exchange differences on translation of foreign operations	–	–	–	–	(31,379)	–	–	(31,379)
Actuarial gains on defined benefit pension plans	–	–	–	–	–	–	2,060	2,060
Effective portion of changes in fair value of cash flow hedges	–	–	–	–	499	–	–	499
Tax relating to components of other comprehensive income	–	–	–	–	(129)	–	(1,570)	(1,699)
Total other comprehensive income and expense	–	–	–	–	(31,009)	–	490	(30,519)
Share options exercised	14	180	–	–	–	–	–	194
Dividends paid	–	–	–	–	–	–	(40,485)	(40,485)
Share-based payments	–	–	–	–	–	(1,556)	–	(1,556)
Deferred tax on share-based payment transactions	–	–	–	–	–	295	–	295
Excess tax deductions related to share- based payments on exercised options	–	–	–	–	–	–	997	997
Net movement in treasury shares	–	–	(2,520)	–	–	–	–	(2,520)
At 29 March 2014	37,902	22,778	(7,054)	185	14,363	(2,745)	420,571	486,000

Treasury shares are ordinary shares in Halma plc purchased by the Company and held to fulfil the Company's obligations under the performance share plan. At 28 March 2015 the number of treasury shares held was 1,371,785 (2014: 1,278,148) and their market value was £9,616,000 (2014: £7,394,000). The net increase in treasury shares of £1,396,000 (2014: increase of £2,520,000) comprises the purchase of treasury shares of £6,843,000 (2014: £7,515,000) offset by the transfer to Other reserves of £5,447,000 (2014: £4,995,000).

The Hedging and translation reserve is used to record differences arising from the retranslation of the financial statements of foreign operations and the portion of the cumulative net change in the fair value of cash flow hedging instruments that are deemed to be an effective hedge. Other than a net credit of £202,000 (2014: credit of £123,000), all amounts at year end relate to translation movements.

The Capital redemption reserve was created on repurchase and cancellation of the Company's own shares. The Other reserves represent the provision for the value of the equity-settled share option plans and performance share plan.

Consolidated Cash Flow Statement

		52 weeks to 28 March 2015 £000	52 weeks to 29 March 2014 £000
	Notes		
Net cash inflow from operating activities	10	137,231	121,538
Cash flows from investing activities			
Purchase of property, plant and equipment		(22,164)	(15,838)
Purchase of computer software		(1,021)	(1,529)
Purchase of other intangibles		(382)	–
Proceeds from sale of property, plant and equipment		1,411	1,708
Development costs capitalised		(7,213)	(5,196)
Interest received		134	252
Acquisition of businesses, net of cash acquired	8	(87,743)	(16,685)
Disposal of operations, net of cash disposed	9	4,248	1,917
Net cash used in investing activities		(112,730)	(35,371)
Financing activities			
Dividends paid		(43,399)	(40,485)
Proceeds from issue of share capital		893	194
Purchase of treasury shares		(6,843)	(7,515)
Interest paid		(3,118)	(2,716)
Proceeds from borrowings	10	68,962	7,498
Repayment of borrowings	10	(35,341)	(57,791)
Net cash used in financing activities		(18,846)	(100,815)
Increase/(decrease) in cash and cash equivalents	10	5,655	(14,648)
Cash and cash equivalents brought forward		33,126	49,723
Exchange adjustments		744	(1,949)
Cash and cash equivalents carried forward		39,525	33,126
		2015 £000	2014 £000
Reconciliation of net cash flow to movement in net debt			
Increase/(decrease) in cash and cash equivalents		5,655	(14,648)
Cash (inflow)/outflow from (drawdown)/repayment of borrowings		(33,621)	50,293
Net debt acquired		(468)	–
Loan notes issued*		(657)	(2,731)
Loan notes repaid*		2,731	2,515
Exchange adjustments		(38)	365
		(26,398)	35,794
Net debt brought forward		(74,496)	(110,290)
Net debt carried forward		(100,894)	(74,496)

* The £2,731,000 loan note issued in the prior year was converted at par into cash on 2 June 2014. New loan notes were issued totalling £657,000 on 14 May 2014, 3 September 2014 and 26 November 2014 in respect of the acquisition of Advanced Electronics Limited (see note 8). These loan notes, which attract interest at 1%, are convertible into cash at par on each anniversary of the acquisition date until 14 May 2019.

Notes to the Results

1 Basis of preparation

General Information

The Results are based on the Company's financial statements which are prepared in accordance with International Financial Reporting Standards (IFRS) adopted for use in the European Union (EU) and therefore comply with Article 4 of the EU IAS legislation and with those parts of the Companies Act 2006 that are applicable to companies reporting under IFRS.

With the exception of the new standards adopted in the year, as discussed below, there have been no significant changes in accounting policies from those set out in Halma plc's Annual Report and Accounts 2014. The accounting policies have been applied consistently throughout the years ended 29 March 2014 and 28 March 2015.

The financial information set out in these Results does not constitute the Group's statutory accounts for the years ended 28 March 2015 and 29 March 2014 but is derived from those accounts. Statutory accounts for 2014 have been delivered to the Registrar of Companies and those for 2015 will be delivered following the Company's Annual General Meeting. The auditor's reports on the 2014 and the 2015 accounts were unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

The following Standards with an effective date of 1 January 2014 have been adopted without any significant impact on the amounts reported in these financial statements:

IFRS 10 'Consolidated Financial Statements'

IFRS 10, IFRS 12 and IAS 27 (amended) 'Investment Entities'

IFRS 11 'Joint Arrangements'

IAS 12 (amended) 'Deferred Tax: Recovery of Underlying Assets'

IAS 27 (revised) 'Separate Financial Statements'

IAS 28 (revised) 'Investments in Associates and Joint Ventures'

IAS 32 (amended) 'Offsetting Financial Assets and Financial Liabilities'

IAS 39 (amended) 'Novation of Derivatives and Continuation of Hedge Accounting'

These Results were approved by the Board of Directors on 11 June 2015.

2 Segmental analysis

Sector analysis

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

Segment revenue and results

	Revenue (all continuing operations)	
	52 weeks to 28 March 2015 £000	52 weeks to 29 March 2014 £000
Process Safety	158,372	126,704
Infrastructure Safety	234,063	220,254
Medical	169,333	163,181
Environmental & Analysis	164,412	166,547
Inter-segmental sales	(46)	(180)
Revenue for the year	726,134	676,506

Inter-segmental sales are charged at prevailing market prices and have not been disclosed separately by segment as they are not considered material. The Group does not analyse revenue by product group and has no material revenue derived from the rendering of services.

	Profit (all continuing operations)	
	52 weeks to 28 March 2015 £000	52 weeks to 29 March 2014 £000
Segment profit before allocation of adjustments*		
Process Safety	44,772	34,878
Infrastructure Safety	49,992	44,445
Medical	45,385	41,826
Environmental & Analysis	27,403	31,740
	167,552	152,889
Segment profit after allocation of adjustments*		
Process Safety	40,280	34,125
Infrastructure Safety	49,585	45,010
Medical	31,981	41,554
Environmental & Analysis	25,699	27,574
Segment profit	147,545	148,263
Central administration costs excluding the effects of closure to future benefit accrual of the defined benefit pension plan net of associated costs**	(8,988)	(7,922)
Effects of closure to future benefit accrual of the defined benefit pension plan net of associated costs**	–	3,054
Net finance expense	(4,946)	(4,718)
Group profit before taxation	133,611	138,677
Taxation	(29,610)	(32,350)
Profit for the year	104,001	106,327

* Adjustments include the amortisation of acquired intangible assets; acquisition items; profit or loss on disposal of operations; the effects of closure to future benefit accrual of the defined benefit pension plans net of associated costs (prior year only); and the associated taxation thereon.

** The defined benefit plan referred to here is the Halma Group Pension Plan only, which is not practical to allocate by sector.

The accounting policies of the reportable segments are the same as the Group's accounting policies. Acquisition transaction costs, release of fair value adjustments to inventory and adjustments to contingent consideration (collectively 'acquisition items') are recognised in the Consolidated Income Statement. Segment profit, before these acquisition items and the other adjustments, is disclosed separately above as this is the measure reported to the Chief Executive for the purpose of allocation of resources and assessment of segment performance.

These adjustments are analysed as follows:

							2015
Acquisition items							
	Amortisation of acquired intangible assets £000	Transaction costs £000	Adjustments to contingent consideration £000	Release of fair value adjustments to inventory £000	Total Amortisation charge and acquisition items £000	Disposal of operations (note 9) £000	Total £000
Process Safety	(3,026)	(928)	–	(538)	(4,492)	–	(4,492)
Infrastructure Safety	(765)	(486)	(102)	(130)	(1,483)	1,076	(407)
Medical	(12,156)	(21)	(1,581)	–	(13,758)	354	(13,404)
Environmental & Analysis	(4,007)	–	2,303	–	(1,704)	–	(1,704)
Total Segment & Group	(19,954)	(1,435)	620	(668)	(21,437)	1,430	(20,007)

The transaction costs arose mainly on the acquisitions (see note 8) of Rohrback Cosasco Systems Inc. (RCS), Advanced Electronics Limited (Advanced) and Plasticspritzerei AG, which were acquired on 30 May 2014, 14 May 2014 and 2 May 2014 respectively. The charge of £1,581,000 to contingent consideration related mainly to a revision in the estimate of the remaining MST payable from \$6,504,000 to \$9,061,000. The £2,303,000 credit to contingent consideration related to a revision in the estimate of the remaining ASL payable from £2,500,000 to £197,000. The release of fair value adjustments to inventory arises from revaluing the inventory of RCS and Advanced at acquisition.

							2014
Acquisition items							
	Amortisation of acquired intangible assets £000	Transaction costs £000	Adjustments to contingent consideration £000	Total Amortisation charge and acquisition items £000	Disposal of operations (note 9) £000	Effects of closure to future benefit accrual of defined benefit pension plans* £000	Total £000
Process Safety	(598)	–	(17)	(615)	(138)	–	(753)
Infrastructure Safety	(144)	(140)	–	(284)	(45)	894	565
Medical	(12,530)	102	12,456	28	(300)	–	(272)
Environmental & Analysis	(4,243)	(53)	130	(4,166)	–	–	(4,166)
Total Segment	(17,515)	(91)	12,569	(5,037)	(483)	894	(4,626)
Central administration costs	–	–	–	–	–	3,054	3,054
Total Group	(17,515)	(91)	12,569	(5,037)	(483)	3,948	(1,572)

* The effects of closure to future benefit accrual of defined benefit pension plans, which were gains of £894,000 and £3,054,000, arose on the closure of the Apollo Pension and Life Assurance Plan and Halma Group Pension Plan respectively. It is not practical to apportion the latter gain by Segment.

The £12,456,000 credit to contingent consideration related mainly to a revision in the estimate of the MicroSurgical Technology, Inc. payable from US\$25,000,000 to US\$6,504,000.

Geographic information

The Group's revenue from external customers (by location of customer) is detailed below:

	Revenue by destination	
	2015 £000	2014 £000
United States of America	223,374	214,493
Mainland Europe	167,363	163,707
United Kingdom	138,312	127,877
Asia Pacific	116,842	111,572
Africa, Near and Middle East	44,037	33,037
Other countries	36,206	25,820
	726,134	676,506

Non-current assets comprise goodwill, other intangible assets, investments in associates and property, plant and equipment.

3 Finance income

	2015 £000	2014 £000
Interest receivable	134	252
Fair value movement on derivative financial instruments	33	370
	167	622

4 Finance expense

	2015 £000	2014 £000
Interest payable on bank loans and overdrafts	3,090	2,691
Amortisation of finance costs	530	599
Net interest charge on pension plan liabilities	1,419	1,875
Other interest payable	28	25
	5,067	5,190
Unwinding of discount on provisions	46	150
	5,113	5,340

5 Taxation

	2015 £000	2014 £000
Current tax		
UK corporation tax at 21% (2014: 23%)	9,397	9,465
Overseas taxation	24,064	20,872
Adjustments in respect of prior years	62	(492)
Total current tax charge	33,523	29,845
Deferred tax		
Origination and reversal of timing differences	(4,075)	2,626
Adjustments in respect of prior years	162	(121)
Total deferred tax (credit)/charge	(3,913)	2,505
Total tax charge recognised in the Consolidated Income Statement	29,610	32,350
Reconciliation of the effective tax rate:		
Profit before tax	133,611	138,677
Tax at the UK corporation tax rate of 21% (2014: 23%)	28,058	31,896
Overseas tax rate differences	8,047	5,665
Permanent differences	(6,719)	(4,598)
Adjustments in respect of prior years	224	(613)
	29,610	32,350

Effective tax rate after adjustments*	22.2%	23.3%
	2015 £000	2014 £000
Profit before tax and adjustments*	153,618	140,249
Total tax charge on profit before adjustments*	35,706	32,685
Effective tax rate	23.2%	23.3%

* Adjustments include the amortisation of acquired intangible assets; acquisition items; profit or loss on disposal of operations; the effects of closure to future benefit accrual of the defined benefit pension plans net of associated costs (prior year only).

6 Earnings per ordinary share

Basic earnings per ordinary share are calculated using the weighted average of 378,328,541 shares in issue during the year (net of shares purchased by the Company and held as treasury shares) (2014: 377,805,248). Diluted earnings per ordinary share are calculated using the weighted average of 378,475,804 shares (2014: 378,035,662), which includes dilutive potential ordinary shares of 147,263 (2014: 230,414). Dilutive potential ordinary shares are calculated from those exercisable share options where the exercise price is less than the average price of the Company's ordinary shares during the year.

Adjusted earnings are calculated as earnings from continuing operations excluding the amortisation of acquired intangible assets; acquisition items; profit or loss on disposal of operations; the effects of closure to future benefit accrual of the defined benefit pension plans net of associated costs (prior year only); and the associated taxation thereon. The Directors consider that adjusted earnings represent a more consistent measure of underlying performance. A reconciliation of earnings and the effect on basic earnings per share figures is as follows:

	2015 £000	2014 £000	Per ordinary share	
			2015 pence	2014 pence
Earnings from continuing operations	104,001	106,327	27.49	28.14
Cessation of DB pension accrual	–	(3,040)	–	(0.80)
Amortisation of acquired intangible assets (after tax)	14,121	11,820	3.73	3.14
Acquisition transaction costs (after tax)	1,423	91	0.38	0.02
Release of fair value adjustments to inventory (after tax)	474	–	0.13	–
Adjustments to contingent consideration (after tax)	(1,162)	(8,104)	(0.31)	(2.15)
(Profit)/loss on disposal of operations (after tax)	(945)	470	(0.25)	0.12
Adjusted earnings	117,912	107,564	31.17	28.47

7 Dividends

	Per ordinary share			
	2015 pence	2014 pence	2015 £000	2014 £000
Amounts recognised as distributions to shareholders in the year				
Final dividend for the year to 29 March 2014 (30 March 2013)	6.82	6.37	25,799	24,049
Interim dividend for the year to 28 March 2015 (29 March 2014)	4.65	4.35	17,600	16,436
	11.47	10.72	43,399	40,485
Dividends declared in respect of the year				
Interim dividend for the year to 28 March 2015 (29 March 2014)	4.65	4.35	17,600	16,436
Proposed final dividend for the year to 28 March 2015 (29 March 2014)	7.31	6.82	27,652	25,799
	11.96	11.17	45,252	42,235

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 23 July 2015 and has not been included as a liability in these financial statements. If approved, the final dividend for 2014/15 will be paid on 19 August 2015 to shareholders on the register at the close of business on 17 July 2015.

The Company offers a Dividend Reinvestment Plan ('DRIP') to enable shareholders to elect to have their cash dividends reinvested in Halma shares. Shareholders who wish to elect for the DRIP for the forthcoming final dividend, but have not already done so, should return a DRIP mandate form to the Company's Registrars no later than 29 July 2015.

8 Acquisitions

In accounting for acquisitions, adjustments are made to the book values of the net assets of the companies acquired to reflect their fair values to the Group. Acquired inventories are valued at fair value adopting Group bases and any liabilities for warranties relating to past trading are recognised. Other previously unrecognised assets and liabilities at acquisition are included and accounting policies are aligned with those of the Group where appropriate.

The Group made three acquisitions during the year: Rohrback Cosasco Systems Inc. (RCS); Advanced Electronics Limited (Advanced); and Plasticspritzerei AG (Plasticspritzerei). Below are summaries of the assets and liabilities acquired and the purchase consideration of:

- a) The total of RCS, Advanced and Plasticspritzerei;
- b) RCS, on a standalone basis;
- c) Advanced, on a standalone basis; and
- d) Plasticspritzerei, on a standalone basis.

(A) Total of RCS, Advanced and Plasticspritzerei	Book value £000	Fair value adjustments £000	Total £000
Non-current assets			
Intangible assets	3,508	30,604	34,112
Property, plant and equipment	2,286	52	2,338
Deferred tax	–	226	226
Current assets			
Inventories	5,303	(388)	4,915
Trade and other receivables	9,833	(2,046)	7,787
Corporation tax	251	153	404
Cash and cash equivalents	9,515	104	9,619
Total assets	30,696	28,705	59,401
Current liabilities			
Trade and other payables	(4,569)	501	(4,068)
Provisions	(110)	(515)	(625)
Corporation tax	(686)	327	(359)
Non-current liabilities			
Provisions	–	(17)	(17)
Bank loans	(468)	–	(468)
Retirement benefit obligations	–	(234)	(234)
Deferred tax	(28)	(9,288)	(9,316)
Total liabilities	(5,861)	(9,226)	(15,087)
Net assets of businesses acquired	24,835	19,479	44,314
Initial consideration paid (RCS, Advanced and Plasticspritzerei)*			91,286
Contingent purchase consideration paid (Advanced)*			2,800
Contingent purchase consideration estimated to be paid (Advanced)			3,254
Total consideration			97,340
Goodwill arising on current year acquisitions			53,026

* The initial and contingent purchase considerations paid in cash were £90,828,000 and £2,601,000 respectively. The remainder was satisfied by the issue of £657,000 of loan notes.

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

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

None of the goodwill arising on acquisitions in the year is expected to be deductible for tax purposes.

The three acquisitions in the year contributed £36,110,000 of revenue and £6,695,000 of profit after tax for the year ended 28 March 2015. If these acquisitions had been held since the start of the financial year, it is estimated the Group's reported revenue and profit after tax would have been £6,843,000 and £1,146,000 higher respectively.

The combined fair value adjustments made for all acquisitions, excluding acquired intangible assets recognised and deferred tax

thereon, resulted in net adjustments to goodwill of £3,831,000.

Analysis of cash outflow in the Consolidated Cash Flow Statement

	2015 £000	2014 £000
Initial cash consideration paid	90,828	3,315
Initial cash consideration adjustment (prior year acquisition)	–	(337)
Cash acquired on acquisitions	(9,619)	(754)
Contingent consideration paid in relation to current year acquisitions	2,601	–
Contingent consideration paid and loan notes repaid in cash in relation to prior year acquisitions*	3,933	14,461
Net cash outflow relating to acquisitions (per Consolidated Cash Flow Statement)	87,743	16,685

* The £3,933,000 comprises £2,731,000 loan notes and £1,202,000 contingent purchase consideration paid in respect of prior period acquisitions, all of which had been provided in the prior year's financial statements.

(B) Rohrback Cosasco Systems Inc.

	Book value £000	Fair value adjustments £000	Total £000
Non-current assets			
Intangible assets	420	25,146	25,566
Property, plant and equipment	441	102	543
Deferred tax	–	203	203
Current assets			
Inventories	4,098	(353)	3,745
Trade and other receivables	4,191	(192)	3,999
Cash and cash equivalents	5,441	–	5,441
Corporation tax	251	(61)	190
Total assets	14,842	24,845	39,687
Current liabilities			
Trade and other payables	(1,521)	(169)	(1,690)
Provisions	–	(148)	(148)
Non-current liabilities			
Deferred tax	(28)	(7,677)	(7,705)
Total liabilities	(1,549)	(7,994)	(9,543)
Net assets of businesses acquired	13,293	16,851	30,144
Initial consideration (all cash)			69,681
Total consideration			69,681
Goodwill arising on acquisition			39,537

The Group acquired the entire share capital of Rohrback Cosasco Systems Inc. and associated companies (RCS), on 30 May 2014 for an initial cash consideration of US\$116,000,000 (£69,341,000). This was subsequently adjusted by an additional US\$569,000 (£340,000) which was paid in July 2014 based on the final agreed value of the net tangible assets at the acquisition date.

RCS forms part of the Process Safety sector and specialises in the design, manufacture and sale of pipeline corrosion monitoring products and systems into diverse industries including oil, gas, petrochemical, pharmaceutical and utilities. The acquisition of RCS expands Halma's portfolio of critical safety products which are sold into the Energy and Utility markets to protect life and operational assets. The existing RCS management team remain in place and will continue to operate the business. The excess of the fair value of the consideration paid over the fair value of the assets acquired is represented by customer related intangibles of £14,697,000; marketing and technology related intangibles of £10,869,000; with residual goodwill arising of £39,537,000. The goodwill represents:

- the technical expertise of the acquired workforce;
- the opportunity to leverage this expertise across some of Halma's businesses; and
- the ability to exploit the Group's existing customer base.

The RCS acquisition contributed £22,038,000 of revenue and £3,705,000 of profit after tax for the year ended 28 March 2015.

If this acquisition had been held since the start of the financial year, it is estimated that the Group's reported revenue and profit after tax would have been £5,525,000 and £771,000 higher respectively.

(C) Advanced Electronics Limited

	Book value £000	Fair value adjustments £000	Total £000
Non-current assets			
Intangible assets	3,088	5,458	8,546
Property, plant and equipment	1,834	(606)	1,228
Deferred Tax	–	23	23
Current assets			
Inventories	1,124	1	1,125
Trade and other receivables	5,046	(1,890)	3,156
Corporation tax	–	214	214
Cash and cash equivalents	2,259	104	2,363
Total assets	13,351	3,304	16,655
Current liabilities			
Trade and other payables	(2,759)	703	(2,056)
Provisions	–	(363)	(363)
Corporation tax	(582)	582	–
Non-current liabilities			
Bank loans	(468)	–	(468)
Deferred tax	–	(1,611)	(1,611)
Total liabilities	(3,809)	(689)	(4,498)
Net assets of businesses acquired	9,542	2,615	12,157
Initial consideration			15,927
Contingent purchase consideration paid			2,800
Contingent purchase consideration estimated to be paid			3,254
Total consideration			21,981
Goodwill arising on acquisition			9,824

The Group acquired the entire share capital of Advanced Electronics Limited (Advanced) on 14 May 2014 for an initial consideration of £15,927,000 (£458,000 of which was satisfied by loan notes). Contingent consideration is payable over a two year period based on the profits of the company for the twelve months to April 2014 and eleven months to March 2015. The total estimated payable was £6,054,000, of which £2,601,000 has been paid in cash and £199,000 in loan notes in the year. The remainder, subject to actual performance, is payable in June 2015. The maximum contingent consideration payable is £10,100,000. Management's current best estimate of the likely total payable has been increased by £102,000 to £6,156,000 based on performance observed to date.

Advanced forms part of the Infrastructure Safety sector and specialises in the manufacture of networked fire detection and control systems. Advanced's controllers can be integrated into system solutions using field devices and products from a broad spectrum of suppliers, meeting the increasing diversity of regulatory requirements across the world. Its main manufacturing facility is located near Newcastle in the UK with a dedicated electronics and software development facility in Barnsley. It has additional commercial offices in the UK, the USA and Dubai. Advanced brings to Halma complementary products that help capture the international growth opportunity in the increasingly regulated Fire market. The excess of the fair value of the consideration paid over the fair value of the assets acquired is represented by customer related intangibles of £5,306,000; marketing and technology related intangibles of £1,462,000; with residual goodwill arising of £9,824,000. Included in the £5,458,000 fair value adjustment to intangible assets shown above is a reduction of £1,310,000 to the carrying value of capitalised development costs resulting from the application of Halma accounting policies to the acquisition date balance. The residual goodwill represents:

- the technical expertise of the acquired workforce;
- the opportunity to leverage this expertise across some of Halma's businesses; and
- the ability to exploit the Group's existing customer base.

The Advanced acquisition contributed £13,936,000 of revenue and £2,301,000 of profit after tax for the year ended 28 March 2015. If this acquisition had been held since the start of the financial year, it is estimated that the Group's reported revenue and profit after tax would have been £1,318,000 and £323,000 higher respectively.

(D) Plasticspritzerei AG	Book value £000	Fair value adjustments £000	Total £000
Non-current assets			
Property, plant and equipment	11	556	567
Current assets			
Inventories	81	(36)	45
Trade and other receivables	596	36	632
Cash and cash equivalents	1,815	–	1,815
Total assets	2,503	556	3,059
Current liabilities			
Trade and other payables	(289)	(33)	(322)
Provisions	(110)	(4)	(114)
Corporation tax	(104)	(255)	(359)
Non-current liabilities			
Provisions	–	(17)	(17)
Retirement benefit obligations	–	(234)	(234)
Total liabilities	(503)	(543)	(1,046)
Net assets of businesses acquired	2,000	13	2,013
Initial cash consideration			5,678
Total consideration			5,678
Goodwill arising on acquisition			3,665

On 2 May 2014 the Group acquired Plasticspritzerei AG (Plasticspritzerei), located in Wolfhalden, Switzerland at the same facility as another Group company, Medice AG (Medice). Initial consideration paid for the company was CHF8,403,000 (£5,678,000) including the consideration of CHF903,000 (£610,000) received for the Group's disposal of its 50% ownership interest in its associate PSRM Immobilien AG (PSRM) and CHF2,687,000 (£1,815,000) paid for the industrial segment of Plasticspritzerei. The Group then immediately sold the industrial segment of the business to a third party, resulting in a net cash cost to the Group of CHF4,813,000 (£3,253,000), (CHF5,716,000 (£3,863,000) excluding the proceeds from the PSRM disposal). These transactions have resulted in the Group owning only those assets which support Medice's business. Plasticspritzerei will be operated by Medice's management within Halma's Medical sector, further expanding the Group's manufacturing excellence in ophthalmic diagnostic and surgical instrumentation.

No customer relationship intangibles were recognised as part of this transaction because Medice is the sole customer for the Plasticspritzerei business acquired and the fair value of any customer relationship is therefore eliminated from a Group perspective. Goodwill of £3,665,000 was recognised as part of this transaction, representing the excess of the fair value of consideration transferred over the fair value of the assets acquired and is attributable to:

- the technical expertise of the acquired workforce;
- the opportunity to secure and advance the supply chain of Medice AG; and
- the ability to exploit the Group's existing customer base.

The Plasticspritzerei acquisition resulted in intercompany sales to Medice of £2,176,000 and external sales of £136,000 for the period ended 28 March 2015 and contributed £689,000 to profit after tax for the Group for the same period. If this acquisition had been held since the start of the financial year, it is estimated that the Group's reported revenue and profit after tax would have been £nil and £52,000 higher respectively.

9 Disposal of operations

On 30 May 2014, the Group disposed of Monitor Elevator Products, Inc. (Monitor) from its Infrastructure Safety sector. The total consideration was US\$6,243,000 (£3,716,000), of which US\$5,514,000 (£3,282,000) was received in cash at completion, before subsequently being reduced by US\$171,000 (£102,000) for the final agreed closing net asset value. The remaining US\$900,000 was retained in escrow to be released to Halma on the second anniversary of the transaction subject to any valid warranty/indemnity claims being made by the purchaser. The Directors estimate that the entire US\$900,000 held in escrow will be received.

The profit on disposal was US\$1,808,000 (£1,076,000), which is net of £189,000 of cumulative foreign exchange losses reclassified to the Income Statement and £273,000 of disposal costs. Net assets disposed were US\$3,659,000 (£2,178,000). No goodwill was disposed of or impaired as a result of this transaction.

The Group's partial disposal of Optomed during the year for €876,000 (£695,000) resulted in a profit on disposal of £223,000.

The Group's disposal of its 50% ownership interest in PSRM Immobilien AG (PSRM) for CHF903,000 (£610,000) resulted in a fair value gain being recognised in the Income Statement of £131,000. This represented the excess of the fair value of the Group's interest in the associate over its carrying value.

The £4,248,000 cash inflow on disposal of operations shown in the Consolidated Cash Flow Statement represents the £3,180,000, £695,000 and £610,000 proceeds from the sale of the shares in Monitor, Optomed, and PSRM respectively plus the £36,000 overdraft in Monitor less the disposal costs of £273,000.

The total profit on disposal of operations of £1,430,000 comprises £1,076,000 for the disposal of Monitor, £223,000 for the partial disposal of shares in Optomed and £131,000 for the fair value gain recognised in relation to the disposal of PSRM.

In the prior year, the loss on disposal relates to late transaction costs and a revision to amounts recoverable on the disposals by the Group, in 2012, of its Asset Monitoring businesses and Volumatic Limited. The £1,917,000 cash inflow related mainly to a release from escrow. Further details are provided on page 143 of the 2014 Annual Report and Accounts.

10 Notes to the Consolidated Cash Flow Statement

	2015 £000	2014 £000
Reconciliation of profit from operations to net cash inflow from operating activities:		
Profit on continuing operations before finance income and expense, share of results of associates and (profit)/loss on disposal of operations	137,063	143,571
Depreciation of property, plant and equipment	14,005	13,625
Amortisation of computer software	1,211	1,168
Amortisation of capitalised development costs and other intangibles	5,505	4,002
Impairment of capitalised development costs	236	–
Amortisation of acquired intangible assets	19,954	17,515
Share-based payment expense in excess of amounts paid	3,803	3,470
Additional payments to pension plans	(6,560)	(5,892)
Profit on sale of property, plant and equipment and computer software	(590)	(26)
Effects of closure to future benefit accruals of defined benefit pension plans	–	(4,246)
Operating cash flows before movement in working capital	174,627	173,187
Increase in inventories	(1,097)	(5,127)
Increase in receivables	(10,656)	(9,111)
Increase in payables and provisions	5,801	3,334
Revision to estimate of contingent consideration payable	(620)	(12,394)
Cash generated from operations	168,055	149,889
Taxation paid	(30,824)	(28,351)
Net cash inflow from operating activities	137,231	121,538
	2015 £000	2014 £000
Analysis of cash and cash equivalents		
Cash and bank balances	41,230	34,531
Overdrafts (included in current borrowings)	(1,705)	(1,405)
Cash and cash equivalents	39,525	33,126

	At 29 March 2014 £000	Cash flow £000	Net cash/(debt) acquired £000	Net overdraft disposed £000	Loan notes repaid/ (issued) £000	Exchange adjustments £000	At 28 March 2015 £000
Analysis of net debt							
Cash and bank balances	34,531	(3,664)	9,619	–	–	744	41,230
Overdrafts	(1,405)	(336)	–	36	–	–	(1,705)
Cash and cash equivalents	33,126	(4,000)	9,619	36	–	744	39,525
Loan notes falling due within one year	(2,731)	–	–	–	2,731	–	–
Loan notes falling due after more than one year	–	–	–	–	(657)	–	(657)
Bank loans falling due after more than one year	(104,891)	(33,621)	(468)	–	–	(782)	(139,762)
Total net debt	(74,496)	(37,621)	9,151	36	2,074	(38)	(100,894)

The net cash inflow from bank loans in 2015 comprised repayments of £35,341,000 offset by drawdowns of £68,962,000 (2014: net cash outflow comprising drawdowns of £57,791,000 offset by drawdowns of £7,498,000). The £9,151,000 net cash acquired comprised £9,619,000 cash and £468,000 of bank loans, and net overdraft disposed related to the Monitor overdraft of £36,000.

The net of the above £4,000,000 cash outflow, £9,619,000 net cash acquired and £36,000 net overdraft disposed is equal to the increase in cash and cash equivalents of £5,655,000 in the Consolidated Cash Flow Statement.

11 Non-GAAP measures

The Board uses certain non-GAAP measures to help it effectively monitor the performance of the Group. These measures include Return on Total Invested Capital, Return on Capital Employed, Organic growth at constant currency, Adjusted operating profit and Adjusted operating cash flow.

Return on Total Invested Capital

	2015 £000	(Restated)* 2014 £000
Post-tax profit before adjustments**	117,912	107,564
Total shareholders' funds	548,948	486,000
Add back retirement benefit obligations	66,790	36,849
Less associated deferred tax assets	(13,085)	(7,372)
Cumulative amortisation of acquired intangible assets	83,958	61,324
Historical adjustments to goodwill***	89,549	89,549
Total Invested Capital	776,160	666,350
Average Total Invested Capital	721,255	645,819
Return on Total Invested Capital (ROTIC)	16.3%	16.7%

Return on Capital Employed

	2015 £000	(Restated)* 2014 £000
Operating profit before adjustments**, but after share of results of associates	158,564	144,967
Computer software costs within intangible assets	2,835	2,810
Capitalised development costs within intangible assets	15,865	12,981
Other intangibles within intangible assets	450	8
Property, plant and equipment	86,303	74,417
Inventories	79,734	71,034
Trade and other receivables	156,464	135,177
Trade and other payables	(102,717)	(88,291)
Current provisions	(11,746)	(4,482)
Net tax liabilities	(12,385)	(11,168)
Non-current trade and other payables	(3,756)	(3,564)
Non-current provisions	(1,549)	(6,777)
Add back contingent purchase consideration	9,650	7,562
Capital Employed	219,148	189,707
Average Capital Employed	204,428	189,204
Return on Capital Employed (ROCE)	77.6%	76.6%

* The ROTIC and ROCE measures are now expressed as a percentage of the average of the current year's and prior year's Total Invested Capital and Capital Employed respectively. Using an average as the denominator is considered to be more representative. The 2013 Total Invested Capital and Capital Employed balances were £625,287,000 and £188,701,000 respectively.

** Adjustments include the amortisation of acquired intangible assets; acquisition items; profit or loss on disposal of operations; and the effects of closure to future benefit accrual of the defined benefit pension plans net of associated costs (prior year only).

*** Includes goodwill amortised prior to 3 April 2004 and goodwill taken to reserves.

Organic growth at constant currency

Organic growth at constant currency measures the change in revenue and profit from continuing Group operations. The effect of acquisitions made during the financial year has been equalised by adjusting the current year results for pro-rated contributions based on their revenues and profits before taxation at the dates of acquisition. The results of disposals made in the financial year have been adjusted from the prior year reported revenue and profit before taxation. The effects of currency changes are removed through restating the current year revenue and profit before taxation at the prior year exchange rates. Organic growth at constant currency has been calculated as follows:

	Revenue			Adjusted profit* before taxation		
	2015 £000	2014 £000	% growth	2015 £000	2014 £000	% growth
Continuing operations	726,134	676,506		153,618	140,249	
Acquired and disposed revenue/profit	(35,489)	(6,441)		(7,394)	(983)	
Organic growth	690,645	670,065	3.1%	146,224	139,266	5.0%
Constant currency adjustment	12,114	–		3,071	–	
Organic growth at constant currency	702,759	670,065	4.9%	149,295	139,266	7.2%

* Adjustments include the amortisation of acquired intangible assets; acquisition items; profit or loss on disposal of operations; and the effects of closure to future benefit accrual of the defined benefit pension plans net of associated costs (prior year only).

Adjusted operating profit	2015 £000	2014 £000
Operating profit	137,063	143,571
Add back:		
Acquisition items	1,483	(12,478)
Effects of closure to future benefit accrual of defined benefit pension plans	–	(3,948)
Amortisation of acquired intangible assets	19,954	17,515
Adjusted operating profit	158,500	144,660

Adjusted operating cash flow	2015 £000	2014 £000
Net cash from operating activities (note 10)	137,231	121,538
Add back:		
Taxes paid	30,824	28,351
Proceeds from sale of property, plant and equipment	1,411	1,708
Less:		
Purchase of property, plant and equipment	(22,164)	(15,838)
Purchase of computer software and other intangibles	(1,403)	(1,529)
Development costs capitalised	(7,213)	(5,196)
Adjusted operating cash flow	138,686	129,034
Cash conversion % (adjusted operating cash flow/adjusted operating profit)	87%	89%

12 Events after the balance sheet date

On 19 May 2015 the Group acquired the entire membership interest of Value Added Solutions, LLC (“VAS”) for an initial cash consideration of \$5,000,000, adjustable based on the closing date working capital. Additionally, a performance payment of up to \$1,500,000, based upon results achieved in the period to 1 October 2016, will be paid on 1 April 2017.

VAS will operate as a “bolt-on” to Diba Industries Inc., within Halma’s Medical sector. Diba Industries creates innovative fluid handling solutions that are invaluable to device OEMs, while VAS specialises in precision plastic machining, production of thermally bonded manifolds, and fluid component integrations. VAS will add complementary expertise, capabilities, and products that will allow Diba to provide broader solutions to its existing customers, as well as expand its customer base. VAS’s production facility is located in Berlin, CT (USA). Due to the proximity of the acquisition date to the date of the approval of the Annual Report and Accounts, it is impractical to provide further information.

13 Related party transactions

Trading transactions

	2015 £000	2014 £000
Associated companies		
Purchases from associated companies	638	524
Amounts due to associated companies	161	56
Amounts due from associated companies	–	128
Other related parties		
Rent charged by other related parties	113	115

Other related parties comprises one company with a Halma employee on the board and from which the Halma subsidiary rents property. All the transactions above are on an arm's length basis and on standard business terms.

Remuneration of key management personnel

The remuneration of the Directors and Executive Board members, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 'Related Party Disclosures'. Further information about the remuneration of individual Directors is provided in the audited part of the Directors' Remuneration Report in the Annual Report and Accounts 2015.

	2015 £000	2014 £000
Wages and salaries	5,212	4,353
Pension costs	169	130
Share-based payment charge	1,799	1,908
	7,180	6,391

Cautionary note

These Results contains certain forward-looking statements which have been made by the Directors in good faith using information available up until the date they approved the announcement. Forward-looking statements should be regarded with caution as by their nature such statements involve risk and uncertainties relating to events and circumstances that may occur in the future. Actual results may differ from those expressed in such statements, depending on the outcome of these uncertain future events.