

Growing a safer, cleaner, healthier future for everyone, every day

Company number 00040932


Halma

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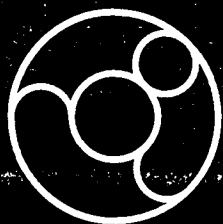
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Who we are



Halma is a global group of life-saving technology companies. Our companies provide innovative solutions to many of the key problems facing the world today.

Our purpose

Our purpose is to grow a safer, cleaner, healthier future for everyone, every day.

Our Sustainable Growth Model

We deliver sustainable growth, consistently high returns and positive impact.



Read more about
our purpose



Read more about
our Sustainable Growth Model



Read more on our website
www.halma.com/investors

Cover image: Joel Machado
Joel is Quality Control Inspector at Sentrific

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Our purpose

Our purpose is to
grow a safer, cleaner,
healthier future for
everyone, every day.

It's in our DNA

We have a unique set of organisational and cultural genes which power our continued growth. We call this Halma's DNA. Our DNA runs through our business at all levels. It provides competitive advantage and stability, and allows us to continuously adapt to new market needs. Our DNA embodies the core elements of our organisation and culture that are inextricably linked to our past and which enable our future success.



Read more about
our DNA

It drives everything we do

We continuously evaluate our portfolio, and decide on new product development and acquisition targets based on their alignment to achieving our purpose. We allocate capital and talent to maximise our growth, returns and positive impact, in line with our purpose. We pursue enhanced digital technologies and international expansion strategies to ensure we reach "everyone, every day".



Read more about
our growth strategy

It delivers sustainable value

Our purpose keeps us focused on growing businesses in global niches driven by long-term growth drivers. This creates sustainable value for all stakeholders by delivering consistently strong growth and a positive impact.



Read more about
our business model

It delivers positive impact

Our technologies solve some of the world's most pressing issues, from ensuring air quality and clean water to preventing blindness. By growing, Halma companies make the world a safer, cleaner and healthier place, and contribute towards multiple United Nations Sustainable Development Goals.



Find out more information on our website
www.halma.com

It benefits all our stakeholders

- o Our people.
- o Our companies.
- o Customers and suppliers.
- o Acquisition prospects and business partners.
- o Society and communities.
- o Investors and debt holders.



Read more about
our stakeholders

It is measured along the way

We track our progress in fulfilling our purpose through a range of financial and non-financial indicators covering key aspects of performance that matter to our stakeholders.



Read more about our
key performance indicators

How we are structured

We have a lean and highly decentralised structure with only three layers – companies, sectors and Group.

Our portfolio of life-saving technology companies are locally managed and place operational resources close to their customers.

This gives us the agility to respond quickly to our customers' needs and to changes in our end markets.

Our companies are individual legal entities, managed by their own board of directors, with the freedom to set their own growth strategy. This drives accountability for performance and good governance. Each company is focused on growing organically and inorganically in a specific global niche market.

Our companies grouped by sector

Companies

AVIRE	FIRETRACE	ALICAT SCIENTIFIC	DEEP TREKKER	Arcmed	LONGER A Helma company
FirePro.	BEA	CROWCON Detecting Gas Saving Lives	SENSIT Technologies	CARDIOS	CENTRAK
NAVTECH RADAR	AAI	Labsphere	Avo Photonics	Riester	Keeler
Advanced	Ampac	HWM	Ocean Insight	PeriGen medical equipment	SSG 10 Years Clear Vision Tech
apollo	FireMate	minicam group	HYDREKA MANUFACTURING	SUNTECH	VOLK The Leader in Aspheric Optics*
ffe	Orama The future of protection	Sensorex	Palintest Water Analysis Technologies	medicel 100% medical grade	IZI Medical
OsecoElfab	WEETECH	NUVONIC	SEWERTRONICS scaled robotic engineering	Perma Pure	NOVADONE
COSASCO	sofis and systems				
SEINTRIC GROUP	FORTRESS				
Safety		Environmental & Analysis		Healthcare	

Sectors

Sector boards are chaired by a Sector Chief Executive, who is also a member of the Executive Board, and include Divisional Chief Executives and sector leads for M&A, Finance, Legal and Talent. Sector boards are responsible for setting sector growth strategy, including targeting niche markets for both organic and inorganic growth, and talent strategy.

Divisional Chief Executives are sector board members and chair the boards of five to eight companies. They are responsible for driving M&A and ensuring organic and inorganic growth in their companies, and provide a pivotal link between the Group, sectors and companies.

Group

The Group has a lean and simple structure providing effective governance, capital allocation, and **Growth Enabler** support for the companies.

The **Halma Board** sets the Group's strategic goals and has ultimate responsibility for the Group's direction and performance. The **Executive Board** develops and drives strategy and monitors performance against our key performance indicators.



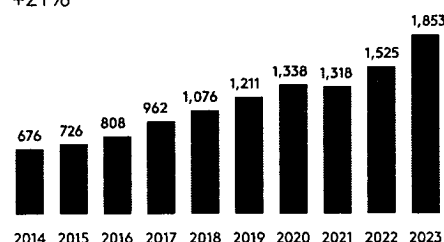
For more information visit www.halma.com

Highlights – strong growth and continued high returns

Revenue

£1,852.8m

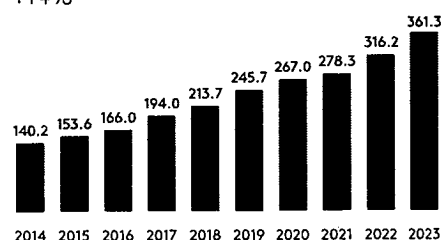
+21%



Adjusted¹ profit before taxation

£361.3m

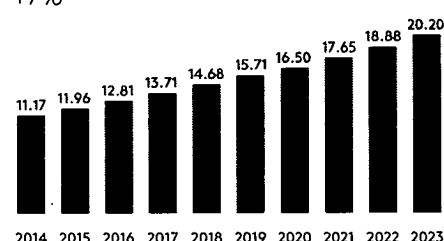
+14%



Dividend per share paid and proposed

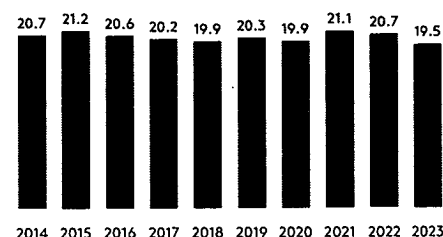
20.20p

+7%



Return on Sales⁴

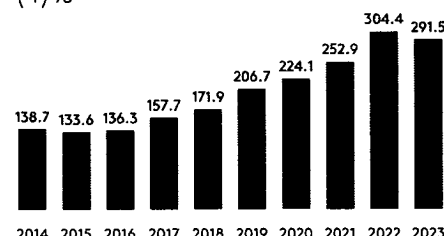
19.5%



Statutory profit before taxation

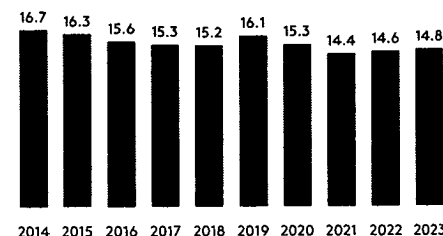
£291.5m

(4)%



Return on total invested capital⁵

14.8%



Continuing operations

	2023	2022	Change
Revenue	£1,852.8m	£1,525.3m	+21%
Adjusted ¹ profit before taxation	£361.3m	£316.2m	+14%
Adjusted ² earnings per share	76.34p	65.48p	+17%
Statutory profit before taxation	£291.5m	£304.4m	(4)%
Statutory basic earnings per share	62.04p	64.54p	(4)%
Total dividend per share ³	20.20p	18.88p	+7%
Return on Sales ⁴	19.5%	20.7%	
Return on total invested capital ⁵	14.8%	14.6%	
Net debt ⁶	£596.7m	£274.8m	

Notes

- Adjusted to remove the amortisation and impairment of acquired intangible assets, acquisition items, restructuring costs, profit or loss on disposal of operations, the effect of equalisation of benefits for men and women in the defined benefit pension plans (2019 only), and, in 2014 only, the effects of closure to future benefit accrual of the defined benefit pension plans, in 2023 totalling £69.8m (2022: £11.8m). See note 1 to the Accounts.
- Adjusted to remove the amortisation and impairment of acquired intangible assets, acquisition items, restructuring costs, profit or loss on disposal of operations, the associated tax thereon and, in 2022, the increase in the UK's corporation tax rate from 19% to 25%. See note 2 to the Accounts.
- Total dividend paid and proposed per share.
- Return on Sales is defined as adjusted¹ profit before taxation from continuing operations expressed as a percentage of revenue from continuing operations.
- Return on Total Invested Capital (ROIC) is defined as post-tax Adjusted¹ profit as a percentage of average Total Invested Capital.
- Net debt is defined as Borrowings plus lease liabilities net of Cash and bank balances.
- Adjusted¹ profit before taxation, Adjusted² Earnings per Share, organic growth rates, Return on Sales⁴, ROTIC⁵ and net debt⁶ are alternative performance measures used by management. See notes 1, 2 and 3 to the Accounts.
- Adjusted¹ operating profit before central administration costs after share of associate.

For further detail see notes on page 192.

Our purpose in action

Monitoring health

1,000,000

More than 1m health diagnostics products for eye health, blood pressure and vital signs monitoring supplied each year.



Protecting lives

250,000

Number of people protected every day by one of our gas sensor products.



Conserving water

150,000km

Monitoring more than 150,000km of water pipelines.



Keeping workers safe

40,000

Protecting worker safety in more than 40,000 manufacturing and other facilities.



Improving health outcomes

7,000,000

Supporting more than 7m surgeries each year, including eyesight-saving cataract surgeries.



Making water safer

5,000,000

Providing more than 5m water quality tests annually for partners in international relief and development.



Protecting our environment

47%

Reduction in Scope 1 & 2 greenhouse gas emissions since 2020.



Building inclusive businesses

48%

Of our Halma senior leaders are women.*

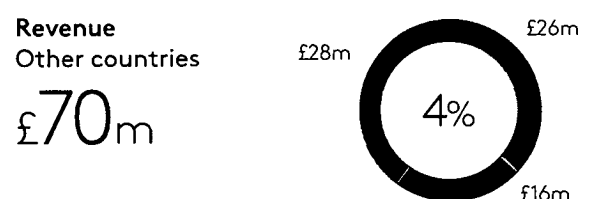
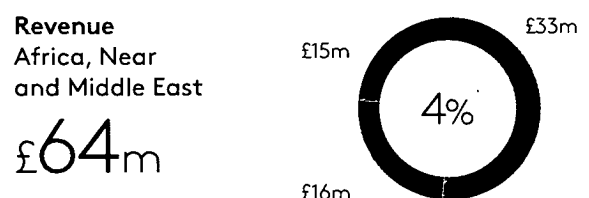
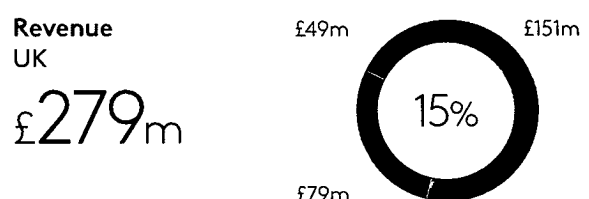
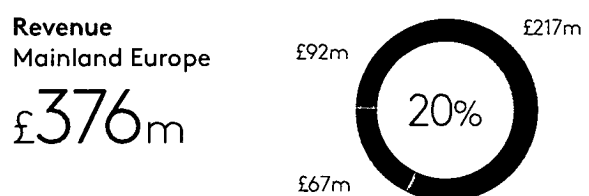


Please see www.halma.com for more information about our companies' impact and page 72 for information on how we protect our environment and support our people. The first six figures on this page are approximate estimates, based on a number of assumptions about usage of our products. See www.halma.com for more information.

* Halma Board, Executive Board and Divisional Chief Executives at 31 March 2023

Halma at a glance

Our companies are grouped into three sectors. They have customers in more than 100 countries and make the world safer, cleaner and healthier for millions of people every day.



● Safety ● Environmental & Analysis ● Healthcare
Percentages are % of Group revenue.
Sector revenue includes inter-segmental sales.
1 See highlights

Safety's technologies protect people, assets and infrastructure, enable safe movement, and enhance efficiency in public and commercial spaces and in industrial and logistics operations.

£746m

Revenue

£153m

Adjusted operating profit¹

Safety



Read more

Environmental & Analysis provides technologies that monitor and protect the environment, analyse materials, and ensure the quality and availability of life-critical resources.

£552m

Revenue

£134m

Adjusted operating profit¹

Environmental
& Analysis



Read more

Healthcare's technologies and digital solutions help providers improve the care they deliver and enhance the quality of patients' lives.

£556m

Revenue

£130m

Adjusted operating profit¹

Healthcare



Read more

Continuity in a year of change



“

Our purpose-led approach and Sustainable Growth Model continue to drive strong growth, high returns and positive impact for stakeholders. These fundamental principles remain as the foundations for our sustainable growth over the years ahead.

Record results delivered

Once again, it is pleasing to report that the Group delivered record results and, through our people, products and services, increased the positive impact that we have made. I would like to thank all of our colleagues around the world for their support and dedication to Halma over the past year.

Continuity in a year of change

Looking back over the year, while there were notable changes in our executive management team – with the appointment of a new Group Chief Executive and Chief Financial Officer – the fundamentals of our purpose-led approach and Sustainable Growth Model remained the same. I am delighted that the Board's planning and execution for this succession delivered two strong candidates – in Marc Ronchetti and Steve Gunning – who are well equipped to continue Halma's strategic evolution and growth story. On behalf of my Board colleagues, I congratulate them on their appointments and wish them every success in their respective roles.

I would like to thank Andrew Williams who, prior to his retirement as Group Chief Executive, led the Group for over 18 years. During his tenure, Halma delivered revenue and profit growth of 10% per annum on average, an annual increase in dividend per share of 5% or more and, as at 31 March 2023, an increase of over 2,000% in Halma's share price. In recent years, Andrew refined our purpose to align the Group's focus on growing a safer, cleaner, healthier future for everyone, every day. He developed our strategic Growth Enablers, increased diversity at Board and senior management levels, and navigated the Group through the credit crisis and COVID pandemic – while always putting our employees, customers, shareholders and other key stakeholders at the heart of his decision-making.

On behalf of the Board, I would like to thank Andrew for his remarkable leadership at Halma. I would also like to extend my personal thanks for his support and knowledge-sharing as I stepped into the role as Chair. I wish Andrew well for the future.

Looking ahead with confidence

I was attracted to Halma by its purpose-driven approach. The positive impact that the Group has on the world remains at the core of our strategy. We are structured to deliver sustainable growth through our decentralised operating model, which places our companies close to their customers and end markets. We have entrepreneurial talent, a positive culture and an ambition to deliver on our purpose.

With the support of our great people and companies, I am confident that we will continue our long track record of growth, and deliver a positive impact on communities worldwide through our innovative products and services, and our charitable partnerships, in the years ahead.

Dame Louise Makin

Chair

How governance has supported our growth

p125

Appointment of Group Chief Executive and Chief Financial Officer

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Shareholder engagement on remuneration

p127

Annual Board evaluation

Letter from Andrew Williams

Delivering continued success



“

Halma has greater potential now than at any time in its history. I am excited to see what the future will bring.

It has been a privilege and a pleasure to lead Halma for the last 18 years, and to have worked with so many talented people to deliver its continued success. Halma is a stronger business and has greater opportunities today than at any time in its history, due to the commitment and outstanding ability of leaders and colleagues throughout the Group. I would like to thank each one of them for the support, learning and enjoyment they have given me during my tenure as Group Chief Executive.

Halma has changed enormously since I joined the Group in 1994, constantly adapting to changes in our markets and new technologies, yet always keeping our customers' and stakeholders' needs at our core. Our success is underpinned by the solid foundations laid in the early 1970s by our founder, David Barber, which holistically combine a sustainable growth strategy, a simple financial model, and a unique organisational design.

We continue to build on these foundations today. Halma maintains a disciplined focus on niche markets with strong, long-term fundamental growth drivers, and a culture which empowers our companies to be entrepreneurial – responding with agility to new challenges and opportunities. These elements continue to be critical in supporting our delivery of superior organic and inorganic performance over the long term, and I know that this belief is shared by Halma's new Group Chief Executive, Marc Ronchetti. I have worked very closely with Marc over the past few years, and I am confident that Halma will continue to thrive and grow to new heights under his leadership.

As we look to the future, we are seeing a rapid increase in the scale of opportunities in our markets. Our customers are facing a wider range of intensifying factors, many of which are having global impacts.

These include the effects of climate change, increasing threats to the availability of natural resources, unprecedented pressures on healthcare systems, growing requirements to ensure people's safety and a drive for enhanced efficiency as the trends of urbanisation and industrialisation continue to strengthen.

I believe Halma has greater capacity than ever before to address these challenges through our innovation, intimate customer relationships and market knowledge. We have grown not just in terms of our size and capabilities, but also in our ambition and clarity of direction. We are united by a common purpose which drives our growth strategy, aligns our portfolio with our customers' needs, and challenges us to have a greater positive impact in the world.

We have deep expertise in our chosen markets, a collaborative culture, and a holistic business strategy that has delivered sustainable and resilient growth in varying market conditions. One of the achievements of Halma in recent years, of which I am most proud, is the evolution of a more inclusive culture which nurtures the creation of diverse and high-performing leadership teams, and the development of extraordinary talent at all levels in our Group.

Halma has greater potential now than at any time in its history. The scale of the opportunities in the Group's markets is matched by the depth of our capabilities, the strength of our leadership teams and the talent in our companies. I am excited to see what the future will bring.

Andrew Williams

Group Chief Executive

February 2005 – March 2023

Record revenue, and record profit for the **20th consecutive year**



“

Our performance in the year reflects the clarity of our purpose, the strength of our Sustainable Growth Model, and the hard work and dedication of our people.

Marc Ronchetti
Group Chief Executive

Record revenue, and record profit for the 20th consecutive year

In this, my first review as Group Chief Executive, I am pleased to report record revenue and Adjusted¹ profit, and Halma's 20th year of consecutive profit growth. We delivered strong revenue growth, continued high returns, well above our cost of capital, and solid cash generation, while at the same time investing record amounts, both organically and in acquisitions, to support our growth over the medium term.

Our performance in the year reflects the strength of our Sustainable Growth Model and the hard work and dedication of our people. I would like to thank everyone at Halma for their contributions to our success and their commitment to growing a safer, cleaner, healthier future for everyone, every day.

Driven by our purpose

It is a huge privilege to be leading a business with such a strong sense of purpose and inclusive culture, and that has a positive impact on millions of lives every day.

Halma's ability to deliver resilient growth reflects the strength of our Sustainable Growth Model (see pages 18 to 25). Our purpose sits at the heart of this. It unites and motivates us to help our customers address many of the key challenges facing society and helps us attract talented people who share our values. Our Sustainable Growth Model gives us the agility and entrepreneurialism to respond rapidly to changes in the markets we serve and the wider world, and ensures we take a disciplined approach to investing in markets with long-term, fundamental and highly sustainable growth drivers. It also provides a clear financial framework, of strong organic growth and margins, high returns and cash generation, and continuous reinvestment to expand our opportunities for growth.

Over the last 20 years, our profit before tax (on a statutory basis) has increased by over six times, at a 10% compound annual growth rate. This is a substantial achievement given that this period includes major economic and geopolitical shocks, such as the Global Financial Crisis and Brexit, and, more recently, the COVID pandemic and the war in Ukraine.

For most of the last 20 years, Halma was led by Andrew Williams, who stepped down as Group Chief Executive at the end of March after 18 years. Over that time, he has led the evolution of Halma to become an organisation with ever greater ambitions, considerable strengths and substantial growth opportunities. I would like to thank him for his leadership, the success he has created and for his investment in me personally as part of the Group Chief Executive transition, and wish him all the best after retiring from Halma.

I am excited by the opportunities in front of us and believe that we are well-positioned to address them. We have a resilient business model and clear growth strategy, diverse and high quality leadership teams, and a proven ability to adapt and evolve with agility to a rapidly changing world. Our robust financial model is underpinned by significant growth momentum and is enabling us to invest record amounts to help our customers address some of the biggest challenges facing the world today, and continue our track record of long-term growth.

A strong financial performance

We delivered a strong financial performance in the year. Revenue in the year grew by 21% to £1,852.8m, Adjusted¹ profit before taxation increased by 14% to £361.3m and Adjusted¹ earnings per share was up 17%, well above our 10% target. The decrease in Statutory profit before taxation of 4% to £291.5m principally reflected the non-recurrence of a gain on disposal of a Safety Sector business in the prior year.

£1,853m

Revenue

£361m

Adjusted¹ profit before taxation

Growth was broadly spread across our sectors, regions and companies. We delivered revenue growth in all our sectors and regions, including on organic constant currency basis, and Adjusted¹ profit growth in all sectors.

We delivered continued high returns. Return on Sales¹ was 19.5%, within our KPI target range of 18-22%. This compared to an unusually high level (within our target range) of 20.7% in the prior year, which had benefited from the cost reduction measures implemented during the COVID pandemic. Return on Total Invested Capital¹ of 14.8% (2022: 14.6%) remained ahead of our KPI target of 12% and well above our estimated weighted average cost of capital of 8.9% (2022: 7.1%).

Cash conversion for the year was solid at 78%, compared to our KPI target of 90%, and was improved and in line with our target at 90% in the second half of the year. Our continued cash generation allows us to maintain a strong balance sheet, while making substantial investments to support our future growth. Our gearing ratio (net debt to EBITDA) at the year end was 1.38 times (2022: 0.74 times), well within our operating range of up to two times. Together, our cash generation and balance sheet strength underpin our investment in growth and provide capacity to fund acquisitions and our progressive dividend policy.

The Board is recommending a 7% increase in the final dividend to 12.34p per share (2022: 11.53p per share). Together with the 7.86p per share interim dividend, this would result in a total dividend for the year of 20.20p (2022: 18.88p), also up 7%, making this the 44th consecutive year of dividend per share growth of 5% or more.

Record strategic investment to support future growth

One of Halma's key strengths is the ability to deliver strong performance in the shorter-term and maintain a strong balance sheet, while simultaneously making substantial investments to support sustainable growth over the longer-term. We invested a record sum of over half a billion pounds in this financial year, to support our future growth. This included investment to expand our growth opportunities through acquisitions and organic investment in product research and development, technology infrastructure, and our people and culture so that we can continue to attract, develop, retain, and engage the high performing teams that are critical to our success.

Substantially increased investment in organic growth

During the year, we further increased investment supporting organic growth, for example in new product development. R&D expenditure increased by £17m to a record £103m and represented 5.5% of revenue (2022: 5.6%), remaining well ahead of our 4% KPI. We also increased investment in our technology infrastructure by £7m to £18m to improve our security, data and operating technology, both at the company level and centrally.

The increase in these investments reflects our companies' confidence in the substantial growth prospects they see in their markets. Our products and services have never been more relevant than today, as health, safety and environmental regulations continue to increase, demand for healthcare grows and the world addresses ever greater demands on life-critical resources and the urgent need to tackle climate change, waste, and pollution.

Seven acquisitions completed across all three sectors

We further expanded our opportunities for growth through a record investment of £397m in acquisitions (maximum total consideration), acquiring the equivalent of 5.5% of our prior year profit (after interest), ahead of our 5% KPI target. We made seven acquisitions, each highly aligned to our purpose. Of these seven acquisitions, four are standalone companies with the Group, and three are bolt-ons to enhance our companies' technologies and market reach.

The acquisitions were spread geographically across North America, Mainland Europe and the UK and across our three sectors, with four acquisitions in Safety, two in Environmental & Analysis and one in Healthcare. Details of the individual acquisitions are contained in the relevant sector reviews and in the notes to the Accounts.

We are particularly pleased to see this strong momentum in M&A combined with an overall increase in the scale of acquisitions, supported by investment in our three sector M&A teams over the past 18 months. This activity has continued since the period end, with two further acquisitions completed in the new financial year for a maximum total consideration of approximately £57m.

Investing in our talent and culture

People are at the heart of the Group's and our individual companies' growth strategies. We are committed to supporting their development and ensuring that Halma's culture is highly inclusive. In this way, we can recruit, develop and retain the very best talent and have a wide diversity of voices and experience within our leadership teams.

During the year, we increased investment in the development of our leaders, introducing three new leadership development programmes, with over 200 leaders participating in face-to-face learning events and 750 participating online. We also recognise that the current environment continues to present challenges and we therefore invested in support for our people's

Group Chief Executive's review continued

wellbeing, including through our Employee Assistance Programme and through flexible working practices and enhanced benefits.

One measure of inclusion is gender diversity. Last year, we introduced a stretching goal of achieving 40-60% gender balance on all company boards by March 2024, equivalent to the balance already achieved on the Group, Executive and sector boards. While female representation on our company boards has increased from 22% in 2021 to 29% at 31 March 2023, we recognise that we need to accelerate the pace of change. We launched a number of initiatives to support this, including promoting diverse sourcing strategies and inclusive hiring practices, and incorporating progress towards our target in the bonus element of remuneration for our senior leaders. Alongside gender equality, we also want to grow our ethnic diversity relative to the markets we operate in and remove barriers to leadership for ethnic minority groups, and launched a number of initiatives to support this aim.

Our seventh global employee engagement survey reflected the progress made in the year. Given the pressures our people continued to face, I was pleased that we continued to have a strong response rate of 85% and that our overall engagement score remained stable at 76%, reflecting the ongoing actions taken by our companies to support their people and nurture inclusive workplace cultures. We saw our biggest improvement in companies providing opportunities for our people to learn and grow, and our drive to build inclusive businesses was reflected in high engagement scores on colleagues feeling they are treated fairly and respectfully (83%) and can be their authentic self at work (80%).

I am also proud of the engagement our companies and our people have with the communities where they operate, and the positive impact we have through charitable initiatives. This year, for example, we continued to support the humanitarian relief effort for Ukraine through raising and matching employee donations and providing online support for our colleagues. We also completed our Water for Life campaign, which, together with our partner WaterAid, has provided access to safe, clean water for over 10,000 villagers in India and sustainable water infrastructure, supported by Halma fund raising of over £400,000.

Further detail on our people and culture initiatives is given on pages 66 to 71 of this Report.

Executive Board changes

With Andrew Williams retiring as Group Chief Executive at the end of the year, and my appointment to that role, we were delighted to welcome Steve Gunning to Halma as Chief Financial Officer on 16 January 2023. He brings a tremendous breadth of experience as a FTSE 100 Chief Financial Officer and I look forward to working with him as part of my leadership team.

Shortly after the year end, we announced internally that, after five years with Halma, Wendy McMillan, Safety Sector Chief Executive, had decided to leave Halma to pursue leadership opportunities elsewhere. Drawing from the strength and depth in our leadership team, we were delighted to be able to appoint Funmi Adegoke, currently Group General Counsel and Chief Sustainability Officer and a member of the Executive Board, to lead the Safety Sector from early July. Funmi brings strong strategic, commercial and business acumen and considerable experience across multiple industries to the Safety Sector Chief Executive role. As a result of this move, we were also pleased that Constance Barouel, Environmental & Analysis Sector Chief Executive, will take on the additional role of Chief Sustainability Officer.

We also made the decision to restructure the digital growth support for our companies. As part of this restructure we announced that we would be disbanding the central Innovation and Digital team. This reflects its achievement over the last six years in embedding greater innovation and digital capabilities in our companies, and the resultant evolution of our companies' needs towards greater go-to-market support which will now be provided by our Technology team. As a result, we announced that Inken Braunschmidt, Chief Innovation and Digital Officer, will leave Halma at the end of June.

I would like to thank Wendy and Inken for their significant contribution to Halma and wish them every success in the future.

Our Executive Board comprises a highly experienced team, drawn from different backgrounds, with diverse talents and capabilities. I am excited to be working with them in leading the next stage of Halma's success.

Increasing sustainability opportunities

Sustainability has always been at the heart of our Sustainable Growth Model and our purpose. In recent years, the scale and urgency of global sustainability challenges, for example, in terms of the changing climate, preserving the environment, or protecting human health, have grown. We are responding by increasing investment in products and solutions which help our customers address these issues, and by ensuring that we operate in a sustainable way.

We see substantial growth prospects for our companies in sustainability and are increasing the support we give to them in understanding sustainability-related trends, and in identifying opportunities arising from them to grow their businesses. We are also excited by acquisitions that deliver on our purpose and long-term growth drivers and additionally have significant, long-term sustainability opportunities, and it is pleasing that so many of our standalone acquisitions this year, such as FirePro, WEETECH and Deep Trekker, fit this profile.

We are also contributing by operating in a sustainable manner, to ensure that we can continue to grow over the long term. During the year, we continued to make progress on the two areas identified in 2021 as the most important in our own value chain: supporting our people and protecting our environment.

Each of our companies has now set their own bottom-up targets and action plans to support the Group's goals in these areas. The goals ensure we are focused on the substantial growth opportunities for our companies and translate simply into a challenge to "do more good" and "do less harm". In terms of protecting our environment, we were pleased to see our operational greenhouse gas emissions continue to reduce, with a 47% reduction since our FY20 baseline and renewable electricity reaching 62% of total consumption, thereby exceeding our targets.

These direct operational emissions are a small part of our broader emissions footprint. The majority of our environmental footprint arises within our wider value chain and we have focused this year on estimating indirect (Scope 3) emissions baselines so that we can set appropriate reduction targets in the future. It is encouraging that we are already seeing actions in a number of companies to reduce Scope 3 emissions, including through supplier engagement programmes and an increasing focus on sustainable design.

For the first time this year, our executive remuneration incorporated annual energy productivity metrics alongside the gender diversity targets mentioned above. We consider these metrics aligned to remuneration as a good starting point from which they will no doubt evolve and it is pleasing to see them driving a focus on gender balance and energy conservation within our companies.

Summary and Outlook

2023 was a successful year for Halma, reflecting the contributions and continued commitment to our purpose of everyone in the Group. We delivered record revenue and Adjusted¹ profit, achieving our 20th consecutive year of profit growth and our 44th consecutive year of dividend per share growth of 5% or more. At the same time, we substantially increased strategic investment to record levels, increasing our opportunities for future growth through organic investment and acquisitions, while maintaining a strong balance sheet.

We have made a positive start to the new financial year. We have a strong order book, and order intake in the year to date is broadly in line with revenue and ahead of the comparable period last year. Based on current market conditions, we expect to deliver good organic constant currency¹ revenue growth in the year ahead, and Return on Sales¹ to increase to approximately 20%. We are well positioned to make further progress this year and in the longer term.

Marc Ronchetti

Group Chief Executive

¹ See Highlights



Case study

Water for Life

In 2020, Halma launched Water for Life in partnership with WaterAid to help raise awareness of the daily challenges that millions of people face in accessing clean, safe water.

The campaign focused on a network of villages in northern India, where the groundwater is contaminated with arsenic, which is slowly poisoning the local population.

Over the last two years, together with WaterAid, the campaign has:

- Supplied over 18,000 water quality tests, using technology donated by Palintest.
- Provided access to safe, clean water for over 10,000 villagers.
- Trained 1,800 local volunteers to become community water testers.
- Installed clean water systems in 70 schools and healthcare facilities.
- Provided safe water to over 7,000 people during floods.

To support these initiatives, Halma raised over £400,000 to build this new water infrastructure and to train local volunteers to continue to keep their water supply safe for generations to come.

Halma has seven water companies in the Group: HWM, Palintest, Sensorex, Minicam, Sewertronics, Hydreka and Nuvonic. They are all focused on solving different parts of the global water challenge. One of them, Palintest, makes specialist water testing technology that can detect contaminants in water, including arsenic.

Strong growth and continued investment



“

I am pleased to report a strong financial performance for the year, which included record revenue, record profit for the 20th consecutive year, and continued high returns.

Steve Gunning
Chief Financial Officer

Chief Financial Officer's review

This year, we have divided the Financial review into two parts.

This Chief Financial Officer's review (Part 1) focuses on the key financial metrics for the Group: revenue, profit, cash generation, organic and inorganic investment, and returns.

More detail on our financial performance and position, including on our performance by region, is given in Part 2, on pages 32 to 37 of this Report.

Details of the performance of our individual sectors is given in each of the sector reviews, on pages 38 to 55 of this Report.

A strong financial performance

I am pleased to report that the Group delivered a strong financial performance for the year, which included record revenue, record profit¹ for the 20th consecutive year, and continued high returns.

This performance was supported by strong and broadly-based demand for our products and services, and enabled by our Sustainable Growth Model which gives our companies considerable autonomy and agility, allowing them to respond quickly to new growth opportunities and to act rapidly to address operational challenges when they arise.

At the same time, we were able to make substantial investments, of over half a billion pounds in aggregate, to support our future growth. These included record levels of expenditure on research and development, technology infrastructure, and acquisitions to expand our market opportunities.

These investments were supported by the strength of our balance sheet, and by our continued cash generation. We expect our strong financial position and high levels of cash conversion to underpin our growth over the longer term as our companies address the significant opportunities in their markets.

Record revenue and profit

Revenue for the year to 31 March 2023 was £1,852.8m (2022: £1,525.3m), up 21.5%, which included a strong organic performance with organic constant currency² revenue growth up by 10.2%. There was a positive effect from currency translation of 8.1%, due to the weakness in Sterling, and a benefit from recent acquisitions (net of disposals) of 3.2%. Investment in our products and services to ensure they continue to address our customers' needs enabled us to deliver a resilient price performance, which offset the majority of cost increases, resulting in only a small decrease in gross margin. We estimate that price increases accounted for approximately four percentage points of our revenue growth, broadly evenly spread across the sectors.

+21.5%

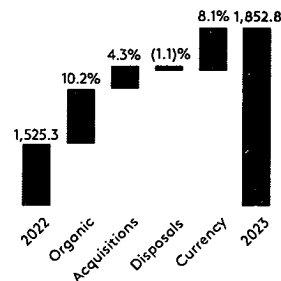
Revenue growth

+14.2%Adjusted¹ profit before
tax growth

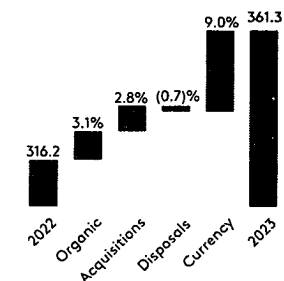
Revenue bridge (£m)

£1,852.8m

+21.5%

Adjusted¹ profit bridge (£m)**£361.3m**

+14.2%



Adjusted¹ profit before taxation grew by 14.2% to £361.3m (2022: £316.2m). This reflected the increase in revenue, partially offset by the reduction in Return on Sales² to 19.5% from the unusually high level of 20.7% in the prior year. Adjusted¹ profit growth comprised a 3.1% increase in organic constant currency² profit, a 2.1% contribution from acquisitions (net of disposals), and a positive effect from currency of 9.0% due to the weakening of Sterling.

Statutory profit before taxation of £291.5m (2022: £304.4m) was 4.2% lower; excluding the gain on disposal of a Safety Sector business in the prior year, Statutory profit before tax would have increased by 7.8%. There were no disposals made during this financial year. Statutory profit before taxation is calculated after charging the amortisation and impairment of acquired intangible assets of £56.5m (2022: £42.7m) and other items of a net £13.3m (2022: £3.1m). There were no gains on disposals (2022: £34.0m). Further detail on these items is given in note 1 to the Accounts.

Performance broadly based across sectors and regions

Our results reflected high levels of demand for our products and services, with this demand broadly spread across our sectors and regions. This resulted in strong revenue growth in all sectors, both on a reported and organic constant currency² basis. While there was more variability in sector profitability, all sectors grew Adjusted¹ profit, and only the Safety Sector saw a small decline on an organic constant currency² basis.

Our two largest regions, the USA and Mainland Europe grew strongly on both a reported and organic constant currency² basis. Growth in the UK was slower, but compared with an exceptionally strong performance in the prior year, while momentum in Asia Pacific was affected by lockdowns in China. There was strong growth in the smaller other regions.

Further information on regional and sector performance is given in the individual sector reviews on pages 38 to 55 of this Report, and commentary on performance by region is given in Part 2 of this review, later in this Report.

Revenue and profit change

	2023 £m	2022 £m	Change £m	Total growth %	Organic growth ² %	Organic growth ² at constant currency %
Revenue	1,852.8	1,525.3	327.5	21.5	18.3	10.2
Adjusted ¹ profit before taxation	361.3	316.2	45.1	14.2	12.1	3.1
Statutory profit before taxation	291.5	304.4	(12.9)	(4.2)	–	–

1 In addition to those figures reported under IFRS, Halma uses alternative performance measures as key performance indicators, as management believe these measures enable them to better assess the underlying trading performance of the business by removing non-trading items that are not closely related to the Group's trading or operating cash flows. Adjusted¹ profit excludes the amortisation and impairment of acquired intangible assets; acquisition items; restructuring costs and profit or loss on disposal of operations. All of these are included in the statutory figures. Notes 1 and 3 to the Accounts give further details with the calculation and reconciliation of adjusted figures.

2 See Highlights.

Chief Financial Officer's review continued

Sector revenue change

	2023		2022		Change £m	% growth	% organic growth ¹ at constant currency
	£m	% of total	£m	% of total			
Safety	745.6	40	641.4	42	104.2	16.2	11.2
Environmental & Analysis	552.1	30	442.9	29	109.2	24.7	9.1
Healthcare	556.4	30	442.3	29	114.1	25.8	9.8
Inter-segment sales	(1.3)		(1.3)				
	1,852.8	100	1,525.3	100	327.5	21.5	10.2

Sector profit³ change

	2023		2022		Change £m	% growth	% organic growth ¹ at constant currency
	£m	% of total	£m	% of total			
Safety	152.5	37	146.2	41	6.3	4.3	(1.1)
Environmental & Analysis	134.2	32	109.8	31	24.4	22.2	7.1
Healthcare	130.1	31	99.5	28	30.6	30.8	14.0
Sector profit³	416.8	100	355.5	100	61.3		
Central administration costs	(38.6)		(30.9)		(7.7)		
Net finance expense	(16.9)		(8.4)		(8.5)		
Adjusted⁴ profit before tax	361.3		316.2		45.1	14.2	3.1
Return on Sales	19.5%		20.7%				

1 In addition to those figures reported under IFRS, Halma uses alternative performance measures as key performance indicators, as management believe these measures enable them to better assess the underlying trading performance of the business by removing non-trading items that are not closely related to the Group's trading or operating cash flows. Adjusted¹ profit excludes the amortisation and impairment of acquired intangible assets; acquisition items; restructuring costs and profit or loss on disposal of operations. All of these are included in the statutory figures. Notes 1 and 3 to the Accounts give further details with the calculation and reconciliation of adjusted figures.

2 See Highlights.

3 Sector profit before allocation of adjustments. See note 1 to the Accounts.

4 Adjusted¹ profit excludes the amortisation and impairment of acquired intangible assets; acquisition items; restructuring costs; and profit or loss on disposal of operations. All of these are included in the statutory figures. Note 3 to the Accounts gives further details with the calculation and reconciliation of adjusted figures.

14.8%

ROTIC

>£500m

Investment

Continued high returns

Halma's Return on Sales² has exceeded 16% for 38 consecutive years⁵. This year's Return on Sales² was 19.5%, within our KPI target range of 18-22%. This year's performance compared to the unusually high levels of 20.7% in 2022 and 21.1% in 2021, which had benefited from lower spend on overheads such as travel and marketing during the COVID pandemic and the cost reduction measures we decided to take at the onset of the pandemic.

Our Return on Sales² performance in 2023 reflected the impact of increased finance costs given higher average levels of indebtedness and rises in interest rates. It also included the effect, mainly in the second half of the year, of supply chain disruptions in a number of companies, principally in the Safety Sector. We currently expect these disruptions to ease during the 2024 financial year and for Return on Sales² in the 2024 financial year to be approximately 20%.

We successfully achieved our objective of continuing to invest in our businesses while delivering growth, with record organic and inorganic investment in the year to support our future growth. We maintained a high level of Return on Total Invested Capital (ROTIC)², the post-tax return on the Group's total assets including all historical goodwill. This year, ROTIC² increased to 14.8% (2022: 14.6%), with the change principally reflecting a benefit from exchange rate movements, offsetting the effect of a lower level of constant currency earnings growth than in the prior year. Our ROTIC remains within our target range of 12%-17%. It is also substantially above Halma's Weighted Average Cost of Capital (WACC), which is estimated to be 8.9% (2022: 7.1%), with the increase mainly a result of higher interest rates.

Record investment to support future growth

All sectors continue to innovate and invest in new products, reflecting our companies' confidence in the future growth prospects of their respective markets. R&D expenditure as a percentage of revenue remained well above our KPI target of 4% at 5.5% (2022: 5.6%), increasing by 20% to £102.8m (2022: £85.4m), in line with revenue growth.

We are also continuing to invest group-wide in automation and technology upgrades, including enhanced security, improved data and analytics capabilities and upgrades to operating technology both at the company level and centrally. Technology spend totalled £18m in the 2023 financial year, reflecting increased investment of £7m.

In the year we made a record investment in acquisitions of £391.5m (net of cash acquired of £10.1m and including acquisition costs). These seven acquisitions were broadly spread by both sector and geography. The acquisitions completed in the current and prior year contributed to revenue this year in line with expectations overall, and we expect a good performance from them in the future. Details of the acquisitions and investments made in the year are given in the sector reviews on pages 38 to 55 of the Report and in notes 25 and 14 to these Accounts.

Solid cash generation and strong financial position

Cash generation is an important component of the Halma model, underpinning further investment in organic growth, supporting value-enhancing acquisitions and funding an increasing dividend to shareholders.

We have a KPI target for cash conversion of 90%. For the year as a whole, cash conversion was solid at 78% (2022: 84%), reflecting continued good underlying working capital control, but also including strategic investment in inventory by a number of companies to support supply chain resilience, which resulted in cash conversion of 63% in the first half of the year. Cash conversion in the second half of the year was improved at 90%; we currently expect to deliver a strong cash performance in 2024.

Our financial position remains strong, with gearing (net debt to EBITDA) of 1.38 times at the year end. This was despite significant increases in both organic investment and acquisition spend, which resulted in net debt (on an IFRS 16 basis which includes lease commitments) increasing by £321.9m to £596.7m.

We have substantial available liquidity. In the first half of the year, we refinanced our syndicated credit facility, which remains at £550m. It now matures in May 2028, following the exercise, after the year end, of one of two options to extend its maturity for one year. We also completed a new Private Placement of c.£330m with a seven year average life. Further detail on cash generation and our financial position is given in Part 2 of this review.

Cash conversion and net debt

	2023	2022
Cash conversion	78%	84%
Closing net debt	£(596.7)m	£(274.8)m
Net debt to EBITDA	1.38x	0.74x

Conclusion

Halma is a company I have known and admired for many years. Since I joined in January, I have been impressed by the clear priority that is given to creating value over the longer term, guided by our Sustainable Growth Model. Balanced with this is the determination to deliver a strong financial performance every year. This year's results are further testimony both to the longer term decisions that have been made, and that determination.

I am excited by both the opportunities ahead for the Company and by the strength of the Halma team that will seek to convert them. The finance team will continue to play an important role in providing insights to support our sustained delivery of growth and high returns. I would like to thank all my colleagues for their warm welcome and support, and congratulate them on another successful year.

Steve Gunning
Chief Financial Officer

5 Based on Return on Sales as reported under the relevant accounting principles at the time.

Our Sustainable Growth Model

We deliver sustainable growth, consistently high returns and positive impact.

Each of the elements of our Sustainable Growth Model create a self-reinforcing system that gives us the resources and flexibility to address new opportunities and challenges.

It is the combination and interdependency of all of them that enables us to deliver value over the long term for all our stakeholders.

1.

Our purpose

We have been a purpose-led business for 50 years. It powers every decision we make, from choosing our markets to finding the right talent. It attracts people who want to solve the same problems as we do, and keeps us focused on the things that matter to our business.

p20

5.

Our business model

We have a simple and self-sustaining financial model which supports investment in our Sustainable Growth Model. It enables us to deliver both strong performance in the short term and high and sustainable growth and returns in the longer term.

p24

2.**Our DNA**

The combination of our organisational model and culture is a fundamental part of what makes Halma a successful, sustainable business. We call this Halma's DNA, and it runs through our business at all levels.

p21

3.**Our markets and their long-term growth drivers**

We choose niches in markets with resilient, long-term growth drivers. We find niches that are driven by growing demand for healthcare, increasing scarcity of life-critical resources, increasing regulation, and growing global efforts to address climate change, waste and pollution.

p22

4.**Our growth strategy**

Our growth is powered by our purpose and is focused on acquiring and growing businesses in global niches within the safety, environmental and healthcare markets.

p23

1.

Our purpose

Our purpose is to grow a safer, cleaner, healthier future for everyone, every day. By growing in line with our purpose, we create sustainable value for all our stakeholders and deliver a positive impact in the markets we serve and beyond.

Our purpose drives every business decision we make. It ensures everyone who works with us is focused on doing those things that make it happen.

Our companies develop technologies which save lives and protect critical infrastructure and services. Our technologies solve some of the world's most pressing issues, from air quality and clean water, to worker safety and preventable blindness.

Our purpose defines the three broad market areas where we choose to operate:

Safety

Protecting people's safety and the environment as populations grow, and enhancing worker safety.

Environment

Addressing the impacts of climate change, pollution and waste, protecting life-critical resources and supporting scientific research.

Health

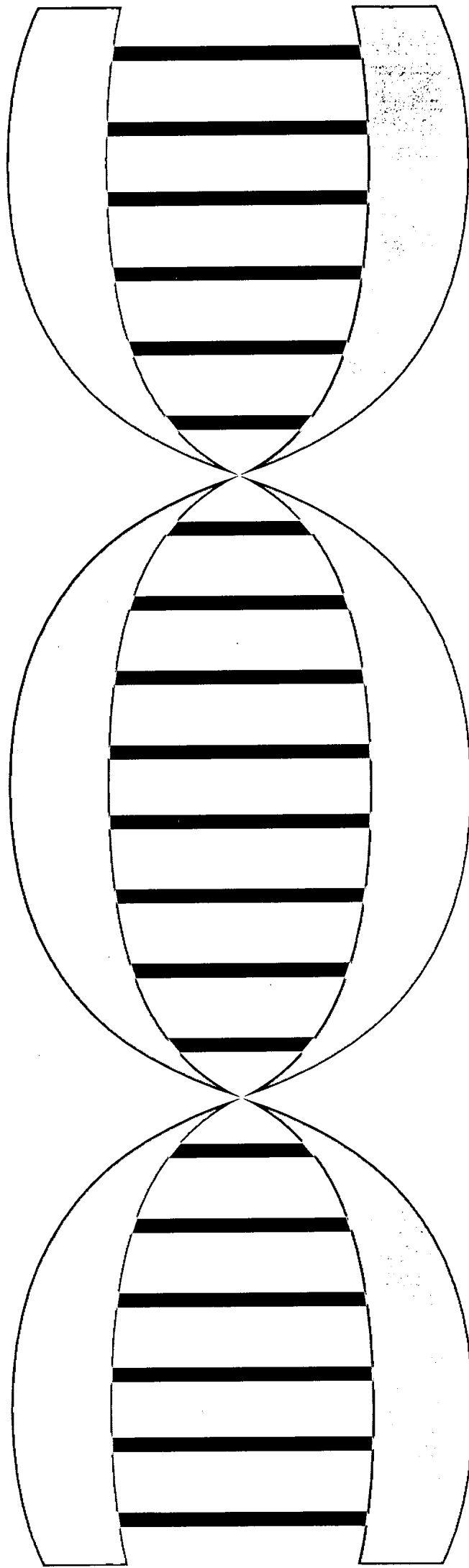
Meeting the increasing demand for better healthcare as chronic illness rises, driven by growing and ageing populations and lifestyle changes.

We believe these issues are global and long term in nature. We expect them to support Halma's success sustainably for the foreseeable future.

By growing in line with our purpose, we create sustainable value for all our stakeholders and deliver a positive impact in the markets we serve and beyond.



Find out more information on our website
www.halma.com



2.

Our DNA

Halma's DNA runs through our business at all levels. It embodies the core elements of our organisation and culture that are inextricably linked to enable our success. Even though we have to continuously change, these core elements remain constant.



Halma Organisational Genes

These are the core elements of our business structure and have proved themselves to be fundamental drivers in delivering consistent, long-term growth. They describe what we will protect while we continuously transform ourselves.

Purpose drives us

Our purpose powers every business decision we make, from choosing our markets to finding the right talent.

Agility is everything

We are built to be responsive. Individual businesses make decisions close to our customers. We manage our portfolio to respond rapidly when market dynamics change.

We bet on talent

We insist on exceptional leaders who are empowered and accountable to set strategy and grow their own businesses. Diverse viewpoints on every team ensure we don't miss a thing.

We are global niche specialists

We are disciplined in targeting high-return, global niches in markets with long-term growth drivers. We innovate with cutting-edge technology in these niches using our deep application knowledge.

We invest for the future

Our diverse portfolio allows us to take a long-term view and means we can continue to innovate for the future regardless of individual short-term market conditions.

We are structured for growth

Individual businesses within the Group have access to our internal and external networks, enabling us to go faster by learning from the experiences of others. Central expertise and capital are available to accelerate organic growth, which in turn allow us to continue to acquire additional growth and capabilities.



Halma Cultural Genes

These are the unique cultural and behavioural principles that we require, protect and leverage to effectively optimise our organisational genes and deliver our purpose.

Live the purpose

Be passionate about making the world safer, cleaner and healthier. See real problems and create innovative solutions.

Embrace the adventure

Continually grow and change, as individuals and collectively. Challenge assumptions and see opportunities. Seek insight from all directions and leverage diverse points of view.

Be an entrepreneur

Be an owner, risk-taker, visionary. Transform bold ambitions into reality. Be agile and responsive in the face of constant change. Be successful through and with others.

Say yes, and...

Be comfortable with paradox. Choose "Yes, and..." to seemingly conflicting priorities. Build for tomorrow and deliver today. Have stability and constantly evolve. Enjoy autonomy and eagerly collaborate to accomplish our goals.

Just be a good person

Play to win, but not at the expense of others. Operate with impeccable ethics, transparency and integrity in all that you do.

3.

Our markets and their long-term growth drivers

We operate in three broad market areas, safety, the environment, and health, which are defined by our purpose of growing a safer, cleaner, healthier future for everyone, every day.

Our companies operate in niches within these broad market areas. Each of these niches has a high exposure to long-term growth drivers.

These growth drivers reflect demographic trends, including growing, ageing and urbanising populations, increasing demands on infrastructure and natural resources, and growing sustainability-related opportunities.

They are expected to persist over the long-term and reflect **fundamental global challenges**:



- **A growing need to improve the safety and efficiency of vital industry and infrastructure** as populations grow and urbanise, and as demand for automation and connected industrial and infrastructure systems continues to increase.



- **The growing need to protect life-critical natural resources** as they are increasingly threatened by scarcity, pollution and increasing and evolving demands like population growth and climate change.



- **Increasing demand for healthcare** as people live longer and the prevalence of chronic health conditions increases, as innovation presents new options for prevention, diagnosis and treatment, and as aspirations to improve efficiency and the standard of care increase.



- **Global efforts to address climate change, waste and pollution** as these impacts become more severe and as populations are increasingly affected.

In each of these areas, growth is underpinned by increasing safety, health and environmental regulation, as governments and regulators demand higher standards in response to these challenges.

We operate in more than 20 countries, with major operations in the UK, Mainland Europe, the USA and Asia Pacific, and supply customers in over 100 countries, through a variety of routes to market, from direct sales to third party distribution.

We have a diverse customer base, ranging from small businesses to OEMs, who operate in a wide variety of sectors, including commercial and public buildings, utilities, healthcare, science, the environment, process industries, and energy and resources. Further details on our customers are given in the individual sector reviews on pages 38 to 55 of this report.

4.

Our growth strategy

Our growth strategy is to acquire small to medium-sized companies that are aligned with our purpose and to grow them over the long-term.

Managing our portfolio for growth

We look for companies that operate in high-value niches that we know well, within the broad market areas of safety, the environment, and health. These niches have global potential and a high exposure to the long-term growth drivers set out in section 3.

We actively manage our portfolio of companies through investing in acquisitions in niches adjacent to our existing operations which offer new opportunities for growth, and through mergers and disposals where market conditions change.

This ensures that our portfolio can sustain strong growth and returns over the long term, and that it maintains a high degree of resilience given its diversity, supporting our aspiration to double our earnings every five years, while maintaining a conservative capital structure and delivering high returns.

Investing in our companies for growth

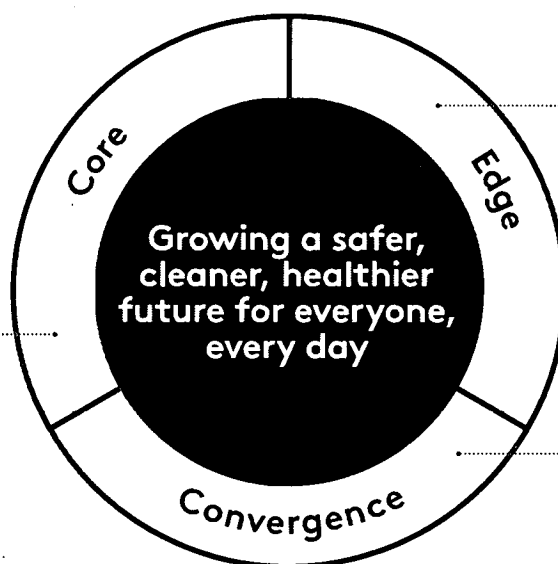
We continually invest in our business and our people to maintain strong positions in our markets. The highly cash generative nature of our companies allows us to fund this investment, both to support organic growth and drive growth through acquisitions.

Talent, innovation, technology and sustainability are core elements of our growth strategy. This includes investment in developing our people, our products and services (including through research and development), our intellectual property, and our knowledge of the markets we serve.

Our companies' growth is supported by our Growth Enablers (see 25), which leverage a unique set of skills and expertise from across the Group, powered and coordinated by small central teams.

How our companies grow

Our companies look at growth opportunities that are aligned with our purpose across three dimensions of Core, Convergence and Edge.



- Core focuses on growing through new product development, including digital offerings and products and solutions addressing sustainability opportunities, and international expansion, and through acquisitions aligned to our purpose.

- Edge focuses on developing and investing in disruptive new business models and solutions, which have the potential to scale exponentially.

- Convergence enables us to go faster by combining existing Halma technologies and capabilities in new ways, and by partnering with others who want to solve the same problems as we do.



To find out more visit our website
www.halma.com/how-we-grow

5.

Our business model

We have a simple and self-sustaining financial model which supports investment in our growth strategy and our scalable organisational model, underpinned by Halma's DNA. It delivers strong performance in both the short and longer term.

We are structured for growth

Our structure is simple and lean, with only three layers – companies, sectors and Group teams – all three of which are aligned and rewarded on driving growth. This allows for fast decision-making, and reduced bureaucracy.

Our companies

Each company is a separate legal entity with a board of directors. This drives accountability for performance and good governance. It also allows companies to drive innovation in their chosen niche markets, and be agile and responsive to changes in their customers' needs.

Our sectors

Our sector teams are the vital connection between our companies and Growth Enablers, and drive our M&A efforts. They promote internal networks and collaboration between companies, enabling companies to capitalise on broader sector trends.

Group teams

Group teams provide expertise in capital management and control frameworks. They support our companies through our Growth Enablers, oversee our portfolio of companies and the allocation of capital, set our risk appetite, and ensure compliance and good governance.



Read more about
How we are structured

We have a sustainable financial model

Our purpose drives our focus on growing and acquiring businesses in global niches in the safety, environmental, and healthcare markets.

This market focus results in a highly sustainable financial model with strong organic growth and cash generation allowing us to continuously reinvest in future growth and acquisitions, as well as increasing dividends to investors each year.

Strong organic growth and margins

The foundation of strong and consistent organic revenue and profit growth is driven by our disciplined focus on niches in global markets which have resilient, long-term growth drivers, and customer solutions that offer consistently superior margins.

High returns and cash generation

We acquire and grow companies that have relatively low capital intensity and high returns on sales. This, together with high rates of revenue growth and margins, drives strong returns on capital and high levels of cash generation.

Continuous reinvestment

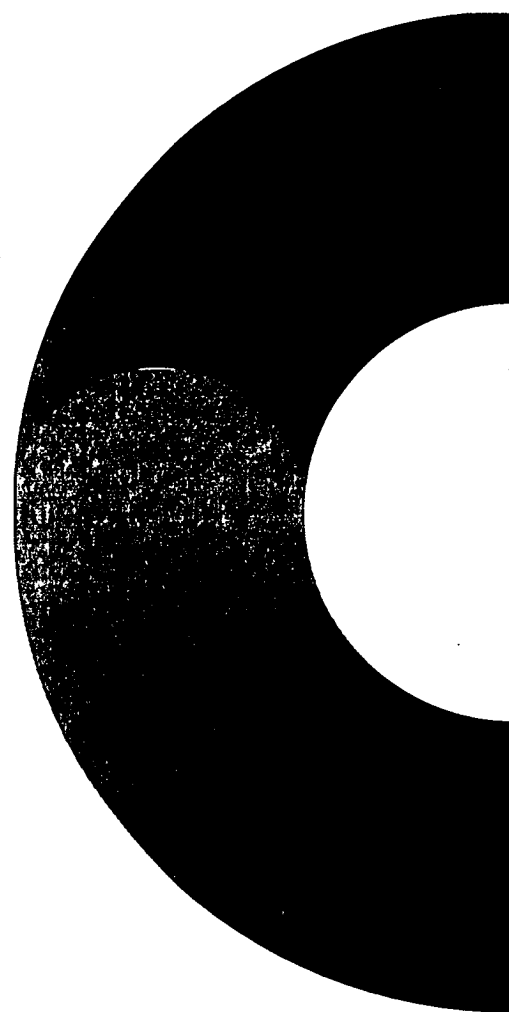
We maintain our strong market and product positions by continuously reinvesting in cash-generative R&D and product innovation projects, which drive future growth and maintain high returns.

Value-enhancing acquisitions

We make value-enhancing acquisitions in core and adjacent niches, expanding our growth opportunities, technology capabilities and geographical reach.

Flexibility to invest and grow dividends

Our strong cash generation not only supports continuous reinvestment and value-enhancing acquisitions with modest levels of financial leverage, but also enables us to sustain a progressive dividend policy for our shareholders.



We support our companies through our Growth Enablers

Our Growth Enablers support our companies in delivering their growth strategies, aligned with our purpose. These seven Growth Enablers leverage a unique set of skills and expertise from across the Group, powered and coordinated by small central teams.



M&A

We acquire and grow businesses sustainably over the long term in line with our strategy, and sell or merge businesses which are no longer aligned.



Digital Growth

We provide support to our companies to accelerate their digital capabilities and the technology to grow.



International Expansion

We assist our companies in growing their business in key export markets, including through our hubs in the USA, Brazil, UK, India and China.



Innovation Network

We connect our companies globally with each other and with experts to help them learn faster, see new market trends and establish strategic partnerships.



Talent and Culture

We ensure Halma has world-class teams and high-performance, inclusive cultures across all three layers of our operating model.



Strategic Communications and Brand

We enable our companies to reach all stakeholders by helping them build their brand, understand their market needs and develop leading positions, using the endorsement of the Halma brand where it makes sense.



Finance, Legal and Risk

We give our leaders the insight to make good decisions, through accurate, timely, and actionable financial data, legal advice and risk analysis.

We measure our achievements and reward performance

We measure our achievements through financial and non-financial key performance indicators (KPIs), through customer satisfaction and the delivery of shareholder value.

Setting challenging targets

We aspire to double our earnings every five years while maintaining high returns, and set targets for our growth, returns, cash generation and investment KPIs. We work hard to ensure that we have the right culture, talent and diversity and set challenging targets for employee engagement, health and safety, training and sustainability.

Closely monitoring performance

We closely monitor our companies' performance, strategic plans and forecasts. Twice a year, each company certifies its compliance, with minimum controls for finance, legal and IT; this is complemented by independent peer reviews of financial performance, and internal and external audits.

We continue to review and develop our financial and non-financial KPIs to ensure they remain relevant to the delivery of our strategy and to the fulfilment of our purpose.

Rewarding our people

We reward our people for delivering superior and sustainable growth and returns, also holding them accountable for delivering our strategy and complying with our control frameworks. Short-term incentives based on Economic Value Added (profit growth, adjusted for a charge for the use of any capital) are balanced by longer-term incentives in the form of Halma shares.

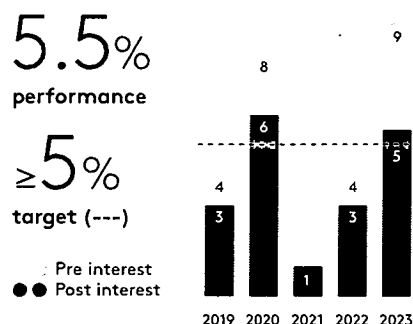
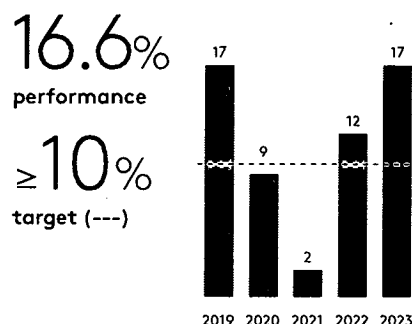
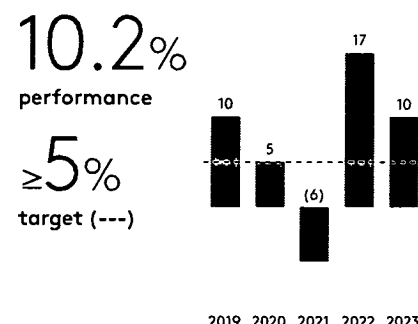
Key performance indicators

We have a range of financial and non-financial key performance indicators that we use to measure the performance and success of our business.

A number of financial key performance indicators are alternative performance measures. See note 3 to the accounts for reconciliations.

Organic profit growth (%) (constant currency)													
Key performance indicator	3.1% performance ≥ 5% target (---) <table border="1"> <thead> <tr> <th>Year</th> <th>Organic profit growth (%)</th> </tr> </thead> <tbody> <tr> <td>2019</td> <td>11</td> </tr> <tr> <td>2020</td> <td>2</td> </tr> <tr> <td>2021</td> <td>1</td> </tr> <tr> <td>2022</td> <td>15</td> </tr> <tr> <td>2023</td> <td>3</td> </tr> </tbody> </table>	Year	Organic profit growth (%)	2019	11	2020	2	2021	1	2022	15	2023	3
Year	Organic profit growth (%)												
2019	11												
2020	2												
2021	1												
2022	15												
2023	3												
Strategic focus	Through careful selection of our market niches and strategic investment, we aim to achieve organic growth in excess of our blended market growth rate, broadly matching revenue and profit growth in the medium term.												
Comment	Organic profit growth at constant currency was below our target, principally reflecting a reduction in Return on Sales from the exceptionally high level in 2022. Organic growth over the last five years has averaged 6.5%, ahead of our target and in line with our aspiration to double our profitability every five years through a mixture of organic and acquired growth.												
Definition	Organic profit growth is calculated at constant currency and measures the change in adjusted profit achieved in the current year compared with the prior year from continuing Group operations. The effect of acquisitions and disposals made during the current or prior financial year has been eliminated.												
Target	The Board has established a long-term organic growth target of at least 5% pa, slightly above the blended long-term average growth rate of our markets.												
Remuneration linkage	Growth in organic profit is a key element of the Economic Value Added (EVA) performance which forms the basis of the annual bonus plan for Group, sector and company boards, requiring consistent annual and longer-term growth, with disciplined financial management. See the Annual Remuneration Report for details of the EVA calculation.												

Acquisition profit growth (%)

EPS growth (%)
(adjusted earnings per share)Organic revenue growth (%)
(constant currency)

We buy companies with business and market characteristics similar to those of existing Halma operations. Acquired businesses have to be a good fit with our operating culture and strategy in addition to being value enhancing financially.

The measure of how successful we are in growing our business organically and by acquisition coupled with strong financial disciplines, including those related to tax and capital allocation, is captured in the Group's adjusted earnings per share.

Through careful selection of our market niches and targeted strategic investment, we aim to achieve organic growth in excess of our blended market growth rate, broadly matching revenue and profit growth in the medium term.

Acquisition profit growth was ahead of our target at 5.5% and 9.3% excluding financing costs. We completed seven acquisitions for a maximum total consideration of £397m, a record spend. We have completed two further acquisitions since the year end and have a healthy pipeline of M&A opportunities.

Growth in adjusted earnings per share was above our KPI, reflecting organic profit growth and a contribution from acquisitions, as well as a substantial benefit from currency translation. Growth in adjusted earnings per share over the past five years has averaged 11.1%, in line with our KPI.

Organic revenue growth at constant currency was substantially above our KPI, reflecting widespread growth across all sectors and regions. Growth was substantially ahead of our target in both halves of the year. Organic constant currency revenue growth has averaged 7.4% over the last five years, ahead of our target.

Acquisition profit growth measures the annualised profit (net of financing costs) from acquisitions made in the year, measured at the date of acquisition, expressed as a percentage of prior year profit.

Adjusted earnings per share is calculated as earnings from continuing operations attributable to owners of the parent before adjustments (as outlined on page 198) and the associated taxation thereon, including the increase in the UK's corporation tax rate from 19% to 25% (2022 only), divided by the weighted average number of shares in issue during the year (net of shares purchased by the Group and held as own shares).

Organic revenue growth is calculated at constant currency and measures the change in revenue achieved in the current year compared with the prior year from continuing Group operations.

The effect of acquisitions and disposals made during the current or prior financial year has been eliminated.

Acquisitions must meet our demanding criteria and we continue to have a strong pipeline of opportunities to meet our minimum 5% growth target.

We aim for the combination of organic and acquisition growth to exceed an average of 10% pa over the long term. The Directors consider that adjusted earnings represent a more consistent measure of underlying performance.

The Board has established a long-term minimum organic revenue growth target of 5% pa, slightly above the blended long-term average growth rate of our markets.

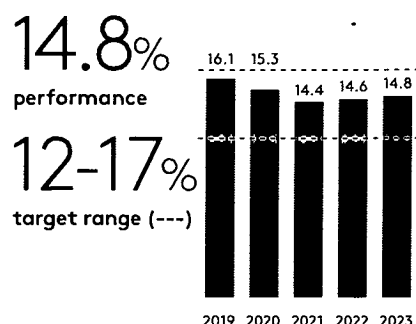
Growth in acquired profit is the second key element of the EVA performance which forms the basis of the annual bonus plan for Group, sector and company boards, requiring consistent annual and longer-term growth, with disciplined financial management.

EPS provides a clear link to the aims of the business growth strategy. It is a key financial driver for our business and provides a clear line of sight for our executives. EPS growth is 50% of the performance condition attaching to the Executive Share Plan.

Organic revenue drives earnings growth which contributes to the EVA performance. This forms the basis of the annual bonus plan for Group, sector and company boards, requiring consistent annual and longer-term growth with disciplined financial management.

Key performance indicators continued

Return on Sales (%)													
Key performance indicator	19.5% performance 18-22% target range (---) <table border="1"> <thead> <tr> <th>Year</th> <th>Return on Sales (%)</th> </tr> </thead> <tbody> <tr> <td>2019</td> <td>20.3</td> </tr> <tr> <td>2020</td> <td>19.9</td> </tr> <tr> <td>2021</td> <td>21.1</td> </tr> <tr> <td>2022</td> <td>20.7</td> </tr> <tr> <td>2023</td> <td>19.5</td> </tr> </tbody> </table>	Year	Return on Sales (%)	2019	20.3	2020	19.9	2021	21.1	2022	20.7	2023	19.5
Year	Return on Sales (%)												
2019	20.3												
2020	19.9												
2021	21.1												
2022	20.7												
2023	19.5												
Strategic focus	We choose to operate in market niches which are capable of delivering growth and high returns. The ability to sustain these returns is a result of maintaining strong market and product positions sustained by continuing product and process innovation.												
Comment	Return on Sales remained well above our minimum target, at 19.5%, and within our longer-term range of 18-22%, although below the unusually high levels achieved in 2021 and 2022. Return on Sales remained above our minimum target in each of our three sectors. We expect Return on Sales in the 2024 financial year to return to levels similar to the average of the five years prior to the pandemic of around 20%.												
Definition	Return on Sales is defined as adjusted profit before taxation from continuing operations expressed as a percentage of revenue from continuing operations.												
Target	We aim to achieve a Return on Sales within the 18% to 22% range while continuing to invest to sustain growth.												
Remuneration linkage	Return on Sales is a measure of the value our customers place on our solutions and of our operational efficiency. High profitability supports the generation of high economic value and cash generation. We choose a range in order to maintain a balance between short-term performance and investment for longer-term growth.												

ROTIC (%)
(Return on Total Invested Capital)

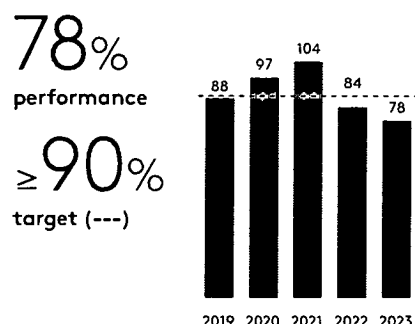
We choose to invest in high return on capital businesses operating in markets which are capable of delivering growth and high returns. The ability to sustain growth and high returns is a result of maintaining strong market and product positions sustained by continuing product and process innovation.

ROTIC increased to 14.8% and remained within our target range, and substantially above our Weighted Average Cost of Capital of 8.9% (2022: 7.1%). The change compared to the prior year principally reflected a benefit from exchange rate movements, offsetting the effect of a lower level of constant currency earnings growth than in the prior year.

ROTIC is defined as the post-tax return from continuing operations before adjustments (as outlined on page 199) and the associated taxation thereon, including the increase in the UK's corporation tax rate from 19% to 25% (2022 only), as a percentage of average Total Invested Capital.

A range of 12% to 17% is considered representative of the Board's expectations over the long term to ensure a good balance between growth, investment, and returns.

ROTIC performance, averaged over three financial years, is 50% of the performance condition attaching to the Executive Share Plan.

Cash generation (%)

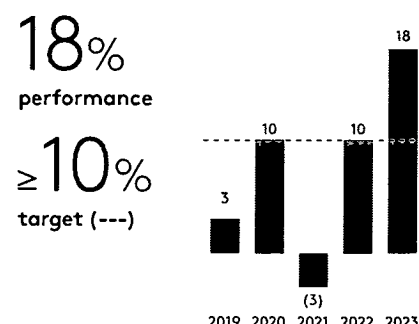
Strong cash generation provides the Group with freedom to pursue its strategic goals of investment in organic growth, acquisitions and progressive dividends without becoming highly leveraged. Our decentralised structure ensures that cash management is controlled at the individual company level and then transferred to the central treasury function.

Our 2023 cash conversion was solid at 78%. Cash conversion in the first half was below our target at 63%, primarily as a result of strategic inventory investment to maintain supply chain resilience and support a very strong order book. Cash conversion improved substantially in the second half to 90%. We currently expect to deliver a strong cash performance in 2024.

Cash generation is calculated using adjusted operating cash flow as a percentage of adjusted operating profit. The target for this KPI was increased in 2020 from 85% to 90%, to account for the beneficial effect of the implementation of IFRS 16, which increased cash conversion by approximately 5 percentage points. We have not restated historical comparatives prior to 2020, which should be compared to the previous 85% target.

The goal of Group cash inflow exceeding 90% of profit has relevance at all levels of the organisation and aligns management action with Group needs. We ensure that strong internal cash flow and availability of external funding underpin our strategic goals of organic growth, acquisitions and progressive dividends.

Strong cash generation is closely correlated with high return on capital which is a key component of our EVA bonus plan and our ROTIC Executive Share Plan vesting measure.

International revenue growth (%)

The safety, environmental and health markets in developing regions are evolving quickly. We continue to invest in establishing local selling, technical and manufacturing resources to meet this current and future need.

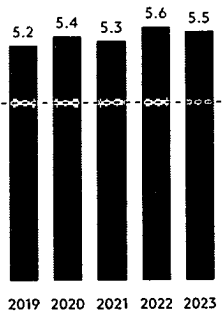
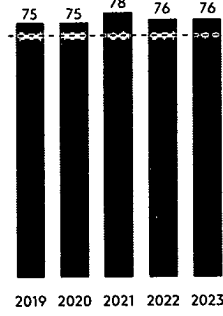
Revenue outside the UK, the USA and Mainland Europe increased by 18%, well ahead of our target. This comprised a strong performance in Asia Pacific, with revenue growth of 12.6%, despite only modest growth in China as a result of continuing COVID-related disruption, and very strong growth in other regions, following a small decline in the prior year.

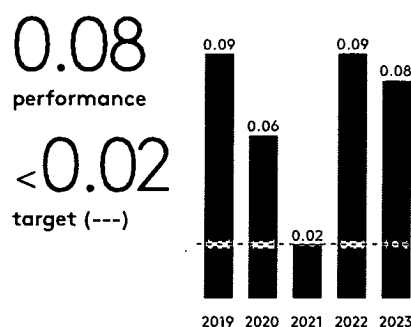
Total sales to markets outside the UK, the USA and Mainland Europe compared with the prior year.

The emphasis on international revenue growth at twice the rate of overall organic growth reinforces the importance of emerging markets and our strategy of establishing operations close to our end markets.

International markets are an important component of organic growth which, in turn, drives the year-on-year improvement in EVA demanded by our Annual Bonus plan.

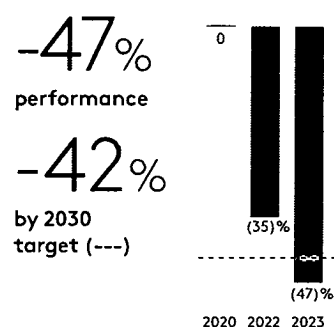
Key performance indicators continued

	Research and development (%) (% of revenue)	Employee engagement (%)
Key performance indicator	5.5% performance ≥4% target (---)  2019 2020 2021 2022 2023	76% performance 74% target (---)  2019 2020 2021 2022 2023
Strategic focus	We have maintained high levels of R&D investment and spending on innovation. The successful introduction of new products is a key contributor to the Group's ability to build competitive advantage and grow organically and internationally.	Halma conducts an annual survey of its employees to assess engagement across the Group. This provides visibility of engagement at the Group, sector and company levels.
Comment	Total R&D spend remained well above our KPI target at 5.5% of revenue (2022: 5.6%). In absolute terms, R&D expenditure in the year increased by £17.4m to £102.8m. This increasing investment reflected our companies' confidence in the growth prospects of their respective markets. In the medium term we expect R&D expenditure to continue to increase broadly in line with revenue growth.	The baseline for our target was established in 2017 when we ran our first global employee engagement survey. We were pleased to see the employee engagement score remain strong this year, achieving the same engagement score as last year.
Definition	Total research and development expenditure in the financial year (both that expensed and capitalised) as a percentage of revenue from continuing operations.	The engagement of employees as measured through an externally facilitated survey over nine dimensions: engagement, empowerment, accountability, collaboration and teamwork, communication, development, ethics and fair treatment, innovation and leadership.
Target	New products contribute strongly to organic growth, maintaining high returns and building strong market positions. The 4% minimum investment target is appropriate to the mix of product life cycles and technologies within Halma.	Our target remains to match or beat the baseline achieved in 2017 of 74% engagement.
Remuneration linkage	Successful research and development investment is a key component of sustaining strong growth and returns which, in turn, help to drive EVA, EPS and ROTIC – all key elements of our annual bonus and longer term incentive plans.	

Health & Safety
(accident frequency rate)

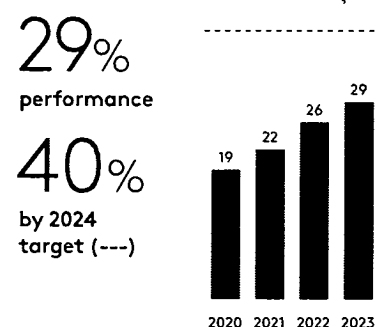
Health and safety is a top priority for the Group. Halma collects details of its worldwide reported health and safety incidents and encourages all Group companies to seek continuous improvement in their health and safety records and culture.

The Health & Safety AFR performance this year was 0.08 (2022: 0.09) representing a decrease against last year. We continue to promote the importance of health and safety and review all reported incidents. There are no specific underlying patterns which cause concern.

Climate Change
(reduction in Scope 1 & 2 emissions from 2020 baseline (%))

As part of our sustainability pillar of protecting our environment, reducing our own emissions is a key focus area for the Group as a whole and for each of our companies.

Scope 1 & 2 emissions have reduced by 47% since 2020, thereby exceeding our target, largely as a result of increasing renewable energy, alongside energy efficiency initiatives and other operational improvements. We have reported our 2020 Scope 3 baseline and are working towards putting in place appropriate Scope 3 targets while also reviewing our Scope 1 & 2 targets.

Diversity, Equity and Inclusion
(company board gender balance (%))

As part of our sustainability pillar of supporting our people, diversity, equity and inclusion is a key focus area. Following our success in increasing gender diversity at the Halma and Executive Boards, our current target is to increase gender diversity on our company boards.

This year we have 29% women on company boards, increasing from 26% last year. Whilst this is an improvement, we recognise we need to accelerate the pace of change to meet our target for all boards to be within a 40-60% gender balanced range by 31 March 2024.

The year-to-date Accident Frequency Rate (AFR) is the total number of reportable* incidents in the period divided by the number of hours worked in that period by employees (including temporary staff and any overtime) multiplied by 100,000 hours (representing the estimated number of working hours in an employee's work lifetime). The AFR figure represents an indication of how many incidents employees will have in their working lives.

The target is set at the lowest rate we have achieved as a Group and was re-set at <0.02 in 2021.

The total reduction in global Scope 1 & 2 greenhouse gas emissions compared to our 2020 baseline (as adjusted for acquisitions and disposals), with Scope 2 measured using a market-based approach that takes account of contractual instruments for renewable electricity. Full details of our definition and measurement are set out in our ESG Data Basis of Preparation at www.halma.com.

The Group is targeting Net Zero Scope 1 & 2 emissions by 2040. Our interim target for 2030, set in line with a 1.5 degree trajectory, is to reduce Scope 1 & 2 emissions 42% from our 2020 baseline.

The total number of female board members as a proportion of the total number of Halma company board directors (197 company directors as at 31 March 2023).

All Halma company boards to be within a 40-60% gender balance range by 31 March 2024.

* Specified major injury incidents are reportable incidents which result in more than three working days lost.

5% of the maximum bonus opportunity of our Annual Bonus plan is related to achievement of an energy productivity target. This target was exceeded this year as outlined on page 145 of the Remuneration Committee Report. Energy productivity is a key action that can be remunerated on an annual basis and underpins our achievement of these Scope 1 & 2 targets. This applies to the annual bonus for the Executive Directors and other senior leaders in the business – across the Executive and sector boards and all MDs and Presidents of Halma companies.

5% of the maximum opportunity of our Annual Bonus plan is related to the achievement of annual interim targets which reflect our 31 March 2024 ambition of achieving 40-60% gender balance on our company boards. This applies to the annual bonus for the Executive Directors and other senior leaders in the business – across the Executive and sector boards and all MDs and Presidents of Halma companies. The interim target of 33% was not met this year. See page 145.

Financial review

Financial review Part 2

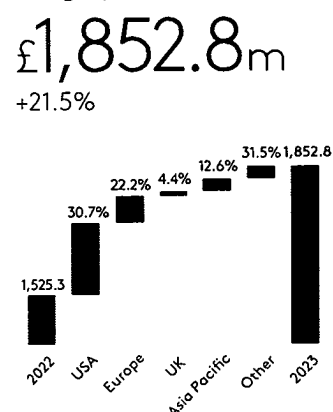
This year, we have divided the financial review into two parts.

This Part 2 gives further detail on our financial performance and position, including on our performance by region.

Please refer to the Chief Financial Officer's review on pages 14 to 17 for commentary on the key financial metrics for the Group: revenue, profit, cash generation, organic and inorganic investment, and returns.

Details of the performance of our individual sectors is given in each of the sector reviews, on pages 38 to 55 of this Report.

Geographic revenue bridge (£m)



Revenue growth in all regions

Our revenue performance by region reflected broadly-based demand for the Group's products and services, with all regions delivering revenue growth on both a reported and an organic constant currency basis. Reported growth rates in each region were impacted to differing extents by acquisitions (net of disposals), and, outside the UK, positive effects from foreign currency translation, given the relative weakness of Sterling. On an organic constant currency basis, there was strong growth in our two largest regions, the USA and Mainland Europe, good growth in the UK against a strong prior year comparative, and a solid performance in Asia despite weakness in China as a result of lockdowns. The smaller other regions performed strongly.

Strong and broadly-based growth in the USA

Revenue in the USA increased by 30.7%, and the USA remains our largest revenue destination, accounting for 42% of Group revenue, an increase of three percentage points compared to the prior year. Reported revenue included a 4.6% contribution from acquisitions (net of disposals), and a positive effect of 14.0% from foreign exchange translation. Organic constant currency revenue increased 12.3%, with growth evenly spread across the three sectors, reflecting good momentum in the vast majority of subsectors.

Strong growth in Mainland Europe, led by Safety and Healthcare Sectors

Mainland Europe revenue was 22.2% higher, or up 13.5% on an organic constant currency basis. Reported revenue included a 5.0% contribution from acquisitions (net of disposals), and a positive effect of 3.7% from foreign exchange translation.

There was strong growth in the Safety Sector, led by the two largest subsectors, Fire Safety and Urban Safety, and in the Healthcare Sector, with a notably strong performance in the ophthalmology market within Therapeutic Solutions. Growth in the Environmental & Analysis Sector was more modest, with a strong performance in Environmental Monitoring partly offset by weaker trends in Water Analysis and Treatment.

Good organic growth in the UK

UK revenue was 4.4% higher, or up 6.0% on an organic constant currency basis. There was a negative effect on reported revenue from the prior year disposal, which was only partly offset by the benefit from acquisitions. The largest sector, Safety, delivered good growth, led by its largest subsector, Fire Safety. In the smaller Safety subsectors, while there was only marginal growth in Urban Safety following the end of a significant road safety contract, there was strong momentum in the Industrial Safety subsector. Healthcare grew strongly, reflecting demand for our communication technologies within the Healthcare Assessment & Analytics subsector.

Geographic revenue

	2023		2022				% change organic at constant currency
	£m	% of total	£m	% of total	Change £m	% Change	
United States of America	780.8	42	597.2	39	183.6	30.7	12.3
Mainland Europe	376.4	20	308.1	20	68.3	22.2	13.5
United Kingdom	278.9	15	267.0	18	11.9	4.4	6.0
Asia Pacific	282.4	15	250.8	16	31.6	12.6	3.3
Africa, Near and Middle East	63.6	4	53.6	4	10.0	18.6	13.2
Other countries	70.7	4	48.6	3	22.1	45.7	18.1
	1,852.8	100	1,525.3	100	327.5	21.5	10.2

There was only modest growth within the Environmental & Analysis Sector, given lower order intake from UK utilities in Water Analysis and Treatment, and weaker demand in Gas Detection.

Strong growth in other regions despite weakness in China

Revenue from territories outside the UK/Mainland Europe/the USA grew by 18.1%, which was ahead of our 10% KPI growth target.

Asia Pacific revenue increased 12.6%, but by only 3.3% on an organic constant currency basis. This reflected an organic constant currency revenue decline in China, our largest market in the region at approximately 6% of Group revenue, mainly as a result of COVID lockdowns. This was partly offset by strong growth in India and Australasia, the second and third largest markets in the region. Performance by sector was mixed, with good organic constant currency growth in the Safety Sector and a strong performance by the Environmental & Analysis Sector. In Healthcare, however, organic constant currency revenue declined. Reported revenue included a 2.1% contribution from acquisitions (net of the impact of disposals), and a positive effect of 7.2% from foreign exchange translation.

Other regions, which represent 8% of Group revenue, reported revenue 31.5% higher on a reported basis, and up 15.6% on an organic constant currency basis reflecting strong growth in all sectors.

First and second half profit performance

Revenue grew by 18.8% in the first half of the year and by 24.0% in the second half, with second half revenue 11.6% higher than revenue in the first. Organic constant currency revenue increased by 10.2%, comprising a 9.5% increase in the first half and growth of 10.9% in the second half. There was a positive effect of 8.3% from currency translation in the first half, and of 7.9% in the second half, giving a positive effect of 8.1% for the year as a whole. Acquisitions (net of disposals) had a positive effect of 3.2%, comprising a 1.0% positive effect in the first half and 5.2% in the second half.

Adjusted¹ profit increased by 10.9% in the first half and by 17.5% in the second half. There was a first half/second half split of Adjusted¹ profit of 48%/52%, compared to our typical 45%/55% pattern. Organic profit at constant currency increased by 1.9% in the first half, and by 4.3% in the second half, resulting in growth of 3.1% for the year.

Central costs, which include our Growth Enabler functions, increased from £30.9m in 2022 to £38.6m below our previous guidance as a result of strong cost control and revisions to the phasing of technology project spend. The increase reflected investment in our Growth Enabler teams, technology infrastructure and talent to support our future growth, and investment in reconnecting our Halma networks. In 2024, we expect central costs to be approximately £44m, including the revised phasing of technology spend referred to above.

Currency effects on reported revenue and profit

Halma reports its results in Sterling. Our other key trading currencies are the US Dollar, Euro and to a lesser extent the Swiss Franc, the Chinese Renminbi and the Australian Dollar. Almost 50% of Group revenue is denominated in US Dollars, approximately 26% in Sterling and approximately 12% in Euros.

The Group has both translational and transactional currency exposure. Translational exposures are not hedged, except for net investment hedges. Transactional exposures, after matching currency of revenue with currency costs wherever practical, are hedged using forward exchange contracts for 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 forward.

Sterling weakened on average in the year, principally in the first half. This gave rise to a positive currency translation impact of 8.1% on revenue and 9.0% on profit for the full year.

Currency effects

	Weighted average rates used in the income statement			Exchange rates used to translate the Balance sheet	
	First half	2023 Full Year	2022 Full year	2023 Year end	2022 Year end
US\$	1.216	1.205	1.367	1.237	1.315
Euro	1.174	1.158	1.176	1.138	1.183

Financial review continued

Based on the current mix of currency denominated revenue and profit, a 1% movement in the US Dollar relative to Sterling changes revenue by approximately £9m and profit by approximately £2m. Similarly, a 1% movement in the Euro changes revenue by approximately £2m and profit by approximately £0.5m. If Sterling weakens against foreign currencies, this has a positive impact on revenue and profit as overseas earnings are translated into Sterling.

If currency rates for the financial year to the end of March 2024 were US Dollar 1.237/ Euro 1.138 relative to Sterling respectively, and assuming a constant mix of currency results, driven by the strengthening of Sterling versus the US Dollar we would expect approximately a £20m negative revenue and a £4m negative profit impact compared to the financial year to the end of March 2023, with the majority of the impact in the first half of the year.

Solid cash generation

Halma's operations have continually been cash generative. Cash generated from operations in the year was £325.2m (2022: £293.4m) and adjusted operating

cash flow, which excludes operating cash adjusting items, and includes net cash capital expenditure, was £293.2m (2022: £273.2m) which represented a cash conversion of 78% (2022: 84%) of Adjusted operating profit¹. Cash conversion was 63% in the first half of the year, reflecting strategic investment in inventory to support supply chain resilience, but was stronger at 90% in the second half of the year.

Overall, the strategic investment in inventory had an impact on working capital, with an outflow of £95.7m, comprising changes in inventory, receivables and creditors (2022: outflow of £62.7m), which also reflected the strong revenue growth in the period. These effects would have been more significant were it not for the continued good underlying control of working capital by our companies. Adjusted operating cash flow is defined in note 3 to the Accounts.

A summary of the year's cash flow is shown in the tables below. The largest outflows in the year were in relation to acquisitions, dividends and taxation paid. Acquisition of businesses including cash and debt acquired and fees increased to £391.5m (2022: £164.4m), reflecting the

Operating cash flow summary

	2023 £m	2022 £m
Operating profit	308.4	278.9
Acquisition items	13.3	3.1
Amortisation and impairment of acquisition-related acquired intangible assets	56.5	42.7
Adjusted operating profit	378.2	324.7
Depreciation and other amortisation	53.5	49.1
Working capital movements	(95.7)	(62.7)
Capital expenditure net of disposal proceeds	(27.1)	(25.5)
Additional payments to pension plans	(15.2)	(12.2)
Other adjustments	(0.5)	(0.2)
Adjusted operating cash flow	293.2	273.2
Cash conversion %	78%	84%

Non-operating cash flow and reconciliation to net debt

	2023 £m	2022 £m
Adjusted operating cash flow	293.2	273.2
Tax paid	(67.2)	(56.0)
Acquisition of businesses including cash/debt acquired and fees	(391.5)	(164.4)
Purchase of equity investments	(6.7)	(0.7)
Disposal of businesses	–	57.5
Net finance costs and arrangement fees (excluding lease interest)	(18.0)	(5.7)
Net lease liabilities additions	(34.1)	(21.5)
Dividends paid	(73.3)	(68.7)
Own shares purchased	(22.3)	(19.3)
Adjustment for cash outflow on share awards not settled by own shares	(4.5)	(7.1)
Effects of foreign exchange	2.5	(5.9)
Movement in net debt	(321.9)	(18.6)
Opening net debt	(274.8)	(256.2)
Closing net debt	(596.7)	(274.8)

record M&A investment in the year. Dividends totalling £73.3m (2022: £68.7m) were paid to shareholders in the year. Taxation paid increased to £67.2m (2022: £56.0m).

Substantial funding capacity and liquidity; financing cost well managed

The Group has access to competitively priced committed debt finance, providing good liquidity. Group treasury policy remains conservative and no speculative transactions are undertaken.

We have a strong balance sheet and substantial available liquidity. At the beginning of the 2023 financial year, we refinanced our syndicated revolving credit facility. The new facility remains at £550m. It now matures in May 2028, following the exercise after the year end of one of two one-year extension options. In addition, we completed a new Private Placement issuance of c.£330m in May 2022. The issuance consists of Sterling, Euro, US Dollar and Swiss Franc tranches and matures in July 2032, with an amortisation profile giving it a seven year average life.

The financial covenants on these facilities are for leverage (net debt /adjusted EBITDA) to not be more than three and a half times and for adjusted interest cover to be not less than four times. The Group continues to operate well within its banking covenants with significant headroom under each financial ratio.

At 31 March 2023, net debt was £596.7m, a combination of £677.3m of debt, £87.9m of IFRS 16 lease liabilities and £168.5m of cash held around the world to finance local operations. Net debt at 31 March 2022 was £274.8m.

The gearing ratio at the year-end (net debt to EBITDA) was 1.38 times (2022: 0.74 times). Net debt represented 7% (2022: 3%) of the Group's year-end market capitalisation.

The net financing cost in the Income Statement of £16.9m was higher than the prior year (2022: £8.4m). This reflected a higher weighted average interest rate in the year (see the "Average debt and interest rates" table on page 36 for more information) and a higher average level of indebtedness due to acquisitions. The Private Placement issuance has resulted in an increased proportion of fixed coupon debt on the Group's balance sheet (at 56% at 31 March 2023, compared to 30% at 31 March 2022, excluding leases), which positions us well ahead of any increases in interest rates, and secures debt financing sufficient to meet the Group's likely medium-term requirements. We would expect the net financing cost for the 2024 financial year to be approximately £29m, if no further acquisitions were to be made. This reflects higher average net debt and a forecast higher weighted average interest rate in the year.

The net pension financing impact under IAS 19 is included in the net financing costs. This year the Group recognised a gain of £1.1m (2022: charge of £0.3m).

Group tax rate decreased

The Group has major operating subsidiaries in a number of countries and the Group's effective tax rate is a blend of these national tax rates applied to locally generated profits.

The Group's effective tax rate on adjusted profit was lower than the prior year at 20.2% (2022: 21.6%) due to one-off credits. Based on the latest forecast mix of adjusted profits for the year to 31 March 2024 we currently anticipate the Group effective tax rate to be higher at approximately 22% of adjusted profits, reflecting the increase in the UK corporation tax rate to 25% from 1 April 2023.

On 2 April 2019, the European Commission (EC) published its final decision that the UK controlled Finance Company Partial Exemption (FCPE) constituted State Aid. In common with many other UK companies, Halma has benefited from the FCPE and had appealed against the European Commission's decision, as had the UK Government. The EU General Court delivered its decision on 8 June 2022. The ruling was in favour of the European Commission but in August 2022 the UK Government and the taxpayer have appealed this decision. Following receipt of charging notices from HM Revenue & Customs (HMRC) we made a payment in February 2021 of £13.9m to HMRC in respect of tax, and in May 2021 made a further payment of approximately £0.8m in respect of interest.

Whilst the EU General Court was in favour of the EC, our assessment is that there are strong grounds for appeal and the appeal is expected to be successful. As a result, and given the appeal process is expected to take more than a year, we continue to recognise a non-current receivable of £14.7m in the balance sheet.

Capital allocation and funding priorities

Halma aims to deliver high returns, measured by ROTIC², well in excess of our cost of capital. We invest to deliver the future earnings growth and strong cash returns which enable us to achieve this aim on a sustainable basis, and our capital allocation priorities remain as follows:

- **Investment for organic growth:** Organic growth is our first priority and is driven by investment in our existing businesses, including through capital expenditure, innovation in digital growth and new products, international expansion and the development of our people.
- **Value-enhancing acquisitions:** We supplement organic growth with acquisitions in current and adjacent market niches, aligned with our purpose. This brings new technology, intellectual property and talent into the Group and expands our market reach, keeping Halma well-positioned in growing markets over the long term.
- **Regular and increasing returns to shareholders:** We have maintained a progressive dividend policy for over 40 years and this is our preferred route for delivering regular cash returns to shareholders without impacting on our investment to grow our business.

Financial review continued

Continued investment for organic growth

All sectors continue to innovate and invest in new products, with R&D spend determined by each individual Halma company. R&D expenditure as a percentage of revenue remained well above our KPI target of 4% at 5.5% (2022: 5.6%). In absolute terms, this meant that R&D expenditure increased by £17.4m to £102.8m (2022: £85.4m), and grew in line with revenue. This increasing investment reflects our companies' confidence in the growth prospects of their respective markets. In the medium term we expect R&D expenditure to continue to increase broadly in line with revenue growth.

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. This year we capitalised £15.8m (2022: £13.4m), impaired £0.5m (2022: £2.9m) and amortised £8.5m (2022: £7.0m). The closing intangible asset carried on the Consolidated Balance Sheet, after a £1.2m gain (2022: £1.3m gain) relating to foreign exchange, was £49.6m (2022: £41.7m). All R&D projects requiring capitalisation are subject to rigorous review and approval processes by the relevant sector board and Group financial control.

Capital expenditure on property, plant, equipment and vehicles, computer software and other intangible assets was £30.1m (2022: £26.6m), with last year reflecting a lower spend as a result of pandemic constraints. Expenditure was principally on plant, equipment and vehicles. We anticipate capital expenditure to increase to approximately £40m in the coming year, reflecting investment in the expansion of manufacturing facilities and automation to support future growth.

Lease right-of-use asset additions and remeasurements were £32.2m (2022: £23.0m). This included additions of £9.3m as a result of acquisitions made in the year, and the commencement of new leases and extensions or renewals of existing leases.

Net debt to EBITDA

	2023 £m	2022 £m
Adjusted operating profit	378.2	324.7
Depreciation and amortisation (excluding acquired intangible assets)	53.5	49.1
EBITDA	431.7	373.8
Net debt to EBITDA	1.38	0.74

Average debt and interest rates

	2023	2022
Average gross debt (£m)	602.5	426.8
Weighted average interest rate on gross debt	2.74%	1.90%
Average cash balances (£m)	170.3	143.1
Weighted average interest rate on cash	0.40%	0.16%
Average net debt (£m)	432.2	283.7
Weighted average interest rate on net debt	3.67%	2.78%

Value-enhancing acquisitions and investments

Acquisitions and disposals are a key component of our Sustainable Growth Model, as they keep our portfolio of companies focused on markets which have strong growth opportunities over the medium and long term.

In the year we made seven acquisitions at a cost of £386.9m (net of cash acquired of £10.1m and including acquisition costs). In addition, we paid £4.6m in contingent consideration for acquisitions made in prior years, giving a total spend of £391.5m. We also made two small strategic minority investments totalling £6.7m, including an incremental funding round for a minority investment in the Safety Sector. We made two further acquisitions following the year end, for a maximum total consideration of approximately £57m.

Details of the acquisitions and investments made in the year are given in the sector reviews on pages 38 to 55 of the Report and in notes 25 and 14 to these Accounts.

Regular and increasing returns for shareholders

Adjusted earnings per share increased by 16.6% to 76.34p (2022: 65.48p). Statutory basic earnings per share decreased by 3.9% to 62.04p (2022: 64.54p), as the prior year included a gain on the disposal of a Safety Sector business.

The Board is recommending a 7.0% increase in the final dividend to 12.34p per share (2022: 11.53p per share), which together with the 7.86p per share interim dividend gives a total dividend per share of 20.20p (2022: 18.88p), up 7.0% in total.

Dividend cover (the ratio of adjusted profit after tax to dividends paid and proposed) is 3.78 times (2022: 3.47 times).

The final dividend for the financial year ended March 2023 is subject to approval by shareholders at the Annual General Meeting on 20 July 2023 and, if approved, will be paid on 18 August 2023 to shareholders on the register at 14 July 2023.

We aim to increase dividends per share each year, while maintaining a prudent level of dividend cover, and declare approximately 35-40% of the anticipated total dividend as an interim dividend. The Board's determination of the proposed final dividend increase this year took into account the Group's financial performance, economic and geopolitical uncertainty, the Group's continued balance sheet strength and medium-term organic constant currency growth.

Pensions update

The Group accounts for post-retirement benefits in accordance with IAS 19 Employee Benefits. The Consolidated Balance Sheet reflects the net accounting surplus on our pension plans as at 31 March 2023 based on the market value of assets at that date and the valuation of liabilities using discount rates derived from year end AA corporate bond yields. Lane Clark & Peacock LLP assist the Company in setting assumptions, and the valuation work is performed by Mercer Limited.

We closed the two UK defined benefit (DB) plans to new members in 2002. In December 2014 we ceased future accrual within these plans with future pension benefits earned within the Group's Defined Contribution (DC) pension arrangements. These two plans represent over 95% of consolidated plan liabilities.

On an IAS 19 basis, before deferred taxes, the Group's DB plans at 31 March 2023 had a net surplus of £37.9m (2022: £30.5m surplus). The value of plan assets decreased to £284.7m (2022: £347.6m). Plan liabilities decreased to £246.8m (2022: £317.1m) due to the increase in the discount rate (2.80% to 4.75%) being greater than the decrease in the long-term inflation rate (3.6% to 3.3%). Mortality assumptions include this year an assumption for post pandemic mortality experience in line with market practices.

The plans' actuarial valuation reviews, rather than the accounting basis, are used to evaluate the level of any cash payments into the plan. This year these contributions amounted to £15.6m. Following a triennial actuarial valuation of the two UK pension plans in the 2021/22 financial year, the cash contributions were agreed with the trustees aimed at eliminating the deficit.

During the 2022/23 financial year the aggregate payments made since the last triennial actuarial valuation, coupled with the performance of the plan assets and movement in the liabilities resulted in the Halma Group Pension Plan being funded over the trustees' secondary funding target and close to the expected current valuation on a solvency basis. As a result, it has been agreed with the trustees of the Halma Group Pension Plan that contributions will be suspended until 1 April 2025, when they will either fall due or be superseded by cash contributions agreed with the trustees in respect of the latest triennial actuarial valuation.

We therefore expect contributions to the schemes in the 2023/24 financial year to be £4.2m. In the event that these payments result in a surplus on winding up of the schemes, the Group has an unconditional right to a refund under the plan rules.

Steve Gunning

Chief Financial Officer

1 See Highlights

Diversifying into high-growth markets

The global energy transition is picking up speed as economies shift investment towards a more sustainable future. Key to making this shift happen is the move towards renewable energy. But what about the energy infrastructure that underpins the move to a Net Zero future?

Upgrading the grid

To distribute electricity into our homes and businesses, a technology called switchgear is used throughout the transmission and distribution networks. This technology helps protect against sudden surges of electricity and also adjusts electricity to the right voltage so it can be transported safely through the powerlines. Switchgear components, such as transformers and circuit breakers, are traditionally insulated by a gas called SF₆. This gas stops any sparks from an electrical fault before they can cause a fire or explosion.

However, SF₆ is one of the most potent greenhouse gases in existence. With a warming potential of 23,900 times that of CO₂, SF₆ can remain in the atmosphere for up to 3,200 years. Although the gas is slowly being phased out in electricity distribution, there are technical challenges in safely replacing it.

Spotting new growth opportunities

OsecoElfab, a Halma company based in the US and UK, designs and manufactures pressure safety solutions to protect people, equipment and the

environment. Historically, the company's bigger markets were in the oil and gas distribution, and chemical processing industries. Spotting an opportunity to grow, OsecoElfab is increasingly diversifying to support the move to a greener future.

One example is in switchgear use for electricity distribution. Clean air – with all its humidity and impurities removed – is a far greener alternative to SF₆ for insulating switchgear technology. However, to make it work as an effective insulator, it requires specialised components.

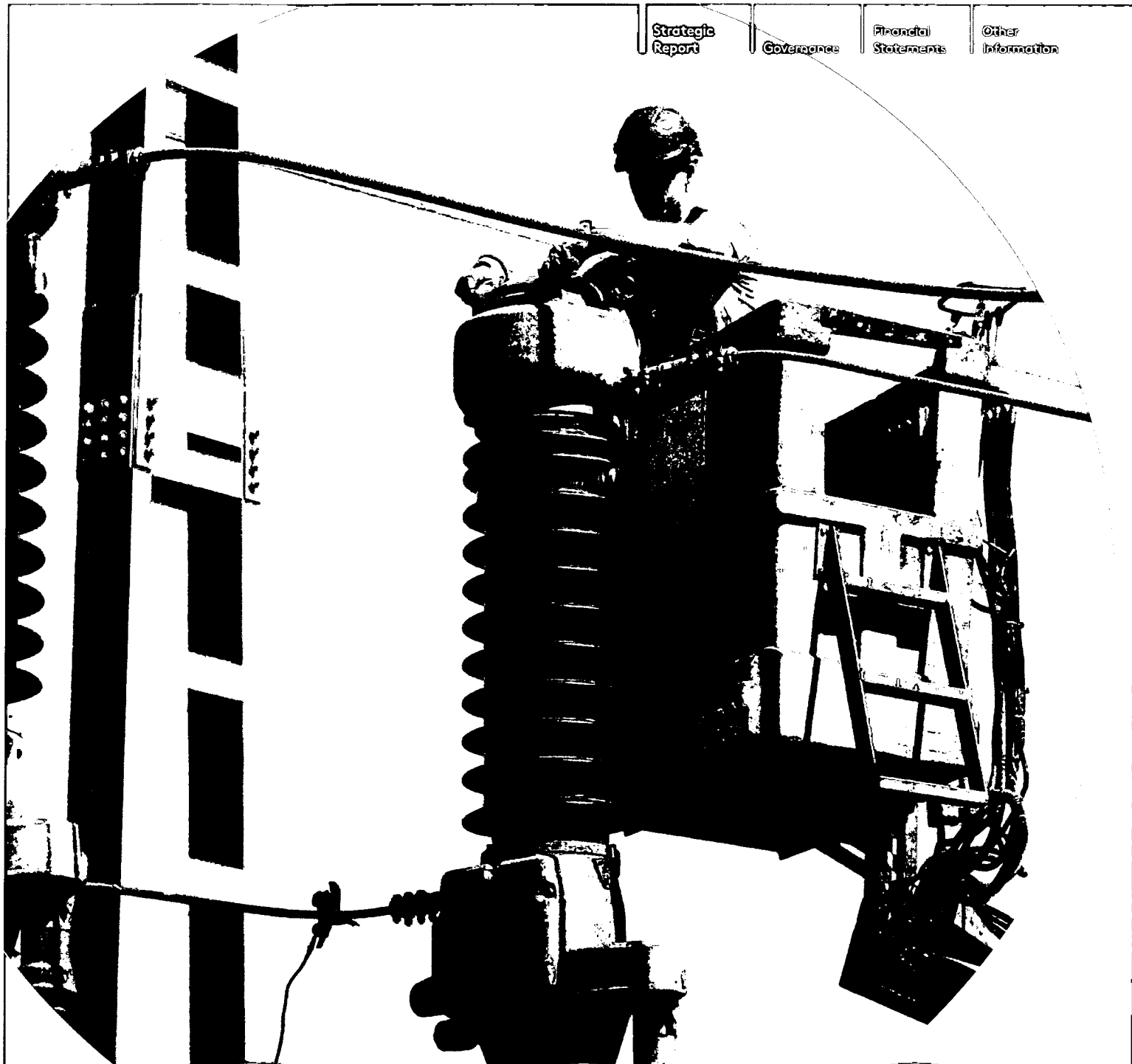
By working closely with its customers, OsecoElfab has customised its rupture disc technology to provide a solution for switchgear insulated by clean air. Its rupture discs are specialist pressure release devices that activate in milliseconds to release heat and pressure. This protects against dangerous surges caused by electrical faults which could lead to fires that damage the equipment or, worse, explosions that endanger life. Thanks to OsecoElfab's technology, switchgear can now be designed that keep people safe without the damaging SF₆ gas being released.

As technology advances and regulations evolve in support of a Net Zero future, OsecoElfab continues to partner with industry leaders to solve their problems and grow faster in support of a safer and cleaner future.

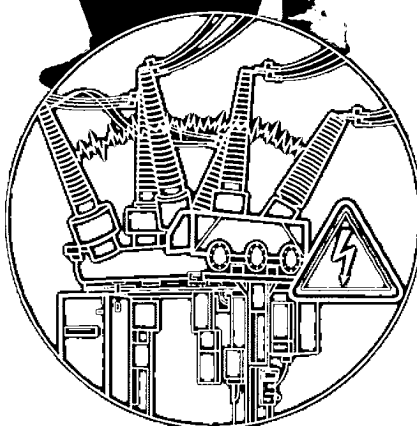
3,200 years

How long the greenhouse gas SF₆ remains in the atmosphere*

* <https://www.weforum.org/agenda/2019/10/greenhouse-gas-emissions-climate-change-sf6/>



1. Distribute energy
Transporting electricity from a power station into our homes at the right voltage.



2. Potential Risk
A short circuit and electrical arc event occurs. This could lead to catastrophic consequences.



3. Protection
Rupture disc releases excess heat and pressure, keeping people and equipment safe.

Business review

Growth within Safety

Our Safety Sector companies protect people, assets and infrastructure, enable safe movement and enhance efficiency. Their technologies are used in public and commercial spaces and in industrial and logistics operations.

Our markets

Fire Safety

Technologies that protect people and assets from fire, including networked fire detection systems, wired and wireless fire detection components, and systems to automatically extinguish fires.

Power Safety

Technologies that increase the integrity and safety of electrical systems in a range of industries, including the aerospace, avionics, rail and automotive sectors, as well as the electricity grid itself.

Industrial Safety

Technologies that protect people and assets in industrial environments, including systems to manage the movement of people in high-risk areas, real-time corrosion monitoring and valve interlocking systems, and explosion protection devices and systems.

Urban Safety

Technologies that protect people and assets in urban environments, including: sensing solutions for automatic door systems, access control, safety and security; advanced radar systems to improve transport safety and efficiency and protect critical infrastructure; and elevator and emergency communications systems.

Highlights

£745.6m

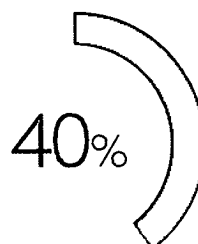
Revenue*
+16.2%

£152.5m

Adjusted operating profit¹
+4.3%

- Strong revenue growth of 16% (11% organic constant currency¹).
- Profit¹ performance constrained by supply chain disruptions in a limited number of smaller companies.
- Substantial investment supporting future growth, including record acquisition spend of £207m.

% of Group turnover



* includes inter-segment sales

What the Safety Sector does

Our Safety Sector companies protect people, assets and infrastructure and enable safe movement. Many of their products also make the world cleaner and enhance efficiency. Their technologies are used in public and commercial spaces and in industrial and logistics operations.

The Safety Sector comprises companies which provide solutions to a number of fundamental and enduring safety issues. These are: fire safety, through fire detection and fire suppression solutions; safe movement in public, commercial and industrial spaces; elevator safety; communications in emergencies; control of access in potentially hazardous industrial and commercial environments; electrical safety; and the safe management of pipelines and storage assets.

The Safety Sector has diverse end markets and a wide range of customers. Its products and solutions are used to enhance safety and efficiency in a broad spectrum of applications and end markets including in: many different types of commercial buildings, for example, shops and restaurants, healthcare facilities, offices and stadiums; industrial and logistics assets; public spaces and critical infrastructure, including roads, tunnels and transportation hubs; and aerospace, rail and automotive applications.

The Safety Sector's long-term growth drivers

The long-term growth of the sector continues to be driven by increasing safety and environmental regulation, and by growing, ageing and urbanising populations. Increasing automation and accelerating demand for connected industrial and infrastructure systems further underpin the sector's growth prospects, as its customers have sought to benefit from the greater efficiency and safety that can be derived from these innovations.

The increasingly urgent need to address the causes and impacts of climate change continue to further enhance the growth opportunities available to Safety Sector companies. This includes, for example, increased demand for automated access solutions to both increase efficiency, including by minimising heat loss in commercial and industrial premises. Sector companies are also supporting the drive towards renewable and cleaner energy sources and uses, including through fire suppression in renewable energy facilities, electrical testing of electric vehicles (EVs) and mass transit systems, and increasing the efficiency of industrial processes. They are also repurposing technology towards areas such as carbon capture and hydrogen energy sources in sector businesses which serve industrial customers.

Sriya Varada
Sriya is Sales Manager at Sentric

Safety continued

Safety Sector performance in the year

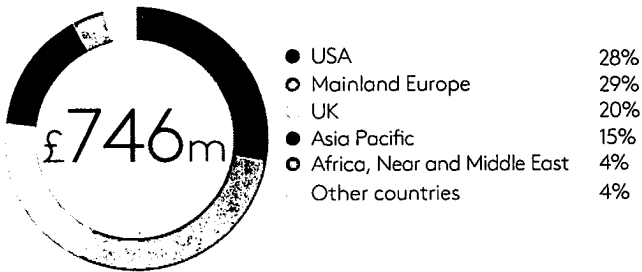
The Safety Sector delivered a solid performance. Revenue growth was very strong. Return on Sales¹ was however lower than historic norms as a consequence of supply chain impacts related to electronic components. Investment in future growth continued, including through increased R&D spend and acquisitions.

Revenue of £745.6m (2022: £641.4m) was 16.2% higher than in the prior year. Year-on-year revenue growth on an organic constant currency¹ basis was strong at 11.2%, with double digit growth in both halves of the year. Growth was broadly spread, with all but two companies delivering organic constant currency¹ revenue growth. Sector companies continued to be agile in responding to customer demand while addressing supply chain challenges, although disruptions in a number of companies contributed to a small decline in Adjusted¹ profit on an organic constant currency¹ basis.

Revenue growth on an organic constant currency¹ basis was broadly spread across all four subsectors, with three achieving double-digit growth. Industrial Safety's performance reflected strong execution in two subsector companies and Power Safety saw strong demand for interlock products in the electrical sector. Growth on a reported basis also benefited from acquisitions including WEETECH Holding GmbH (WEETECH) during the year. The largest subsector, Fire Safety continued to grow strongly, having seen substantial growth in the prior year, supported by organic constant currency¹ revenue growth in all companies. Urban Safety organic constant currency¹ revenue growth was good overall, although performance was mixed with strong demand for automatic access solutions and elevator systems partially offset by the end of a significant road safety contract.

The sector's revenue performance by geography reflected these themes. There was strong growth in the sector's largest two geographies, the USA and Mainland Europe, both on a reported and organic constant currency¹ basis. This included strong growth in Industrial Safety in the USA, with Fire Safety and Urban Safety performing strongly in Mainland Europe. The UK saw good growth on an organic constant currency¹ basis led by its largest subsector, Fire Safety, and there was strong momentum in Industrial Safety. Urban Safety delivered a more mixed performance with the effect of the end of the road safety contract mentioned above offsetting good performance elsewhere. On a reported basis, UK growth was lower, due to the non-recurrence of revenue from a disposal in the prior year. Asia Pacific also saw good growth on an organic constant currency¹ basis, led by a strong performance in Fire Safety, which more than offset a decline in Urban Safety principally as a result of lockdowns, and a non-recurring road safety contract in China.

Revenue by destination



Profit¹ grew by 4.3% to £152.5m (2022: £146.2m), and decreased by 1.1% on an organic constant currency¹ basis. Return on Sales¹ decreased by 230 basis points to 20.5% (2022: 22.8%). This reflected a strong comparator, which had benefited from cost savings made during the pandemic, and supply chain disruptions in a number of companies. These resulted in higher costs for electronic components used in devices with current regulatory approvals, and costs in recertifying devices to use alternative components. We expect these disruptions to ease over the current financial year. R&D expenditure of £41.0m remained at a good level, representing 5.5% of revenue (2022: £35.6m; 5.6% of revenue).

The sector made four acquisitions in the year for an aggregate consideration of approximately £207m (on a cash and debt free basis and excluding acquisition costs). These included two new standalone companies within the sector: WEETECH, which designs and manufactures critical electrical testing technology, purchased in October 2022; and FirePro Systems Limited, a designer and manufacturer of aerosol-based fire suppression systems, which was acquired shortly before the financial year end. Sector companies also made two bolt-on acquisitions: Apollo Fire Detectors acquired Thermocable (Flexible Elements) Ltd, a developer and manufacturer of linear heat detectors; and Sentric purchased ZoneGreen Limited, a provider of rail depot protection solutions.

The impact of acquisitions was a positive effect of 2.4% on revenue and 2.3% on profit. The disposal of Texecom in the first half of the prior year had a negative effect of 2.6% on revenue and 1.4% on profit. Currency exchange movements had a positive effect of 5.2% on revenue and 4.5% on profit.

¹ See Highlights.

Case study

Growth driven by electrification



The transport sector is responsible for 20% of global carbon emissions. Supporting the electrification of this sector is a crucial step towards creating a more sustainable future. For the past few years, changes in global regulatory standards for the safe electrification of transport systems have not kept pace with demand, but now governments across the world are catching up fast as the trend for electrification accelerates.

Making electric transport safer

With businesses and consumers looking to reduce their carbon footprint, rapid technological advances have been made to accelerate electrification in transport. However, this brings a new set of technical challenges. Modern electric trains need higher voltages to operate increasingly complex electrical systems. Faulty wiring or a malfunction can have disastrous consequences, making testing of these systems critical to ensure their safe operation.

In October 2022, Halma acquired WEETECH, a German company that designs and manufactures electrical testing technology to ensure high voltage systems are safe to use and remain compliant with increasing safety regulation. WEETECH provides customised testing solutions for cabling harnesses – multiple cables bound together to transmit electrical power – ensuring they are fit for purpose while protecting workers in these dangerous testing environments.

Regulation underpinning long-term growth

As the world moves to a more sustainable future, safety regulation will have an increasingly important role to play. The Safety Sector's acquisition of WEETECH is part of a new strategic subsector focused on power safety. This subsector has the potential to grow fast, powered by the safety demands of the energy transition, and is fully aligned with our purpose.

“

As the uptake in electric transport accelerates, safety needs are driving more regulations. WEETECH's testing technology ensures that greener modes of transport can be used safely for customers around the world. I am pleased that WEETECH has joined the Safety Sector – together we can support the energy transition while helping to protect workers in dangerous testing environments.

Julie Eaton

Divisional Chief Executive, Safety Sector and
Chair of WEETECH

Growing through partnerships

Two-thirds of the global population is expected to live in urban areas by 2050. While there are significant benefits to urbanisation, it creates unintended consequences, including air pollution.

Poor air quality severely impacts people's long-term health and wellbeing. Many European countries are now developing clean air strategies to introduce tighter regulations to protect people's health.

Air quality monitoring

Smart technology is key in tackling the global air quality issue and making sure new regulations are met. With the help of monitoring solutions, air quality can be measured to help identify levels and sources of pollution. This enables city authorities to make informed decisions about ways to improve it.

Sensit is a Halma gas detection company based in the US, with 40 years of experience making products that help detect leaks in gas pipes. Responding to the rapid growth opportunity in the air quality monitoring market in Europe, Sensit wanted to use its expertise to develop a high-quality air monitoring solution. However, it had limited experience of selling in the European market and lacked the local regulatory knowledge, which was far more complex than in the US.

Growcon, a Halma company based in the UK, specialises in gas detection technology that can identify hazardous gases before they become a problem. The company was keen to grow into the air quality monitoring market in Europe but did not have the right expertise to customise its technology.

They soon realised they could combine their individual strengths and resources to seize this growth opportunity.

Collaboration to tackle air pollution

Using Sensit's product expertise and Growcon's market knowledge, they joined forces to develop a co-branded product, made by Sensit and sold by Growcon. The collaboration resulted in a new series of air quality monitors sold into the European market that provide real-time insights into the air we breathe.

One example is installed in Kent, UK. Sandwiched between the busy port of Sheerness to the north and the M2 motorway to the south, the area regularly exceeds national limits for air pollution. The local council has developed an Air Quality Action Plan for improving air quality over the next few years. As part of its plan, it has installed the Sensit by Growcon products to monitor air pollution.

Together these Halma companies have collaborated to grow their businesses. By working together and using each other's strengths to solve a problem they are helping to grow a safer, cleaner, future for everyone, every day.

\$8.3 billion

Size of global air quality monitoring market*

* <https://www.fortunebusinessinsights.com/air-quality-monitoring-system-market-105614>

SENSIT
by **growcon**

1. Urbanisation

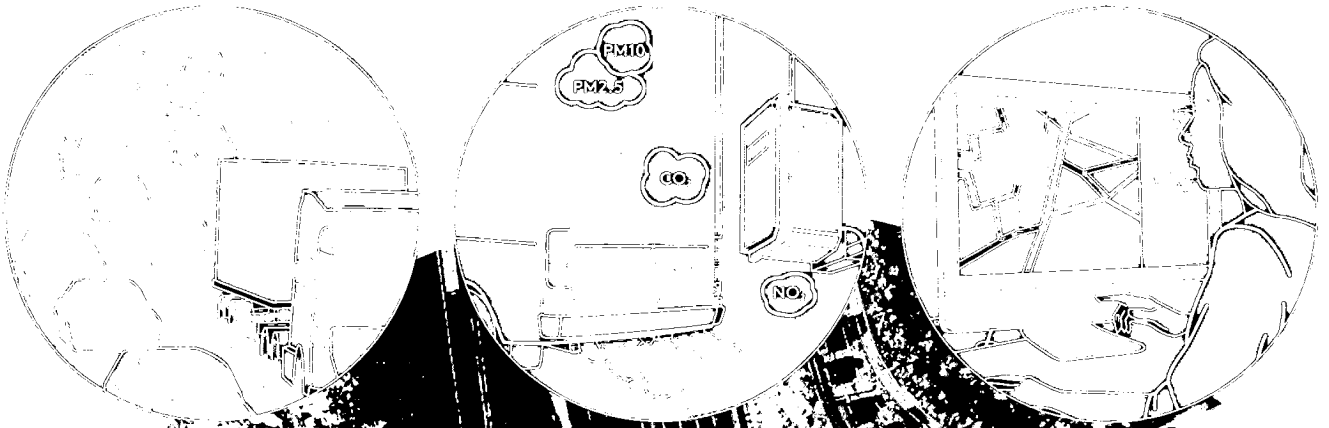
Heavy traffic creating air pollution.

2. Monitor impact

Technology helps identify levels and sources of pollution.

3. Finding solutions

Making informed decisions about ways to improve traffic flow.



Business review

Growth within

Environmental & Analysis

Our Environmental & Analysis Sector companies provide technologies that monitor the environment, ensure the quality and availability of life-critical resources, and analyse materials in a wide range of applications.

Our markets

Optical Analysis

World-class optical, optoelectronic and spectral imaging systems that use light to analyse materials in applications including life sciences, bioprocessing, food safety, research, and industrial process control.

Water Analysis and Treatment

Systems that assist communities and businesses around the world to sustainably improve water quality and availability.

Environmental Monitoring

Technologies that detect hazardous gases and analyse air quality, gases and water to monitor the quality of our environment and ensure that our resource infrastructure operates efficiently.

Highlights

£552.1m

Revenue*
+24.7%

£134.2m

Adjusted operating profit¹
+22.2%

- Strong reported revenue and profit¹ growth; up 9.1% and 7.1% respectively on an organic constant currency¹ basis.
- Revenue growth in all subsectors on an organic constant currency¹ basis.
- Two acquisitions made in the year, and a further two acquisitions completed since the year end.

% of Group turnover



* includes inter-segment sales

**Palintest water testing technology
enables access to safe water**

Credit: WaterAid /

Anindito Mukherjee



What the Environmental & Analysis Sector does

Our Environmental & Analysis Sector companies provide high-technology solutions, that monitor the environment and improve the quality and availability of life-critical natural resources such as air, water and food, and analyse materials in a wide range of applications.

Their valuable solutions are technically differentiated through strong levels of application knowledge in environmental monitoring, water and waste water analysis and treatment, gas analysis and detection, and optical analysis. They are supported by high levels of customer responsiveness and often leverage digital, optical and optoelectronic expertise.

They serve a wide variety of end markets with applications across a very broad range of sectors and customers. Their end markets include: water and waste water management and treatment, including for water utilities; gas analysis and detection; food, beverage, medical and bio-medical; communications; aquaculture; research and science; inspection and maintenance of infrastructure in water, for example, dams and offshore wind turbines; and a variety of industrial markets.

The Environmental & Analysis Sector's long-term growth drivers

The sector's long-term growth is sustained by rising demand for life-critical resources, the impact of climate change, increasing environmental regulations and worldwide population growth with rising standards of living. It is underpinned by our ability to design, develop and manufacture innovative, high-technology detection and analysis solutions.

The increasingly urgent need to address climate change is creating new opportunities in many of the sector's markets. It is driving new policies globally, including initiatives to meet Net Zero commitments through energy transition and sectoral decarbonisation plans, as well as plans to increase adaptation and resilience. Combined with the biodiversity crisis and an increasing focus on plastics and waste, it is also driving new regulatory initiatives to preserve life-critical resources. These include initiatives such as, in the UK, Ofwat's investigations into waste water treatment and internal sewer flooding to prevent environmental degradation.

These and similar initiatives are creating growing long-term opportunities for our companies to help their customers, for example, to prevent emissions, detect leaks and analyse air and water quality, and to support new technologies to address these issues, such as renewable energy and storage, sustainable food systems and mobility in cities.

Environmental & Analysis continued

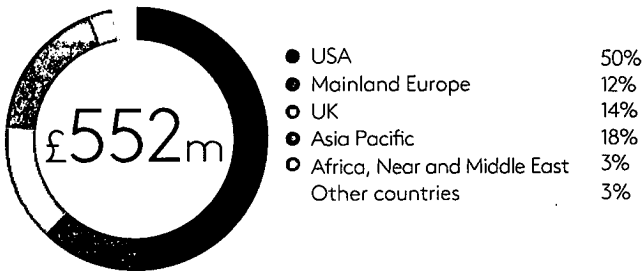
Environmental & Analysis Sector performance in the year.

The Environmental & Analysis Sector delivered a good performance. Revenue of £552.1m (2022: £442.9m) was 24.7% higher than in the prior year, and up 9.1% on an organic constant currency¹ basis. Sector growth was driven by increasing demand and supported by strong execution, in particular from the sector's largest companies.

All subsectors grew revenue on an organic constant currency¹ basis. Organic constant currency¹ growth was led by Environmental Monitoring, where growth on a reported basis also benefited from the acquisition of Deep Trekker, Inc. (Deep Trekker) during the year. Organic constant currency¹ revenue growth was also strong in our gas detection companies, supported by increasing demand for products addressing the minimisation of emissions. Both the Optical Analysis and the Water Analysis & Treatment subsectors saw good organic constant currency¹ revenue growth, with Photonics within Optical Analysis continuing to benefit from increasing demand for technologies that support the building of digital and data capabilities; and within the Water Analysis & Treatment subsector, revenue grew more strongly in the second half of the year following a pick-up in project tenders from UK utilities, which offset lower order intake in our water testing and disinfection companies, principally relating to products related to consumer discretionary end-markets.

By region, the USA accounts for half of the sector's revenue, and reported the highest organic constant currency¹ growth at 12%. Performance was strong across all four subsectors, supported by further growth in a continuing large photonics contract within Optical Analysis, increased demand including larger customer orders in our gas detection companies, in products supporting the transition to new sources of energy in Environmental Monitoring, and international expansion from our water infrastructure companies within Water Analysis & Treatment. Asia Pacific also grew strongly, at 10% on an organic constant currency¹ basis, driven by substantial growth in the flow and pressure control market within Environmental Monitoring in India and China. Organic constant currency¹ revenue growth was more modest in the UK and Mainland Europe, with growth reflecting strengthening UK water project spend in the second half of the year, and strong demand in our gas detection companies in Mainland Europe.

Revenue by destination



In the other regions which represent about 6% of the sector's revenue, our gas detection companies continued to benefit from a recovery in the energy sector, which drove strong organic growth in Africa, Near & Middle East, and there was a good contribution to reported revenue growth in the other smaller regions from the acquisition of Deep Trekker.

Profit¹ grew by 22.2% to £134.2m (2022: £109.8m), or by 7.1% on an organic constant currency¹ basis. Return on Sales¹ decreased by 50 basis points to 24.3% (2022: 24.8%). This reflected a return to a level similar to the years before the pandemic. Gross margin was marginally higher, driven by business mix and good management of pricing. R&D expenditure of £28.6m was maintained at a good level at 5.2% of revenue (2022: £22.8m; 5.1% of revenue).

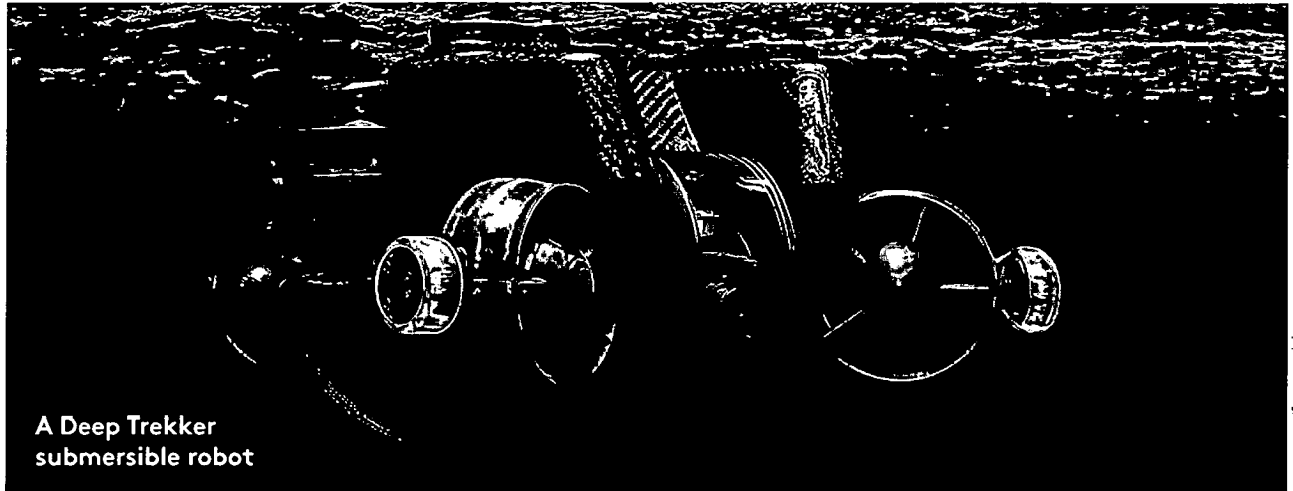
The sector made one standalone acquisition during the year for a consideration of approximately £38m: Deep Trekker, which is a market-leading manufacturer of remotely operated underwater robots used for inspection, surveying, analysis and maintenance, was purchased in April 2022. Ocean Insight also made a small bolt-on acquisition. Since the year end, there have been two further acquisitions in the sector for a maximum total consideration of approximately £57m: Sewertronics Sp. Z o.o., which designs and manufactures equipment and associated consumables for wastewater pipeline rehabilitation, was purchased as a standalone company in May 2023; and Visual Imaging Resources LLC, which distributes and services wastewater inspection equipment in North America, was purchased in April 2023 as a bolt-on to Minicam. This good momentum reflects the investment made in a dedicated M&A team for the Environmental & Analysis Sector, and the increasing ability of our individual companies to make bolt-on acquisitions to enhance their technological capabilities and market reach.

The impact of acquisitions during the year contributed growth of 6.6% to revenue, and 5.9% to profit. Currency exchange movements had a positive effect of 9.0% on revenue and 9.2% on profit.

¹ See Highlights.

Case study

New capabilities in environmental monitoring



The global transition to renewable energy is creating a new type of energy infrastructure. Hydroelectric dams, solar farms and offshore wind farms are now competing with power stations that use fossil fuels to become the main energy source of the future. The offshore wind farm industry alone is expected to increase tenfold over the next decade and is on track to supply 20% of global energy by 2030¹.

All energy systems require continuous inspection and maintenance to ensure safe operation, and clean energy is no different. However, many of these renewable energy structures present new challenges for monitoring teams. Offshore wind farms in particular face a unique set of challenges, due to critical infrastructure being submerged in deep waters and subject to intense pressures from the sea.

The traditional method is to send a specialist dive team. This can be costly, time-consuming, and, most importantly, dangerous for the divers. As a result, operators are looking for alternative approaches that reduce the risk to life.

Remotely Operated Vehicles (ROVs) are unmanned submersible devices deployed from a boat and controlled remotely from the surface. They offer a safer and more cost-effective alternative for both routine operations and emergency investigation response.

In April 2022 Halma acquired Deep Trekker, based in Ontario, Canada, one of the largest underwater robotics manufacturers in the world. Its submersible robots monitor and maintain critical underwater infrastructure, including offshore wind farms, without putting human life at risk.

Deep Trekker is not only helping support the global transition to clean energy but also plays a key role in the efforts to maintain the health of our marine environments. Its ROVs are used to examine the health of sea and plant life and detect changes in the underwater environment without having to send a diver into the water or risk contamination to the environment. It also enables ocean science and research by offering a cost-effective underwater research alternative.

The addition of Deep Trekker is aligned to Halma's purpose and is a valuable addition to our Environmental & Analysis Sector. It adds exciting capabilities to our environmental monitoring sector and expands our growth opportunities in a fast-growing global niche.

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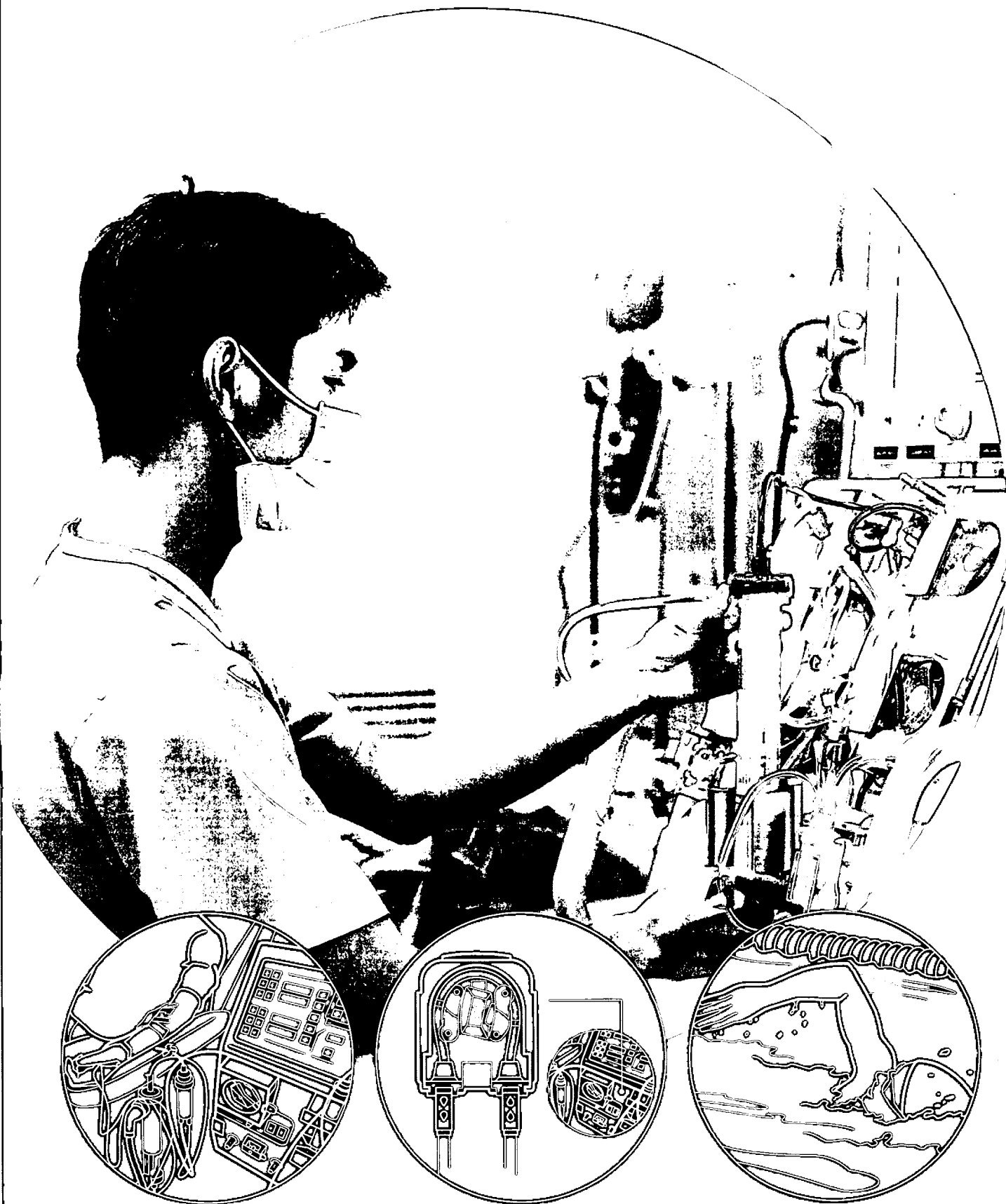
Deep Trekker brings new capabilities and complements our strong portfolio in the Environmental & Analysis Sector. Its technology not only improves the safety of underwater inspections but plays an important role in ensuring a cleaner environment, which is well aligned to our purpose.

Rob Lewis

Divisional Chief Executive for the Environmental & Analysis Sector and Chair of Deep Trekker

¹ Global Wind Energy Council, Global Wind Report 2023

Healthcare case study



1. Chronic illness
Patient with kidney disease needs dialysis.

2. Better treatment
Specialist pump used for dialysis reduces the risk of contamination.

3. Increased Health
Patient enjoys a good quality of life.

Growing by solving customer problems

Demand for healthcare is growing fast. As global populations get older the need for better testing, diagnosis and treatment is increasing. In China alone, there will be 400 million people over the age of 60 by 2040, almost double what it is today.

This huge demographic shift is being replicated in countries all over the world and it is driving demand for better healthcare to keep our ageing populations healthier for longer.

Longer Pump is a Halma company based in Baoding in northern China. Its innovative healthcare solutions are helping to solve some of these global challenges. The company makes pumps that can control the flow of fluids with an accuracy a hundred times smaller than a drop of water. These pumps go into a range of healthcare applications, from dialysis machines that clean a patient's blood to In Vitro Diagnostics (IVD) that analyse medical samples to detect disease.

Solving customer problems

Longer Pump was approached by a long-standing customer, a large Chinese medical equipment company, to help solve a problem. The company needed a pump for its new dialysis machine that could be custom-built while meeting the high standards of the national healthcare regulator.

Longer Pump's core technology enables the continuous and precise transfer of fluids, without the need for valves. This type of technology is called a peristaltic pump, which uses compression to squeeze and release tubing to create a gentle and continuous movement of fluid. This was critical for this customer's requirements as it prevents blood cells from getting damaged by the pumping mechanism, which could harm the patient. It also ensures the blood only touches the inner lining of the tube, reducing the risk of contamination.

Longer Pump's close relationship with the customer, its understanding of the sector's regulatory requirements, and its ability to move fast and adapt its existing technology meant that it could provide a high-quality solution at speed.

Growing into new markets

Longer Pump's deep application expertise and its focus on solving customer problems has enabled it to keep growing not just in its home market of China, but also internationally.

Since joining Halma ten years ago, Longer Pump has taken advantage of Halma's Growth Enablers to seize new opportunities and today it sells in more than 130 markets, including the US and Europe.

850 million

People worldwide with chronic kidney disease*

* <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC9073222/>

LONGER
A Halma company

Business review

Growth within

Healthcare

Our Healthcare companies' technologies and digital solutions help providers improve the care they deliver and enhance the quality of patients' lives. They contribute to the discovery and development of new cures, the diagnosis and treatment of patient conditions, and the provision of improved healthcare through data analysis.

Our markets

Life Sciences

Technologies and solutions to enable in-vitro diagnostic systems and accelerate life-science discoveries and development.

Healthcare Assessment & Analytics

Components, devices and systems that provide valuable information and analytics so providers can better understand patient health and make decisions across the continuum of care.

Therapeutic Solutions

Technologies, materials and solutions that enable treatment across key clinical specialities.

Highlights

£556.4m

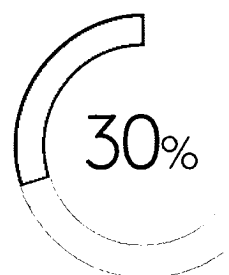
Revenue*
+25.8%

£130.1m

Adjusted operating profit¹
+30.8%

- Strong revenue growth, up 25.8% (9.8% on an organic constant currency¹ basis).
- Profit¹ up 30.8% (14.0% on an organic constant currency¹ basis).
- Return on Sales up 90 basis points to 23.4%.
- Continued investment to support future growth, including acquisition of IZI for £151m.

% of Group turnover



* includes inter-segment sales

What the Healthcare Sector does

Our Healthcare Sector companies' technologies and digital solutions help providers improve the care they deliver and enhance the quality of patients' lives. Their products and technologies are components, devices, systems and therapies critical to delivering the required standards of care for patients.

Our Healthcare Sector companies deliver advanced technologies and solutions in high value niches. These include: eye health, where they support both diagnostics and surgical treatment; monitoring and support of vital signs, including blood pressure and respiration; products to assist with interventional radiology and oncology and image guided surgery; synthetic bone grafts for clinical applications; and artificial intelligence (AI) based early warning systems and clinical decision support tools for childbirth.

Sector companies also supply critical fluidic components for diagnostic and analytical instruments, and sensor technologies to track assets, increase efficiency, and support patient and staff safety.

The Healthcare Sector operates across a wide range of healthcare segments and settings, including ophthalmology, dentistry, orthopedics, perinatal care, surgical intervention, diagnostics and analytics. Its customers range from individual healthcare professionals to large healthcare systems and medical device original equipment manufacturers.

The Healthcare Sector's long-term growth drivers

The sector's long-term growth is supported by demographic trends, technological innovation, and improving the standard of care and increased efficiency.

Most countries in the world are experiencing growth in both the size of population and the proportion of older people. By 2050, the world's population of people aged 60 years and older is estimated to double to 2.1 billion. The number of people aged 80 years or older is forecast to triple by 2050 to reach 426 million. This is expected to lead to an increased prevalence of chronic conditions, driving demand for diagnostics and treatment. These factors are key growth drivers for our Therapeutic Solutions businesses, given their presence in the ophthalmic surgery, respiratory therapy, bone replacement, interventional radiology, oncology and image-guided surgery markets.

Technological innovations drive growth, by increasing the capabilities of healthcare professionals to prevent, diagnose and treat conditions, including remotely through telemedicine. They contribute to improving standards of care and increasing efficiency by enabling better, earlier, faster and more cost-effective diagnosis and treatment of patients. This in turn leverages the skills and availability of increasingly scarce healthcare staff. These factors are strong growth drivers for our Patient Assessment & Analytics businesses, such as PeriGen, whose AI-powered algorithms prevent

Thomas Kane
Thomas is a Sustaining Engineer
at SunTech

Healthcare continued

complications during childbirth, or CenTrak, whose real-time location services improve safety, asset utilisation and efficiency in healthcare facilities.

Rising patient demand, workforce shortages, and disruptions as a result of the COVID pandemic have created substantial backlogs of patients, which are likely to persist for many years. Our Healthcare companies, through their innovative technologies and deep application knowledge, are helping to address these global health challenges.

Healthcare Sector performance in the year

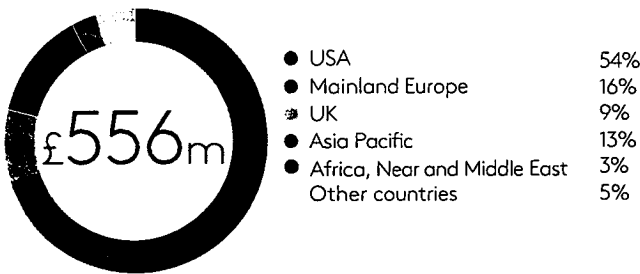
The Healthcare Sector delivered a strong performance. Revenue of £556.4m (2022: £442.3m) was 25.8% higher, and up 9.8% on an organic constant currency¹ basis. Sector growth continued to be supported by a strong order book, reflecting high patient caseload levels and order backlogs, and by generally strong execution by sector companies, with all but three companies delivering organic constant currency¹ revenue growth, and five achieving organic constant currency¹ revenue growth of 15% or more.

All subsectors grew revenue on an organic constant currency¹ basis. Growth was led by Healthcare Assessment & Analytics, which benefited from demand in vital signs monitoring, clinical ophthalmology, and communication and software systems for healthcare facilities. There was good organic constant currency¹ growth in Therapeutic Solutions, supported by high patient caseload levels in eye surgery; subsector growth on a reported basis also benefited from the acquisition of IZI Medical Products, LLC (IZI) during the year. There was only marginal growth on an organic constant currency¹ basis in the smaller Life Sciences subsector, however, principally reflecting the impact of lockdown restrictions in China.

All regions except Asia Pacific reported double digit increases in revenue, on both a reported and organic constant currency¹ basis. On a reported basis, growth was strongest in the USA, which accounts for more than half of sector revenues. This was led by strong



Revenue by destination



organic growth in communication and software systems for healthcare facilities, and the region also benefited from the positive effect of currency translation and the acquisition of IZI. There was also strong revenue growth on an organic constant currency¹ basis in Mainland Europe and the UK, driven by a substantial backlog of demand for eye surgery products and for communication systems for healthcare facilities respectively. However, revenue in Asia Pacific declined on an organic constant currency¹ basis, reflecting lockdowns in China, which represents close to half of the region's revenues.

Profit¹ grew by 30.8% to £130.1m (2022: £99.5m), or by 14.0% on an organic constant currency basis. Return on Sales¹ improved by 90 basis points to 23.4% (2022: 22.5%). This reflected a stable gross margin, which included a beneficial product mix and good management of pricing and material costs, and operational efficiencies. R&D expenditure increased to £33.1m, representing 5.9% of revenue (2022: £26.9m; 6.1% of revenue), reflecting continued high levels of investment in new product development.

The sector made one acquisition during the year: IZI was purchased in September 2022 for a maximum total consideration of £151m. IZI is a US-based designer, manufacturer and distributor of medical consumable devices which are mainly used by interventional radiologists and surgeons in a range of acute, hospital based diagnostic and therapeutic procedures.

Acquisitions had a positive effect of 4.7% on revenue and 4.0% on profit. Currency exchange movements had a positive effect of 11.3% on revenue and 12.8% on profit.

¹ See Highlights.

Case study

Improving patients' lives every day



The World Health Organisation estimates that the proportion of people over the age of 60 will nearly double from 12% to 22% of the population by 2050. This global trend towards an ageing population is driving an increase in chronic illnesses, including one of the most deadly – cancer. Cancer can develop at any age, but its incidence rises dramatically at later stages in life. Currently, half of all cancers diagnosed are in people over 65.

One of the most successful ways to treat cancer is through traditional surgery. However, medical procedures on elderly people bring a higher risk of complications. Advances in healthcare technology mean that surgeons can now use new operating techniques that are less damaging to patients and improve their recovery time.

Image-guided surgery is an innovative technique that allows surgeons to see in minute detail the area they are operating on. This approach enables them to reach difficult areas and remove even the smallest tumours with speed and precision. This means less pain, shorter hospital stays, fewer complications and quicker recovery for patients, as well as reducing the risk of the cancer returning.

In October 2022, Halma acquired IZI Medical, a company based in Baltimore, USA. The company manufactures medical devices used for minimally invasive diagnosis and treatment of acute conditions, principally cancer.

The company works closely with surgeons and radiologists to develop advanced products that help detect and treat health conditions with more accuracy and less invasive damage, and so improving outcomes for patients.

Increasing demand for healthcare as populations get older is a key long-term growth driver for Halma's Healthcare Sector. The acquisition of IZI Medical is well positioned to support this growth while helping healthcare providers improve patients' lives every day.

“

IZI Medical is an excellent addition to our Healthcare Sector. The rising demand for healthcare requires innovative technology to help diagnose and treat more complex health issues. The company's products enable earlier treatment and reduce operating times to improve the patient's quality of life, especially in an ageing population.

Bill Stoval

Divisional Chief Executive, Healthcare Sector and Chair of IZI Medical

Engagement with our stakeholders

Maintaining strong stakeholder relationships is essential to Halma's long-term sustainable growth and the fulfilment of our purpose.

Our people

Developing, attracting and retaining high-quality talent is a key driver of our success and delivery of our strategy. We strive to build leadership teams which are diverse, effective and engaged.

Their key matters

- Fair pay, terms and conditions.
- Inclusive, diverse and supportive environment.
- Opportunities for development and progression.
- Workforce policies.
- Collaboration and engagement across the Group.

Further links:

- Our people and culture **p66**
- Corporate Governance Report **p110**
- Remuneration Report **p142**

How we engage

We foster an open and collaborative environment, which ensures regular communication and engagement across our Group of over 8,000 employees. We engage with our employees through a number of mechanisms, including, but not limited to, regular hybrid townhalls and the annual employee engagement survey. At the company level, our companies engage with their employees through company newsletters; regular townhalls; digital platforms, including intranet sites; employee forums; wellbeing initiatives; and organised social events.

Our Board members greatly value engagement opportunities with our colleagues, which take the form of both direct and indirect engagement and consider the interests of employees when making decisions. Details of Board engagement with employees during the year is set out on page 118 of the Corporate Governance Report.

Outcomes and actions in the year

- Executive and non-executive Directors attended 65 company site visits, meeting with a diverse range of colleagues.
- Achieved an 85% response rate and 76% overall engagement rate to our annual employee engagement survey.
- Expanded our Employee Assistance Programme, a dedicated support to help tackle workplace and mental health issues, so that it now covers over 7,000 employees across the US, Europe and China.
- A range of initiatives were implemented across several of our companies to help tackle the cost of living crisis and to ease the impact it is having on our colleagues, including through increasing salaries for lower paid employees, paying additional bonuses and cost of living supplements, and implementing cost of living campaigns and initiatives.
- Formalised a network of internal mentors and launched a coaching platform.
- Saw a 62% increase in those contributing 5% or more a month into their pension schemes in the US, and a substantial increase in people saving for their retirement as a result of a simplified and more competitive plan.

Our companies

Our decentralised model places our companies close to their end markets, under the management of their own board of directors, which empowers entrepreneurial action. Our companies are vital to the success of our growth strategies – collectively delivering our organic growth and through selective asset and bolt-on acquisitions, deliver inorganic growth.

Their key matters

- Access to our Growth Enablers and central expertise, skills and other resources.
- Collaboration and interconnectivity.
- Operational and financial performance.
- R&D investment.
- Talent development.
- International expansion.

Further links:

- Business reviews **p40**
- Strategic Report **p02**

How we engage

The Board members engage and communicate with our companies through business reporting, site visits, presentations and events, such as the Accelerate conference (see case study on page 58), which ensures alignment of the development and performance of the companies with Halma's growth strategy and culture.

The Board regularly receives sector and company updates directly or via the Group Chief Executive and sector presentations are scheduled into Halma's annual Board agenda.

Outcomes and actions in the year

- Accelerate Halma conference held in October 2022.
- Continued progress made on the implementation of our Security Upgrade Programme, which will greatly enhance our ability to connect across companies, learn from one another and collaborate.
- Introduced three new leadership development programmes for Managing Directors, Directors/Vice Presidents and leaders with potential to achieve company board level.
- Supported the development of our companies' products via our Functional Networks, which enables collaboration, interconnectivity and allows our companies to leverage their experiences and knowledge from one another.
- Continued M&A activity, providing companies with access to new products, know-how and end-markets.

Customers

Our customers play a pivotal role in the fulfilment of our purpose by delivering our products and services to the end market where they serve to protect and improve the quality of life.

Their key matters

- Innovative solutions.
- Competitive pricing.
- Long-term relationships.
- Stable supply chain.
- Service and support levels.

Further links:

- Business reviews **p40**
- Non-financial information statement **p99**

How we engage

Our Divisional Chief Executives (DCEs) engage with our major customers to ensure that we offer and develop innovative solutions using our technology and deep application knowledge.

As a highly decentralised business our companies work closely with their customers, which fosters close partnerships and promotes open two-way communication and dialogue.

Outcomes and actions in the year

- Investment in our innovation and digital growth programmes to explore new ways of providing value to customers through digital products.
- During the year, an increasing number of our customers have engaged with our companies on sustainability matters, for example:
 - Companies including BEA, Medice, Ocean Insight and Apollo completed EcoVadis sustainability scorecards at the request of their customers.
 - Some of our Healthcare Sector companies, including Keeler and Riester, regularly attend monthly procurement sessions with the NHS where sustainability matters are discussed.

Case study

Accelerate Halma



In October 2022, we held our Accelerate Halma conference in-person for the first time since the COVID pandemic. The event brought together 350 of our colleagues across the business including the Board, Executive Board, senior Group employees and company board members. Accelerate Halma provided opportunities for all attendees to engage, collaborate and draw insights and knowledge from one another.

The theme of the event was “connected for growth” and comprised of three days of plenary presentations and break-out functional sessions and also included charity initiatives to contribute to the local community in Orlando, Florida.

66

The ability to network, share common challenges, and look for synergies and potential opportunities to leverage common technology, tools, and people across Halma companies was really great.

Company board member, Accelerate attendee

Our non-executive Directors hosted a breakfast event with a wider group of leaders across the Group and our three sectors, which provided opportunities for informal networking as well as highlighting the benefits and experience that our companies can leverage from our non-executive Directors.

Following the conference, an anonymous evaluation was conducted which demonstrated the success of the event. The feedback gathered highlighted that the event had provided a better understanding of the Group and connections between Halma’s growth model, purpose and DNA, as well as an enhanced feeling of connection to others, whilst providing new connections through relationships built during the conference.

Suppliers

Developing strong relationships with our suppliers is key to the operational success of our business and ensures that we have agility to develop new and market competitive solutions to meet our customers' needs, who play an essential role in ensuring the sustainable growth of the Group.

Their key matters

- Fair payment practices.
- General terms and conditions of business.
- Social, ethical and environmental impacts.
- Long term partnerships.

Further links:

- Sustainability **p72**
- Non-financial information statement **p99**

How we engage

As a highly decentralised business our companies work closely with their suppliers. Our DCEs engage with our key suppliers to ensure that we continue to deliver the best products and services for our customers and have the infrastructure in place to respond to market developments. DCEs report back to the Board periodically on significant supplier contracts and arrangements, and the Board maintain oversight of potential supply chain issues and mitigations.

Some of our companies have been engaging with suppliers through our supplier sustainability platform, EcoVadis, to gain a broader view of their sustainability credentials (see below). More broadly, many of our companies have been engaging with suppliers on sustainability matters and as part of reducing Scope 3 emissions linked to our supply chain, we expect increased engagement from our companies starting to develop decarbonisation plans with key suppliers.

Our Halma Strength in Numbers (HSIN) team provides a strategic purchasing function to our companies, offering collective economies of scale and introduction of new vendors to serve a specific business need. The HSIN team engage with key suppliers to develop proposals and present options to our companies.

Our principal suppliers are subject to regular engagement, including audits, and are encouraged to operate with the high ethical standards that are set out in our Code of Conduct. The Board annually reviews and approves our Modern Slavery Act statement.

Outcomes and actions in the year

- Approved our annual Modern Slavery Act statement and refreshed our Code of Conduct, for roll-out in FY24.
- Engaged with suppliers on sustainability, for example:
 - A number of our companies are utilising the EcoVadis platform via Halma's group-licence to gain a better understanding of supplier sustainability credentials.
 - Apollo held a supplier sustainability webinar to introduce their sustainability goals and ongoing supplier expectations.
 - Keeler has been engaging with some of its key suppliers on logistics and packaging efficiencies.
- Held a supplier "Innovation Day", hosted by a key supplier in Dallas and attended by our technical teams. The objective of the day was to provide a better understanding of the suppliers offering, their pipeline for new product innovation and the potential benefits of partnering for both Halma companies and the supplier.
- Held a "Halma Strategic Supplier" event (see page 60).

Case study

Halma Strategic Supplier event

In September 2022, the HSIN team conducted their first Halma Strategic Supplier event, hosted in Florida by Ocean Insight. The event brought together key suppliers from across our supply chain with operational leaders from our companies. Keynote speakers provided talks and suppliers presented to a panel of our companies, fielding questions and providing networking opportunities.

The event encouraged an open dialogue between companies and suppliers, facilitated the sharing of best practices, provided opportunities for our companies to work with developed partners among our Group and identified strategic initiatives.

The event was highly beneficial to both suppliers and companies and strengthened the bond with key suppliers by showing how much we value their commitment to Halma's business, as well as introducing our companies to existing HSIN programmes. Additionally, it promoted engagement between our companies, seeking to solve similar problems.

“

The event was a great opportunity to collaborate with other Halma companies on how to overcome challenges that we face in supply chains. I also enjoyed collaborating with our strategic preferred suppliers and gaining additional knowledge.

Kate Dorse,
Supply Chain Manager, AAI



Acquisition prospects and business partners

A key aspect of our sustainable growth strategy is through acquisitions and venture partnerships and our companies and sector M&A teams work continuously to build relationships with businesses that could become an acquisition prospect or a strategic business partner.

Their key matters

- Financial performance.
- R&D investment.
- Collaboration and interconnectivity.
- Delivery of initiatives.
- Mergers and acquisitions.
- International expansion.
- Cultural and ethical fit and alignment with our purpose.

Further links:

- Strategic Report **p02**
- Business reviews **p40**

How we engage

Our Executive Directors are in dialogue with our business partners and will meet with management at potential acquisition targets as part of the due diligence process.

The Board receives regular reports on the M&A pipeline, which allows for considered discussion and facilitates their decision-making process.

Outcomes and actions in the year

- Continued to develop external partnerships, including making minority investments through our Halma Ventures programme.
- Completed seven purpose-aligned acquisitions across our three sectors throughout the year.

Society and community

We have a duty to conduct business in a responsible and sustainable way that aligns with our purpose, our organisational and cultural genes, and supports the communities in which we operate.

Their key matters

- Environmental and social impact.
- Improving quality of life.
- Protecting people.

Further links:

- Our people and culture **p66**
- Sustainability **p72**
- Non-financial information statement **p99**

How we engage

The Directors regularly review our portfolio to consider how our companies and their products align with our purpose.

The Sustainability team engages with stakeholders on sustainability issues and reports to the Board on these matters.

At a more local level, our companies undertake a range of initiatives with their local communities to provide engagement and positive impact.

Outcomes and actions in the year

- Continued to fundraise and provide technology and support for our group-wide charitable campaign, Water for Life, in partnership with the international non-profit organisation WaterAid, see page 68.
- Continued to support the humanitarian relief effort in support of Ukraine by raising and matching employee donations and providing online guides to help support our colleagues.
- Many of our companies have supported both local and global communities and charities during the year, for example, PeriGen has partnered with the Malawi Ministry of Health and Baylor College of Medicine Children's Foundation to implement AI-based fetal heart monitoring in a major women's health clinic in Malawi, whilst Keeler has supported through donations to local senior community centres and animal welfare charities.

Investors and debt holders

Investors and debt holders provide the financial liquidity we require to operate and continue our sustainable growth, and are key beneficiaries in the value that we create. As investors in our business, we are committed to transparent and open engagement with them.

Their key matters

- Strategy and implementation.
- Operational and financial performance.
- Capital structure, liquidity, capital allocation and dividend policy.
- Risk management.
- M&A.
- Talent and succession planning.
- Environmental, social and governance matters.
- Company culture.

Further links:

- Strategic Report **p02**
- Business reviews **p40**

How we engage

The Board recognises the value of engaging with all of our investors and debt holders and gaining a diverse selection of shareholder and stakeholder views from a range of geographies. We maintain an annual programme of investor publications and key engagement initiatives, and the Directors meet investors on a regular basis, principally through investor roadshows, investor events and the Annual General Meeting.

The Chair is accessible to shareholders and will invite the Company's largest equity shareholders to meet to discuss Company strategy, direction and any other significant matters. The Senior Independent Director provides an alternative channel for shareholders to raise concerns, independent of executive management and the Chair.

The Head of Investor Relations, Head of Sustainability, the Company Secretary and Group Treasurer maintain an ongoing dialogue with shareholders, investor bodies, financial analysts and our lenders regarding financial, operational, risk and environmental, social and governance issues and provide regular reports to the Board on these interactions.

Outcomes and actions in the year

- Held 200 investor meetings, with over 250 investors, attended by a broad range of senior Halma management, including the Group Chief Executive, Chief Financial Officer and members of the Executive Board.
- Held roadshows focused on smaller investors and private client brokers.
- Held a series of meetings with major shareholders and key debt holders to introduce Steve Gunning, Chief Financial Officer.
- Held a series of meetings between our Chair, Dame Louise Makin, and major shareholders, covering approximately 25% of our issued share capital. Key discussions included Group Chief Executive and Chief Financial Officer succession and transition, Board composition, sustainability, governance and remuneration.
- Jo Harlow, non-executive Director and Chair of the Remuneration Committee, led consultations with shareholders on remuneration matters.
- Strong relationships with key debt holders led to a very successful refinancing of our revolving credit facility at extremely competitive rates and a very strong demand for our private placement issuance in May 2022.
- Held our first fully in-person Annual General Meeting since 2019, allowing for face-to-face interaction between Board members and a range of investors.

Section 172(1) compliance statement

Throughout the year the Directors believe that they have acted in a way that they considered, in good faith, would be most likely to promote the success of the Company for the benefit of shareholders, and in doing so had regard, amongst other matters, to S.172(1)(a) to (f) of the Companies Act 2006.

Further disclosures on each of the S.172(1) factors, found throughout this Report, are set out below.

S.172(1) element and their relevant disclosures

(a) the likely consequences of any decision in the long term

- Key decisions made in the year p64
- Sustainable Growth Model p18
- Business reviews p40
- Strategic report p02

(b) the interest of the company's employees

- Our people and culture p66
- Our stakeholders p56
- Corporate Governance Report p110
- Non-financial information statement p99
- Remuneration Report p164

(c) the need to foster the company's business relationships with suppliers, customers and others

- Non-financial information statement p99
- Sustainability p72
- Our stakeholders p56
- Business reviews p40

(d) the impact of the company's operations on the community and environment

- Sustainability p72
- TCFD Statement p80
- Our people and culture p66

(e) the desirability of the company maintaining a reputation for high standards of business conduct

- Sustainable Growth Model p18
- Risk management and internal control p88
- Non-financial information statement p99

(f) the need to act fairly as between members of the company

- Our stakeholders p56
- Corporate Governance Report p103
- Directors' report p164

Considering stakeholders in our decision-making

Board decision-making

The principal decisions taken by the Board during the year, along with how the Directors considered stakeholder interests when discharging their duties under S.172(1) are set out below.

Principal decision and stakeholders considered	Factors considered by the Board	Longer-term considerations
Group Chief Executive and Chief Financial Officer succession • Shareholders and investors. • Our people. • Our companies. • Acquisition prospects and business partners.	The Board considered a range of factors during the succession planning process for the positions of Group Chief Executive and Chief Financial Officer, including ongoing alignment with the Group's purpose, culture, and Sustainable Growth Model. The Board were mindful throughout their decision-making process of the long-term impact that such a decision would have on the future success of the Company, including through investor and employee sentiment.	Strong talent and leadership is key to Halma's ongoing success and delivery of strategy. Ensuring fulfilment of key leadership roles will position Halma to continue to produce strong returns and growth for our shareholders and wider stakeholders, whilst staying true to our established Sustainable Growth Model.
Capital allocation • Our companies. • Shareholders and investors. • Our people. • Customers and suppliers.	The Group's Budget, approved by the Board, sets the allocation of capital to deliver our growth strategy through investment in R&D, capital expenditure, talent and acquisitions. The Board were cognisant of the Group's short to medium term priorities in setting the Group Budget whilst being mindful of macroeconomic and geopolitical circumstances, to ensure continued delivery of growth and the safeguard of shareholders' interests, as well as those of its wider stakeholders including employees, customers and suppliers.	Balancing investment for future growth while considering shorter term inflationary cost pressures and political and economic risks.
Dividend • Shareholders and investors. • Our people. • Customers and suppliers.	For its 44th consecutive year, the Board took the decision to increase dividend payments by more than 5%. As a high growth company, the Board carefully balanced the financial resources required to execute our strategy, including organic investment needs and acquisition opportunities in line with our Budget; the Group's medium-term rate of organic constant currency growth; maintaining a prudent level of dividend cover and moderate indebtedness; and equitable treatment of our stakeholders when taking this decision.	That dividends are consistent with the Company's financial performance and would not be detrimental to the strength of the balance sheet and future sustainable growth.

Principal decision and stakeholders considered	Factors considered by the Board	Longer-term considerations
Acquisitions • Shareholders and investors. • Our companies. • Our people. • Acquisition prospects and business partners.	The Group completed seven acquisitions during the year, five of which required Board approval. The detailed acquisition proposals from the Group Chief Executive set out the long-term implications of the acquisition and the effect on Halma's stakeholders. It is essential that each of our companies aligns with our purpose and the Board carefully balanced the financial commitment required against the risks and anticipated return, whilst considering the strategic fit with our purpose, the opportunities for geographic or market growth (either organic or through further M&A) and the talent and know-how which would be acquired.	Halma's discipline in making acquisitions which are aligned to our purpose and which are in market niches with long-term growth drivers are core to our strategy and are critical to ensure that we can continue to grow sustainably for the benefit of all our stakeholders.
Approved refreshed Code of Conduct • Our people. • Shareholders and investors. • Our companies. • Customers and suppliers. • Acquisition prospects and business partners. • Society and Community.	The Board considered any negative or positive impact the refreshed Code of Conduct would have on employees, culture, the autonomous operating model and the legal and compliance framework. Investor expectations were also considered and the Board satisfied themselves that the refreshed Code of Conduct had been benchmarked and was aligned with all applicable laws and regulations. The Board assessed the alignment with our purpose and values and concluded that these were aligned and would improve compliance across the Group.	The refreshed Code sets out Halma's expectations for ethical behaviour and corporate responsibility. It is rooted in Halma's purpose and cultural DNA and goes beyond compliance with laws and regulations, requiring a commitment to just be a good person and operate ethically and sustainably. The Code highlights Halma's approach, expected behaviours and aspirations around key environment, social and governance themes as well in relation to key compliance areas such as bribery and corruption, competing fairly and data ethics. It sets out the standards by which we conduct business as well as setting out our expectations of our business partners. By promoting a culture of acting ethically and sustainably, the Code will build trust and strengthen our relationship with all of our stakeholders as well as continue to encourage the best talent to join, and remain with Halma. It will also promote Halma's cultural DNA and help all to work together to fulfil Halma's purpose and deliver on its strategy.

Our people and culture



“

Our leaders have been able to navigate global challenges and also seize new opportunities by putting people at the heart of their growth strategies.

Jennifer Ward

Group Talent, Culture and Communications Director

Our DNA

The combination of our culture and our agile organisational model is one of our unique strategic assets and vital to delivering our purpose and growing a sustainable and successful business. We call this combination Halma's DNA (see page 21), and both strands are inextricably linked to enable our success.

We bet on talent

Our DNA drives our talent philosophy. One of the most important aspects of our DNA is “We bet on talent”. Due to our highly decentralised model, we need exceptional people who are empowered and accountable for making decisions close to their customers without the need for complex reporting lines. It also encourages diverse viewpoints on every team to ensure we don't miss a thing. Our agile model then enables our people to respond quickly to their customers' needs to capture new growth opportunities. This means that finding the right people, and then supporting and developing them to grow, is central to how our companies think about their growth strategies.

People at the heart of our growth strategy

Over the last year our people have faced a number of global challenges that have impacted them at work and at home. The ongoing war in Ukraine has led to a rise in global energy prices and inflation pressures that have resulted in a sharp increase in the cost of living. In China the lockdowns in early 2022, followed by the sudden lifting of restrictions later that year, also put significant stresses on our local workforce.

Our leaders have been able to navigate these challenges and also seize new opportunities by putting people at the heart of their growth strategies. Guided by our DNA they have invested in our people in a number of ways, knowing that the ability to attract, retain and engage high-performing teams is vital to each company's success.

Employee engagement

In 2023, we ran our seventh global employee engagement survey. Once again, we had a strong response rate of 85% in line with the previous year and our overall engagement score remained stable at 76%. This is reassuring given all the pressures our people continued to face. We saw our biggest improvement in companies providing their people with opportunities to learn and grow – which shows steady growth since 2020.

Our drive to build inclusive businesses continues to pay dividends with high engagement scores on colleagues feeling they are treated fairly and respectfully (83%) and can be their authentic self at work (80%). These are both trending upwards from 2022.

A new driver of engagement is sustainability, with 68% of colleagues telling us they feel good about the efforts their company is making on sustainability. This is encouraging to see given our purpose, and how strongly sustainability features in the long-term growth drivers that power our business.

The value colleagues place on community engagement was shown by how they joined forces through our two-year Water for Life campaign. In partnership with WaterAid, the campaign aimed to share our water-testing technology and to raise funds to provide safe drinking water to 8,000 people in rural India. We're incredibly proud to have surpassed our target of £200,000 which was doubled by Halma's match. Through our shared purpose, our passion, and our expertise our colleagues have come together to make long-lasting change for some of the most vulnerable communities. See page 68.

Continued focus on diversity and inclusion

We see diversity and inclusion as a competitive advantage that can help our businesses grow and meet the challenges of the future. To achieve our purpose, we must attract and retain a diverse workforce that helps us spot and unlock new opportunities and innovate to solve complex problems. This year we sustained our focus on creating a more balanced and representative employee population and cultivating an inclusive environment where people feel empowered to contribute.

Gender balance

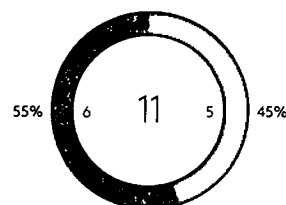
We have set a clear goal for all our company boards to be within a 40–60% gender balanced range by the end of March 2024. This year we have 29% women on company boards, increasing from 26% last year. Whilst this is an improvement, we recognise we need to accelerate the pace of change. During the year we took deliberate action in talent mapping to identify, engage and nurture top female leaders which led to several successful hires. We expanded our diverse recruiter list and are already seeing the benefit of this with a stronger pipeline of diverse candidates coming through into senior roles. We developed toolkits to help our companies with diverse sourcing strategies and inclusive hiring practices. We also continued to shine a spotlight on women leaders across functions through our annual International Women's Day celebration to inspire the next generation to join us. In fact, our 2023 Halma Future Leaders cohort is 41% women ensuring that we continue to build a strong pipeline of female talent. We will build upon initiatives that have driven positive change and identify new opportunities to reach our overall objectives.

At the executive level, we're pleased to have remained within our 40–60% gender-balanced range, with women representing 45% and 55% of Halma's Board and Executive Board, respectively. Our three sector boards are also within our 40–60% gender balanced range and 48% of all our senior roles (Executive Board, Sector Chief Executives, Divisional Chief Executives) are held by women. In acknowledgement of our efforts, we were awarded a Balance in Business award in 2023 which recognises trail-blazing FTSE 350 organisations leading the way in improving the representation of women on boards and in leadership positions.

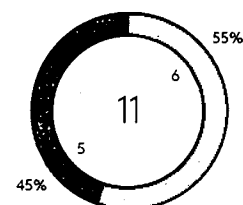
Our gender diversity

Figures at 31 March 2023

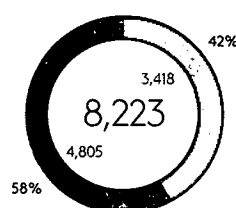
Board of Directors¹



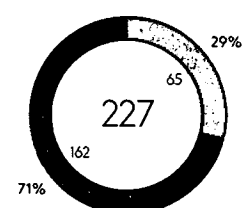
Executive Board



Other employees

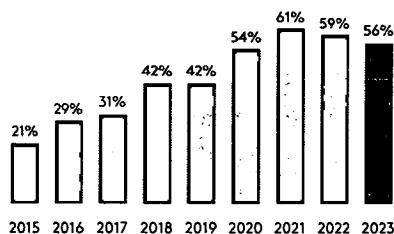


Senior Management²

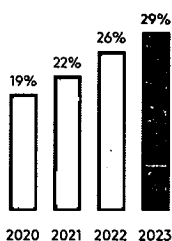


■ Men
■ Women

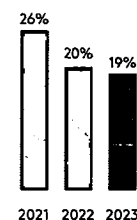
% Women on plc and Executive Boards



% Women on company boards



Gender pay gap³



¹ Includes non-executive Directors.

² Defined as Executive Board members who are not appointed to the Board, Divisional Chief Executives and Directors of our companies.

³ Mean Gender Pay Gap for all US and UK employees. Rounded to whole percentage numbers.

Our people and culture continued

Case study

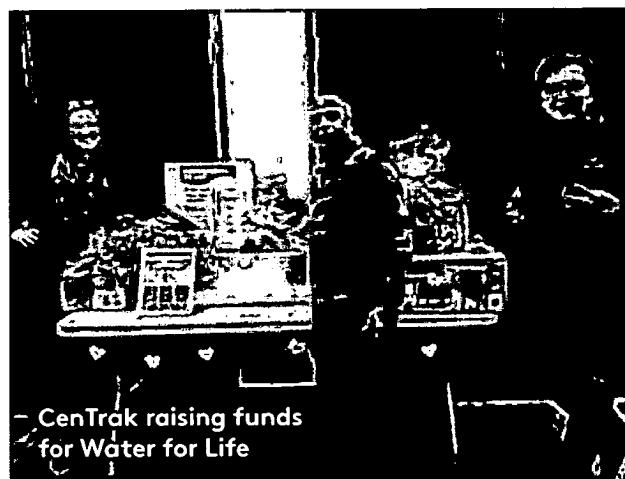
Living the purpose

"Live the purpose" is one of Halma's cultural genes and in the last two years we have seen colleagues exemplify this across our companies. In 2020, Halma launched Water for Life in partnership with WaterAid (see page 13) to help raise awareness of the global challenge of water accessibility and quality.

Through creative fundraising activities our companies raised over £200,000, and Halma donated £200,000, to support the building of new water infrastructure and training volunteers in water quality management.

For example, Medice, based in Switzerland, did a 2,500km bike-to-work fundraiser. Colleagues from Minicam Group, based in the UK, did a sponsored sky dive. Sofis, based in the Netherlands, organised an online charity auction and started a recycling scheme for employees to donate their glass bottles. CenTrak held a gift basket raffle in their office in Pennsylvania, US, and Florida-based Ocean Insight coordinated several activities including a Valentine's Day bake sale, a barbecue, and a photo contest.

Thanks to our people's fundraising efforts, Water for Life has transformed the lives of over 10,000 people in Northern India, giving them access to safe, clean water, and water management training, so they can continue to keep their water supply safe for generations to come.



Gender pay gap

We are pleased to be publishing a mean Gender Pay Gap figure for all Halma employees in two of our largest regions (UK and USA) for the third consecutive year. We are also pleased to report a reduction from 20.1% to 18.7% as at 31 March 2023. Although most Halma companies (including Halma plc) do not directly employ more than 250 employees – the UK statutory reporting threshold – we are proud to publish this crucial metric.

While we continue to see an improvement in female representation at senior levels, we still have more men in our most senior leadership levels and higher paid roles, as well as more women in hourly paid positions and this is why we have the pay gap. However, it is encouraging to see that our commitment to build an inclusive culture in all parts of our organisation continues to have an impact on helping to reduce the gap as evidenced by the steady progress made since we started publishing this figure in 2021, when we reported a figure of 25.9%.

Our Global Parental Leave policy and Future of Work philosophy, although aimed at supporting both men and women, create better work-life balance whilst reducing career impediments for mothers. Our Halma Future Leaders Programme has a good gender ratio helping to build the pipeline of women leaders for our businesses. We continue to work towards our goal of achieving gender balance on our company boards,

with a view to not only having a positive impact on female talent recruitment and retention but also to help to close the overall pay gap with more female representation at this level.

While we have observed positive changes year-on-year, we recognise that there is further progress to be made and that some of the actions we are taking to close the gap will take time to have impact. We are committed to continuing to drive change and our aspiration is to make ongoing, progressive improvement towards creating a more diverse workforce and a more inclusive culture.

Race and ethnicity

Alongside gender equality, we're building the foundations for greater ethnic diversity across the business. Currently, 27% of our senior leadership team is from a diverse ethnic background and 14% of all employees consider themselves to be in an ethnic minority. We want to grow our ethnic diversity relative to the markets we operate in and remove barriers to leadership for ethnic minority groups.

In line with being a signatory to Change the Race Ratio, we are committed to implementing its four key industry actions towards racial equity. This year, we celebrated Black History Month in both the UK and the US. This provided opportunities to spotlight Black role models in our businesses, educate colleagues on the importance of challenging behaviours that are not inclusive and equip them with resources to have conversations on race.

At Board level, we will continue to meet the Parker Review target this year to have at least one director from an ethnic minority background on FTSE 100 boards by 2021. In March 2023, the Parker Review announced a new recommendation for FTSE 350 companies to set a percentage target for senior management positions that will be occupied by ethnic minority executives by December 2027. This is aligned to our existing commitment under Change the Race Ratio, and we fully support the intent for transparency and accountability. However, as a diversified group of around 45 autonomous small to medium-sized businesses this presents unique challenges in collecting and analysing consolidated data for our global workforce. We've been implementing the technology that will enable us to do so and we're on track to have a system in place by 2024. This first step is aimed at establishing the baseline so we can set a target next year and report on it with confidence.

Fostering inclusion

Our inclusive policies ensure a level playing field for women and men and promote equity. Our gender-neutral global parental leave policy is available to all employees providing 14 weeks of fully paid leave for births, adoption, or surrogacy. Since it was introduced in October 2020, nearly 500 employees across the Group have benefited from the policy. Beyond this, our companies are spearheading initiatives to achieve our ambition of truly inclusive businesses, as in the case of Apollo's new programme supporting women experiencing menopause.

Case study

Supporting menopause in the workplace

Apollo is one of Halma's largest companies and shares in our ambition to build diverse and inclusive businesses. The fire detector leader has been making positive strides towards this ambition including a more gender-balanced company board and leadership team. A key initiative for last year was a focus on menopause, which has a significant impact on women, who represent 52% of their UK workforce. 28% of their female employees are in the age range of the peri, menopausal, or post-menopausal stages. Apollo launched a two-pronged initiative for its UK and EMEA employees aiming to eliminate the stigma attached to this normal transition in women's lives and to provide funding to access specialist medical support currently not offered in private healthcare plans. They now provide mandatory training for all managers so they can better support their team members and colleagues. They have also partnered with Clinic51, a private women's health and menopause service, to provide their own menopause private health package as well as subsidise medication to manage the effects of hormonal therapy. Additionally, Apollo covers the cost of Hormone Replacement Therapy prescriptions and offers private health consultations with menopause-trained general practitioners through a third-party.



Menopause awareness
Mandy McPhail at Apollo
leads a session for employees

Our people and culture continued

Delivering on total wellbeing

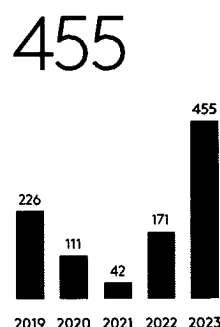
Having an inclusive culture and supporting healthy lifestyles leads to a more energised and productive workforce. We recognise that health is not just about physical wellbeing, and we are working to help our people be emotionally, physically, socially, and financially healthy. Our Employee Assistance Programme is an independent and confidential resource that employees in the US, UK and Europe can tap into for support on a wide range of issues – whether it is personal or work related – free of charge. In October 2022 this was expanded to all colleagues in China.

We also understand that the outlook for work-life balance has changed dramatically, and employees are looking for benefits to help foster a healthy integration of work and family. In response, many of our companies now have flexible working practices including a four-day work week in production, diverse shift patterns, flexible working hours and hybrid working for office staff.

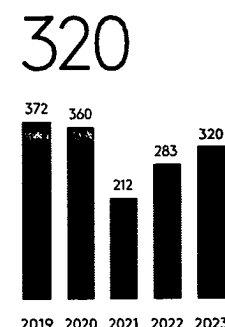
Looking after the wellbeing of our people is critical to our business and a key priority for all our leaders. The Group's Accident Frequency Rate ("AFR") for the year was 0.08. Whilst it is still relatively low and represents a decrease against the AFR for 2022, it is greater than our target of 0.02. We continue to promote the importance of health and safety and the role that everyone has to help maintain a safe workplace. There were no work-related fatalities in 2023 or in prior years and details of both the number of days lost to preventable work injuries and recorded injuries during the year and the prior four years are set out in the graphs. Despite the decrease in the AFR the days lost to preventable work injuries has increased by 284 – this is largely attributable to two incidents in 2022 which led to days lost in 2023.

Maintaining a compelling employee value proposition that each of our companies can use to attract and retain talent locally remains a key priority for us. We have focused our efforts on providing an increasingly competitive, flexible and inclusive set of benefit offerings around the globe. In the US, in light of the landmark decision made by the US Supreme Court to overturn *Roe v. Wade*, we quickly made several changes to our medical plans. Namely, we expanded travel and lodging benefits for employees and dependents' making not just reproductive health but also all types of healthcare more accessible. We also added coverage for gender affirmation and reassignment services and in 2023 implemented a fertility benefit.

Days lost to preventable work injuries*



Total recorded injuries to all employees



* Specified major injury incidents are reportable incidents which result in more than three working days lost.

Beyond healthcare, we have made other enhancements to simplify and increase the competitiveness of our 401(k) retirement savings and deferred compensation plans. We increased Halma's matching contribution limit for employees participating in the 401(k) retirement savings plan from 3% to 5% of salary and increased the percentage of employer contributions to their retirement from the moment they join our companies. The vesting of employer contributions has also been improved, from a three-year cliff to a percentage method with 100% vesting at three years. This has resulted in a higher level of employee participation in retirement planning and a higher percentage of monies they are saving for their future financial well-being. In recognition of our unique offering, we have been shortlisted for an award in the US as a Plan Sponsor of the Year.

We are proud that we continue to meet our commitment to pay a Real Living Wage as all our UK companies are paying wages in line with the levels set by the Living Wage Foundation. We also recognise that the cost of living continues to be an issue, and our companies are taking measures to support our colleagues, as outlined on page 71.

A collaborative culture

Our strong internal networks and collaborative culture help us solve problems faster. As we have grown, we have deliberately developed a more collaborative culture. This has allowed our companies to address opportunities and solve common issues together. For the first time since the COVID pandemic our top leaders came together in Orlando, Florida for the Accelerate conference under the theme of "connected for growth". They had an opportunity to network in person to address some of the challenges and opportunities ahead and to celebrate innovation across our businesses. The conference also reinforced why connection makes such a tangible difference to our relationships and to our ability to bring innovative ideas to reality.

Case study

Supporting the increasing cost of living

With rising inflation and higher cost of living in many countries we know colleagues are facing tough choices. Our companies are taking a localised approach to support them. For example, Sofis paid a one-off bonus to employees in the US, UK, India, UAE, Germany, and the Netherlands. In Tunisia, Sentric increased medical cover for all employees as well as provided meal vouchers. In the UK, Advanced provided a pay raise outside of their standard pay review cycle for those individuals hardest hit, taking its lowest paid employees beyond “the real living wage”. Similarly, Fortress gave a sizeable pay increase in addition to a Christmas bonus. Palintest have also provided a one-time cost-of-living supplement and voucher schemes. Crowcon offered a free Health Cash Plan to meet the cost of everyday health expenses and is subsidising annual bus passes and train tickets.



Coupled with these incentives, many of our companies are delivering financial guidance to help educate employees on smarter savings and spending, as well as organising several employee engagement and wellbeing activities.

To further facilitate collaboration and innovation we have made several investments in the year. In India, we invested in a new 42,000 square feet state-of-the-art facility which adopts several environmentally-friendly measures, as well as increasing collaboration with more spaces for creativity and working together. In Shanghai, we established a new office in December 2022 to provide better facilities for our regional team and act as a hub for companies operating in the region.

We are also two-thirds of the way through our Security Upgrade Programme, which brings all Halma companies into the same Microsoft environment. This will not only increase our cyber-security across the Group, it will also greatly enhance our ability to connect across companies, learn from one another and collaborate. The programme will complete in July 2023.

Professional growth and development

Developing our leaders to enable them to succeed is a critical component of our talent philosophy. We invest in them so that they have the skills required to lead inclusively and operate as high-performing teams. In 2022 we introduced three new leadership development programmes; for Managing Directors, for Directors/Vice Presidents, and for high-potential leaders not yet on a company leadership team who we want to invest in as future talent. We reached over 200 leaders with face-to-face learning events and have a population of 750 active online users, which is increasing steadily and has doubled compared to the previous year. Lastly, we have formalised a network of internal mentors and launched a coaching platform.

We know that the successful development of emerging talent is key to the future of our companies. Halma's Future Leaders (HFL) Development Programme is a unique opportunity for new graduates to develop professionally and personally and make a positive difference. Since 2012, we have had 132 graduate trainees in the programme. We continue to build a diverse pipeline of future leaders; with 41% of all programme participants being female, 36% ethnically diverse, and 22 different nationalities.

Our aim is to see these graduates on one of our company boards within seven years of joining the programme. Last year we continued to see their progression with 12 HFL alumni developed and promoted to company board level. Seven within eight years, and five within five years of joining Halma. Fifteen more have been developed and promoted to senior leadership roles.

It is gratifying to see how our companies continue to build inclusive businesses and support our people so they can drive the growth of our businesses. This is testament to our DNA, the unique combination of our culture and organisation model, which continues to guide us and will enable our future success. Many thanks to our colleagues around the world for living our DNA every day and putting it at the heart of everything you do.

Our approach to **sustainability**

Our sustainability approach has three pillars:

1.

Drive growth in sustainability

- we invest in growth opportunities driven by our purpose, long-term growth drivers and evolving sustainability demands.
- we aim to increase and broaden the benefits enabled by our products and services – from improving lives to supporting the transition to a greener economy.

2.

Support our people

- we support our employees, communities and suppliers.

3.

Protect our environment

- we are focused on reducing our environmental footprint.

Our growth strategy and sustainability approach

Sustainability has always been at the core of our growth strategy.

We acquire and grow businesses in safety, environmental and healthcare markets that solve real problems in the world – enabling our customers to provide safer environments, protect life-critical resources, and deliver better healthcare.

Their agility means that they can respond to the demands of their customers as the world changes, which includes evolving their products and services towards sustainability-related opportunities over time.

Similarly, our sector teams identify acquisitions in markets driven by our purpose and long-term growth drivers. This means that our portfolio is also evolving towards greater and wider sustainability opportunities.

We are challenging ourselves by creating more focus on sustainability as a core driver for growth, and further investing in existing and new growth opportunities driven by sustainability trends.

We believe our first sustainability pillar – **driving growth in sustainability** – will allow us to accelerate our progress and broaden the benefits that our companies already enable through their products and services.

At the same time, our purpose and cultural DNA drives our second sustainability pillar – to **support our people** – including employees, suppliers and the communities we operate in. Within this pillar, we have a key focus area of diversity, equity and inclusion.

Finally, we are focused on our third pillar – to **protect our environment** – both because it is the right thing for us to do, and because it will support our future growth. Within this pillar, we have a key focus area of sustainable product design and reducing emissions.

For our companies, our three sustainability pillars together translate into a challenge to “do more good” and “do less harm”.

Sustainability governance

Our approach to sustainability governance across the wider Group aligns with our decentralised organisational model, which places our operational resources close to our customers through locally-managed, autonomous companies.

p03

Find out more about our decentralised Group structure.

Our companies

Our Divisional Chief Executives (DCEs) work with the MDs and local boards of each company to encourage the consideration of sustainability opportunities and risks in strategic planning, in a way that is relevant and appropriate to the circumstances, markets and capacity of each company.

Each of our companies also has a local board member who is responsible, along with their company MD/CEO, for developing and maintaining their company's plans to support people and protect the environment.

Halma Group

At the Group level, our Board is ultimately responsible for approving our Sustainable Growth Model, which has sustainability at its core and includes oversight of climate-related risks and opportunities. Further embedding sustainability into our business was one of the Board's key priorities for 2023.

Our sustainability agenda is led by our Group General Counsel & Chief Sustainability Officer, who has principal responsibility for our sustainability activities and policy. She is a member of the Executive Board and a standing invitee at the Board. She also chairs our Sustainability Management committee, which is a cross-functional team of Group and sector representatives which provide direction and oversight of our sustainability initiatives and implementation of our sustainability agenda.

p103

Read more about the Board's key priorities.

p123

See the Board's sustainability-related skill set.

p80

Read more about climate-related governance.

p80

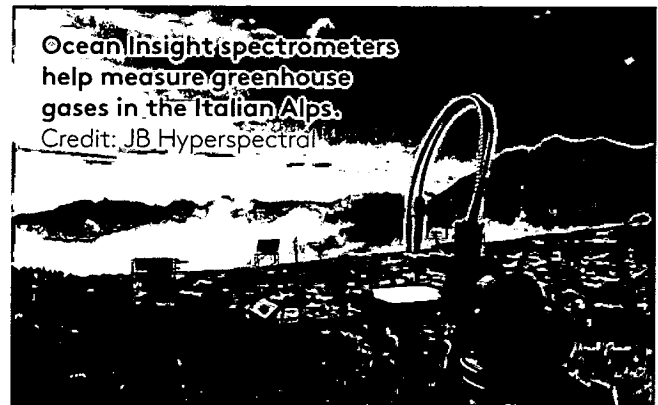
Read more about sustainability governance at www.halma.com.

Remuneration

Since 2023, progress on reducing emissions (energy productivity) and diversity, equity and inclusion (gender balance on company boards) has been incorporated into executive remuneration.

p136

More information about sustainability-related remuneration.



Evolving our approach

During 2023, much of our companies' focus was on our second and third sustainability pillars, and our key focus areas within these two pillars.

These key focus areas – diversity, equity and inclusion, and sustainable product design and reducing emissions – were chosen in 2021 following an informal strategic materiality assessment.

Each of our companies set their own bottom-up targets and action plans for these areas, in the context of the Group's goals (see pages 76 to 79). Our DCEs have been working with our companies to challenge and further develop these plans.

In 2024, we are increasing internal focus on our first pillar – driving growth in sustainability – while maintaining progress on our goals to support our people and protect our environment.



Read more about our sustainability approach and strategic materiality assessment at www.halma.com.

Evolving our disclosures

This year, we have produced a sustainability section that allows us to share our progress on the key elements of our sustainability agenda.



Further social and environmental metrics and information on our progress can be found in our **ESG Data Supplement and Emissions Reduction Report** at www.halma.com.

Sustainability continued

1. Drive growth in sustainability

Overview

Our commitment to drive growth in sustainability will see us encouraging our sectors and companies to understand and leverage existing and new sustainability-related demands – both to grow their businesses and broaden the benefits their products and services enable.

Our companies know their markets and customers best. Therefore, progress will be delivered through a “bottom-up” approach. The opportunities they identify will be in markets that align with our purpose of growing a safer, cleaner, healthier future for everyone, every day.

Our diversified portfolio means that each of our companies will adopt a different approach to identifying sustainability-related opportunities. For many companies, leveraging innovation and digital technologies will be key to solving sustainability challenges. It also means that the outcomes will look different in each company.

At the Group level, we are excited by acquisitions that deliver on our purpose and long-term growth drivers and additionally have significant, long-term sustainability growth opportunities. Our sector and M&A teams continue to explore and acquire these types of companies, and some examples are highlighted on these pages.

We continue to develop various frameworks and internal tools to support our progress. During 2023, sessions were delivered to our sector boards on climate change and circular economy trends. And at our global Accelerate leadership conference in October 2022, we challenged our company board members to come up with new growth ideas for their businesses at the intersection of sustainability and digital.

Case study

Driving growth in sustainability through acquisitions

We are excited about the long-term growth opportunities our companies can access by helping their customers solve sustainability challenges. We look for these sustainability-linked opportunities when we make decisions about how to allocate capital, and we challenge our DCEs to seek acquisitions that will deliver strong long-term growth in a world transitioning towards greener and fairer economies.

Our Group General Counsel and Chief Sustainability Officer is a member of our Executive Board and is encouraged by the sustainability-linked opportunities in many of our recent acquisitions.

As an example, she cites the recent acquisition of FirePro, which produces a non-pressurised condensed aerosol technology that is considered a more sustainable alternative to established pressurised gas fire suppression solutions.

“

Having discussed FirePro’s technology in detail, we were delighted to recommend the acquisition to the Board for approval. It is a company that both provides a more sustainable product¹ than other alternatives on the market, but is also targeting markets – such as lithium-ion battery power storage – that we expect to grow as we transition towards a greener, Net Zero future.

Funmi Adegoke

Group General Counsel
and Chief Sustainability Officer

¹ See <https://www.halma.com/news/press-releases/2023/halma-acquires-firepro> for more information



Driving growth in context – our impact and UN SDG contribution

Our purpose and the agility of our companies in meeting customer needs drives our Sustainable Growth Model. At the same time, the societal and environmental benefits we enable through our products and services help us contribute towards the broad aims of many UN Sustainable Development Goals (SDGs).

Our companies' diversity means that the contribution from our products and services is varied. Previously, we identified four SDGs as highly aligned with our purpose and our products and services (SDGs 3, 6, 9 and 11). As we broaden the impact enabled by our products and services, other SDGs such as SDG 7 (affordable and clean energy) and SDG 8 (decent work and economic growth) are becoming more relevant.

We aim to give some indicative examples of the benefit enabled by our companies' products and services, along with relevant SDGs, as part of how we communicate our purpose and our impact.



Please see page 5 and www.halma.com/our-impact for examples and metrics relating to our impact.



Case study: OsecoElfab is diversifying into supporting the energy transition, including by customising its rupture-disc technology to support low greenhouse gas switchgear in electricity distribution.



Case study: WEETECH, part of a new strategic subsector for our Safety Sector focused on power safety, supports the energy transition while helping to protect workers in dangerous testing environments.



Case study: Crowcon and Sensit are partnering to meet growing demand for air quality monitoring, supporting air quality improvements.



Case study: Deep Trekker helps support the global transition to clean energy and also plays a key role in efforts to maintain the health of our marine environments through their unmanned Remotely Operated Vehicles.



Case study

Improving lives and delivering value to society through better hypertension diagnosis



Hypertension is a common but serious cardiovascular disease in which blood vessels have persistently raised pressure. It affects over 1 billion adults worldwide and is a major cause of premature death. SDG 3.4 aims to reduce the mortality rate attributed to cardiovascular diseases by one third by 2030.

Halma companies SunTech, Meditech and Cardios offer Ambulatory Blood Pressure Monitors (ABPM) as well as static devices. These are designed to be worn by the patient over 24-48 hours, measuring blood pressure every 20-30 minutes. Blood pressure data from patients' daily activities, including at night time, provide valuable diagnostic information that help doctors avoid misdiagnosis of hypertension.

Using third-party data and techniques, we have broadly estimated the added value to society from Halma's ABPM technologies from avoided deaths due to correct hypertension diagnoses and avoided health costs from ensuring optimal treatment and reducing unnecessary treatment. We estimate this annual economic benefit to be greater than £6.5m globally. This conservative estimation doesn't include the benefits of avoiding other cardiac events, such as strokes and heart attacks, that don't result in death.

Because ABPM are currently a very small proportion of total blood pressure measurements, we expect to increase this value to society over time.

Each year, we aim to quantify the value to society from the benefits provided by at least one of our diverse companies or products. For more information on the methodology as well as examples from prior years, please see www.halma.com.

>£6.5m p.a.

Value to society

2. Support our people

Key focus area:

Diversity, equity and inclusion

Relevant SDGs

5 GENDER EQUALITY

8 DECENT WORK AND ECONOMIC GROWTH

10 REDUCED INEQUALITIES

Overview
Employees
Our DNA puts people at the heart of what we do. Our inclusive policies and our focus on diversity, equity and inclusion (DEI) aim to allow our employees to thrive.

p66 Read more about how we support employees in the **Our people and culture** section.

Communities
We are proud of the work we do in our communities. Our companies drive their own community engagement programmes, and our global fundraising campaigns build on the benefits our products deliver and provide our products to underprivileged communities.

A recent example is our Water For Life campaign.

p13 **p68** Read more about our **Water for Life campaign**.

Key goals and targets

40-60%

Gender balance on company boards by end 2024

End 2023: 29%

Progress

p66 We have made good progress against this challenging target but recognise that we have further to go.

Read more details on our DEI target and progress in **Our people and culture** section.

Suppliers
Our suppliers are a key part of our value chain, and we expect them to act in line with our Code of Conduct and our DNA. We are encouraging our companies to work in partnership with their suppliers to deliver positive outcomes for their customers and workforce, including increasing engagement through programmes such as our EcoVadis supply chain initiative outlined on page 102.

p59 Read more about how we engage with our suppliers in the **Stakeholders** section.

Wider social metrics, including health and safety, diversity and employee engagement, can be found in our **ESG Data Supplement** at **www.halma.com**.

Key focus area: diversity, equity and inclusion
Increasing diversity, equity and inclusion significantly benefits our global societies and is fundamental to achieving our purpose. It is therefore our current key focus area.

As a group, we are working towards achieving targets in DEI, the first of which is gender balance on our company boards (see key target below). We continue to see strong gender balance at the Group, Executive Board and Board levels. Our people and culture section (pages 66 to 71) also sets out our plans for reporting additional ethnicity data and updates on the progress we have made in this area.

i For more information on how we support our people please see:

Health and safety and other employee-related matters:

- Our people and culture report – pages 66 to 71.
- **www.halma.com**

Other social, supply chain and community matters:

- Stakeholders section – pages 56 to 62.
- Non-financial information statement – pages 99 to 102.
- **www.halma.com**

Case study

Investing in diversity, equity and inclusion and the employee experience



SunTech Medical is the leading manufacturer of high-performance, clinical-grade motion tolerant blood pressure technology. It is headquartered in North Carolina, in the largest science research park in the US. Over the past two years, through a combination of education and targeted recruitment, SunTech has put people at the heart of its growth strategy by increasing the diversity of its employees and investing in the employee experience.

The benefits of this are now starting to come through, with higher employee engagement, improved decision-making, and better performance. Now the challenge is to keep pace with growth, and ensure the employee experience can continue to attract and retain high-calibre talent to meet the future needs of the business.

To support their growth strategy, SunTech has recently relocated to an improved facility with modern amenities to create a more open, inclusive work environment. This includes an onsite fitness centre, a wellness room which accommodates nursing mothers, additional private areas for production staff, as well as increased outdoor space. Along with this, SunTech offers 14 weeks of paid parental leave to all employees regardless of gender or sexual orientation, a hybrid work schedule and has taken measures to support their employees during the cost-of-living crisis.

“

Diversity, equity and inclusion will always be a smart investment. We know that diversity grows the bottom line and that it's better for business. We're investing in our culture and workplace to succeed in the emerging talent market and position us for continued growth.

Rob Sweitzer

President, SunTech Medical

3. Protect our environment

Key focus area:

Sustainable product design and reducing emissions

Relevant SDGs



Overview

Our purpose – to grow a safer, cleaner and healthier future for everyone, every day – drives our commitment to protect our environment for future generations.

Our companies see the commercial and environmental benefit of more sustainable operations. This positions them to meet their customers’ changing expectations while potentially lowering their operating costs.



Further information about our wider environmental impacts, including waste, water and SASB disclosures, can be found in our **ESG Data Supplement** at www.halma.com.

Key focus area: Sustainable product design and reducing emissions

The majority of our environmental footprint arises within our wider value chain, and is often embedded in the design of our products and services. We are also committed to reducing our own emissions while supporting our companies to pursue climate-related opportunities. Therefore, sustainable product design and reducing emissions is our current key focus area.

We have 1.5 degree-aligned Group targets for Scope 1 & 2 emissions (aligned with guidance from the Science-based Targets institute), and supporting targets for renewables and energy productivity. Our companies have now developed their initial emissions reduction plans to support these targets where relevant. We have made good progress towards these targets, and as at the end of 2023 we have exceeded our 2030 Scope 1 & 2 target (see overleaf).

Estimating Scope 3 emissions

Our Scope 1 & 2 emissions are a small part of our broader GHG emissions footprint and not where we can drive the biggest impact. Therefore, we have reported our 2020 Scope 3 baseline for the first time this year,

Case study

Sharing knowledge to create more sustainable products

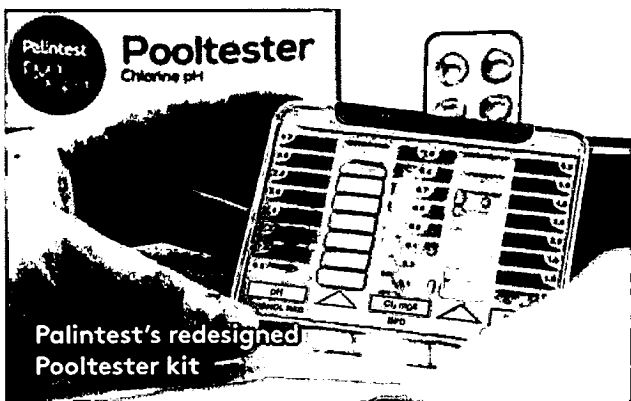
Halma’s Functional Networks bring our companies together to share knowledge and solve common problems – including those related to sustainability.

During 2023, a sub-group of our Technical Network, comprising representatives from four Halma companies, started creating a sustainable design toolkit to “minimise environmental impact while ensuring customer value”.

To begin, they reviewed sustainable design principles and incorporated these into a product design process being used by many Halma companies. They aimed to develop a practical and tailored approach to enable engineers in our small businesses to engage with sustainable design on existing product ranges.

Halma company Palintest tested this approach with their Pooltester product range, which provides simple and cost-effective pool and hot tub testing for residential users. Overcoming several design challenges, the range was relaunched using recycled plastic cases and recyclable components. Palintest estimates that virgin material was reduced by more than 60%, while generating new customer interest.

The subgroup presented their approach and learnings to the Technical Network and shared through our sustainability networks. There is more to do on the toolkit and not all Halma companies are yet ready to apply this approach. However, encouraging learning around the Group by sharing our leading companies’ challenges and breakthroughs is a key component of our approach to this sustainability pillar.



and will continue to work towards putting in place appropriate targets on Scope 3 while also reviewing our current Scope 1 & 2 targets.

Our work during the year confirmed that total Scope 3 emissions in 2020 were approximately 0.95 million tonnes CO₂e, or approximately 98% of our total 2020 greenhouse gas footprint. As expected, these emissions are concentrated in the supply chain and in the use of our products.

2020 emissions from our supply chain, including upstream transport and distribution, were estimated at approximately 0.34 million tonnes CO₂e (c.35% of total baseline emissions). In addition, most of our companies' products use electricity, and therefore emissions from our products' use phase were estimated at around 0.58 million tonnes of CO₂e (c.59% of baseline). Approximately 60% of product use emissions relate to one company, comprising approximately 1% of Group revenue, which sells products which have high energy usage to meet customer needs.



Further information about our Scope 1 & 2 emission sources, targets and progress; and detailed Scope 3 baselines; can be found in our **Emissions Reduction Report** at www.halma.com.



Further information on our target calculation and Scope 1, 2 & 3 reporting methodologies is in our **ESG Data Basis of Preparation** at www.halma.com.

Sustainable design and reducing Scope 3 emissions

For the majority of our companies, supply chain and upstream transport emissions make up the bulk of their Scope 3 footprint. They will need to concentrate on sustainable product design and supply chain engagement to reduce emissions (including through our EcoVadis supply chain programme outlined on page 102).

We've seen encouraging progress in a number of companies already, including supplier engagement programmes and an increasing focus on sustainable design (see case study on page 78).

We are taking a considered approach to developing further targets in this area, which reflects the need to balance Group-led top down goals with bottom-up actions that are most appropriate to each company, while minimising reporting burden on our relatively small companies.

Key goals and targets

42%

Reduction in Scope 1 & 2 emissions by 2030, Net Zero by 2040¹

2023: 47%

80%

Renewable electricity by 2025²

2023: 62%

>4% p.a.

Increase in energy productivity³

2023: 10%

We recognise the need to work towards Net Zero across our entire value chain

Progress



Our reduction in Scope 1 & 2 emissions has been driven in large part by our companies switching to renewable electricity, as well as energy efficiency and other operational changes. See our **TCFD** section.



Read more about these targets and our progress in our **Emissions Reduction Report** at www.halma.com.

- 1 Market-based calculation of Scope 2 emissions. Aligned with guidance from the Science-based Targets institute (SBTi): 2030 target is an absolute measure aligned with the non-sector specific 1.5-degree emissions pathway. This target has not been verified, as SBTi verification requires our target to include Scope 3. We will reach Net Zero by reducing emissions as much as is feasible before using carbon removal instruments.
- 2 Current year renewable % reflects the full-year impact of acquisitions and disposals made during the period. Comparative and baseline figures are not updated for the impact of acquisitions and disposals made in subsequent periods.
- 3 Revenue/energy consumed. Annual straight-line increase from 2022. Due to the inclusion of this metric in remuneration, it is calculated on a different basis to Scope 1 & 2 emissions and renewable electricity percentage. Revenue is adjusted to a constant currency basis, and both revenue and energy are adjusted to exclude all acquisitions in the current and prior period. This target was set using the EP100 initiative minimum commitment (to double energy productivity over 25 years).

More details on our targets and methodologies can be found in our **Emissions Reduction Report** and **ESG Data Basis of Preparation** at www.halma.com.



For more information on how we protect our environment please see:

Other environmental matters, including supply chain engagement:

- Stakeholders section – pages 56 to 62.
- Non-financial information statement – pages 99 to 102.
- ESG Data Supplement (including SASB disclosures) – www.halma.com

Our approach to climate change

The climate emergency is one of the biggest issues facing our society and our environment. The physical impacts of climate change are of significant concern to all of us, as individuals and as businesses.

We believe that a robust and timely low-carbon transition in line with a 1.5-degrees Celsius trajectory is highly aligned with Halma's purpose to grow a safer, cleaner, healthier future for everyone, every day and therefore a significant source of potential opportunities for Halma. Alongside this, climate change presents potential transition and physical risks for Halma. However, as set out further in this Report, on balance we believe that pursuing potential climate-related opportunities for Halma, which are highly aligned with our purpose and long-term growth drivers, should be the focus of our strategic response.

Introduction

Our disclosures within this Annual Report and Accounts are consistent with the four Task Force on Climate-related Financial Disclosures (TCFD) recommendations and the 11 recommended disclosures as required by the Listing Rule.

In order to ensure our TCFD report is proportionate with our overall strategic report and business risks and opportunities, supplementary details which are not material to our overall assessment or disclosures, including additional details from our inaugural risk and opportunity assessment process in 2022, are set out in last year's 2022 Annual Report and Accounts on pages 89 to 95 (available on our website at www.halma.com).

We wrote last year in our first mandatory TCFD Report that we would continue to improve our disclosures over time as best practice develops, and we remain committed to this. In preparing our disclosures, we have considered the TCFD additional guidance for all sectors (2021 TCFD Annex).

This year, we have made progress in screening, estimating and publishing baselines for all relevant categories of Scope 3 emissions. While quantifying our baselines has identified two main relevant Scope 3 categories for Halma, it has also confirmed our expectation that our Scope 3 emissions do not represent a significant risk to our business model.

TCFD in the context of our business model

Our approach to sustainability, risk management and climate aligns with our Sustainable Growth Model.

We have a highly decentralised organisational model that places our operational resources close to our customers through locally-managed, autonomous and agile companies.

Our companies operate in highly diverse markets and none of our companies contribute more than 10% of Group revenue.

This business model enables our companies to respond quickly to changing markets and events and company boards are empowered to make strategic decisions within Halma's framework.



Find out more about our decentralised Group structure.

Governance

Our Group management structure is simple and lean, with only three layers – companies, sectors, and Group teams – all of which are focused on driving purpose-aligned growth enabling fast decision-making and minimising bureaucracy.

Further details of our Board and management structure, including the connections between the management structure and the Board governance structure, are set out in the Corporate Governance Report on page 103.

This Governance section and diagram below shows how our climate-related governance sits within our overall governance structure. There have been no changes to our climate-related governance during the year.

a) Describe the Board's oversight of climate-related risks and opportunities.

The Board as a whole has ultimate oversight of and responsibility for climate-related opportunities and risks and is highly engaged on this topic. At least annually, it reviews management's Group-level assessment of climate-related opportunities and risks; our performance against our sustainability framework and our climate change-related targets; approves any new or amended climate-related targets; and reviews additional information on relevant climate-related opportunities and risks for standalone acquisition opportunities.

The Board also received a report on sustainability at two thirds of scheduled Board meetings during 2023, and receives an update on our progress on climate change-related actions and targets at least annually.

The Audit Committee has responsibility for approving our overall TCFD disclosures as part of the Annual Report and Accounts process. During 2023, the Remuneration Committee continued to oversee the inclusion of climate-related targets in executive remuneration, as set out in our Remuneration Committee Report on page 136.

Halma's climate-related governance structure



b) Describe management's role in assessing and managing climate-related risks and opportunities.

The Sustainability Management committee (SMC) is responsible for identification and management of climate-related opportunities and risks at the Group level. It meets at least quarterly, and its decisions and activities are relayed to and reviewed by the Executive Board and Board via the SMC Chair, our Group General Counsel and Chief Sustainability Officer. It brings together a cross-functional team of Group and Sector representatives.

During 2023, as part of our Principal Risks process, it performed an annual review of the climate-related risks identified in 2022, as well as reviewing the methodology and assumptions used to determine our Scope 3 baselines and our assessment on the potential significance of this information on our climate-related risks. In addition, the SMC input into the continued development and rollout of our sustainability strategy, which encourages our companies to pursue climate and sustainability-related business opportunities.

The Sector Chief Executives are responsible for identifying and pursuing opportunities at the sector level. Sector-level climate-related risks are not captured separately, but are captured within the Group risk overview.

The SMC and Sector Chief Executives are informed about and monitor climate-related issues through informal updates and discussions, as relevant topics arise, with the Sustainability function and/or external advisers.

Each company board is responsible for identifying and managing climate-related opportunities and risks at the company level, reflecting our decentralised, agile and autonomous business model. As explained further in the Risk management section below, they are continuing to develop their capabilities in this area.

TCFD Statement continued

Strategy

Like all businesses, Halma is exposed to potential transition and physical risks associated with climate change, as outlined further in this Report. However, given the potential scale of climate-related opportunities, our strategic response is primarily focused on developing and pursuing these opportunities over the short to medium term.

a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term.

Time scales and significance

We use financial materiality (as set out on page 170) to make decisions about the potential significance of risks and opportunities and the appropriate level of detail to include in our TCFD disclosures, considering proportionality with the rest of the Annual Report and Accounts and our Principal Risks. We assess this on a "net basis" after consideration of mitigating factors or actions in place.

We consider the following timeframes in assessing climate-related risks and opportunities:

Short term	0-3 years	Annual strategic planning process and viability assessment.
Medium term	3-10 years	Useful life of most premise leases and assets. Timeframe for major product and market shifts.
Long term	10-30+ years	Sustainable Growth Model and M&A assessment timeframes.

Opportunities

We continue to believe that in aggregate, climate-related product and market sub-opportunities (both organic and inorganic) will become significant for the Halma Group over the medium to longer term (3-30+ years). Given that these opportunities are only expected to be significant in aggregate, not individually, we refer to individual opportunities as "sub-opportunities" in this Report for clarity.

This assessment, carried out in 2022, was supported by top-down qualitative scenario analysis, which identified multiple potential organic and inorganic sub-opportunities within our existing Environmental & Analysis and Safety Sector strategies. These included new products and technologies, as well as greater demand for existing product lines¹.

A small selection of potential sub-opportunities, where Halma already had a market presence as at 31 March 2022, are described in the table below in order to give some detail on the types of potential sub-opportunities that could be available to Halma companies. Given the diversified nature of Halma's business model and our companies' markets, and the bottom-up nature of investigation and pursuit of sub-opportunities, these are illustrative only, and significant financial impacts would only be expected at an aggregated level (across multiple sub-opportunities being pursued by multiple companies).

Examples of potential climate-related sub-opportunities over the medium to longer term²

Description	Most relevant scenarios	Potential financial impact
Clean water leak detection, recycling and reuse	All – physical climate change driving increasing water scarcity.	Increased profits from growing revenues and/or higher margin opportunities (organic and inorganic).
Stormwater and wastewater management	All – physical climate change driving increasing storm and flooding events.	
Energy efficiency-related building improvements and retrofits	1.5 degrees – increase in pace and scale of building retrofits required to meet Net Zero targets.	
Industrial refrigerant detection	1.5 degrees – phase out of HFC-based refrigerants and introduction of low GHG potential refrigerants.	
Methane detection and leakage prevention	1.5 degrees – reducing methane emissions as a key lever to mitigate near-term temperature rises.	
Growth in hydrogen usage	1.5 degrees – increasing use of hydrogen in diverse applications, requiring detection and management.	
Growing renewable energy, energy storage and other energy transition and Net Zero related end markets	1.5 degrees – rapid expansion of renewable energy and electricity end markets for existing Safety and Environmental & Analysis products, as well as new markets.	

1 In order to support our assessment that these sub-opportunities could be significant in aggregate, quantitative and qualitative data in relation to a number of scenarios were considered internally for a selection of the sub-opportunities. However, we do not believe that it would be appropriate or practical to disclose potential quantified financial impacts for the aggregate impact from climate-related opportunities. This is because there is a high degree of uncertainty about which specific sub-opportunities will become most impactful, and our aggregate opportunity is likely to be distributed across a high volume of small sub-opportunities. Given Halma's dual organic and inorganic growth strategy, potential sub-opportunities to participate in the Net Zero transition could be highly varied both in terms of the scale of the sub-opportunities, and the cost of accessing them. We continue to explore further sub-opportunities, including those related to the Net Zero transition within our Healthcare sector.

2 This table is not exhaustive and may not represent the individual sub-opportunities which are likely to become most significant over time.

Risks

Like all businesses, Halma is exposed to both transition and physical climate risks. During 2022, we assessed the potential significance of eight risk categories identified in 2021. These were

Transition risks:

- Supply chain
- Business model and communications
- Products and markets
- M&A and portfolio strategy
- Skills, talent and information
- Regulatory environment

Physical risks:

- Supply chain disruption
- Operational interruption

Our assessment included analysis of potential impacts across different geographies and markets/sectors.

In 2023, we also reassessed the potential significance of transition-related supply chain risks and product and market risks as we screened and estimated baselines for our Scope 3 emissions, which are set out in the Metrics and Targets section. In particular, we noted that approximately 60% of our product-in-use emissions baseline is related to only one company which contributes approximately 1% of Group revenue. This company sells products which have high energy usage to meet customer needs.

Our analysis in 2022 and 2023 concluded that there were no significant individual risks arising in the short to medium term (0-10 years). Over the longer-term (10-30+ years), we identified physical and transition-driven supply chain impacts, as well as business model and communication risks, as potentially having the highest impact on the business compared to the other climate-related risks assessed, due to the higher likelihood of underlying risk events under transition scenarios.

Nevertheless, we do not currently expect these risks to become significant, as our business model is expected to be resilient to climate-related risks, and highly exposed to climate-related growth opportunities. Our resilience stems from our highly diverse, agile and decentralised business model (see page 80), as well as our ability to provide products and operate in sectors expected to thrive in a low-carbon economy.

Key mitigating factors which influenced our risk assessment included the diversification of the Group's products, markets (including low exposure to highly impacted markets), geographies and first tier supply chains, the inherent resiliency of the Group's business model, our pricing resilience, and our asset-light model. Fuller details are included in our 2022 Annual Report and Accounts on page 93, and are not repeated here in the interest of proportionate disclosures.

Taking the above factors into account, we have not identified climate change as a standalone principal risk for the Group, but have included the potential impact of climate-related issues as drivers, modifiers or accelerators to existing relevant principal risks, as shown on pages 91 to 97 in the Principal risks and uncertainties section³.

The table below shows the potential directional impacts and key mitigating actions that are captured within our principal risk processes for those three risk categories that were considered to be the most potentially impactful over the longer term compared to the other climate-related risks assessed (although these are not currently identified as significant risks in the context of our risk management framework). Equivalent information for all eight risk categories originally assessed is available in our 2022 Annual Report and Accounts on pages 89 to 95. In the interest of proportionate disclosures, this information has not been reproduced in this Report due to the very low potential impact/likelihood of those risks compared to our principal risks.

Climate-related risks over the medium to longer term

Risk category & description	Potential financial impacts (not currently expected to have a significant impact on financial position or performance)	Key actions
Physical supply chain disruption: Increasingly severe extreme weather events could reduce availability of materials and components and/or interrupt transportation and logistics.	• Increased costs • Revenue disruption	• Our companies continue to manage their supply chains, supported where appropriate by our Group Growth Enablers.
Transition-induced supply chain risks: Increased costs (including from carbon pricing) and constrained material/component availability resulting from the low-carbon transition.	• Increased costs • Revenue disruption	• Our companies continue to manage their supply chains, supported where appropriate by our Group Growth Enablers. • Scope 3 emission measurement and target setting.
Business model and communications: Meeting increasing or shifting stakeholder, regulatory and reporting expectations within our decentralised business model.	• Decreased valuation or reduction in available capital • Increased costs or business model changes	• Continued commitment to transparency in our reporting.

³ Despite our assessment that these risks are not likely to be significant, at 31 March 2023 we continued to subject balance sheet items to detailed review against our climate-related risks, including goodwill, acquired intangible assets and PP&E. As set out in the Critical accounting judgements and key sources of estimation uncertainty section of the Accounting Policies of the Accounts (page 185), there were no indicators of impairment identified or adjustments made as a result of these reviews.

TCFD Statement continued

As set out in the Risk Management section of these disclosures, we continue to reassess the potential impact of climate-related risks on an ongoing basis.

They may become more significant over time if new information becomes available or we have significant changes to our structure.

b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.

Opportunities

Our approach to climate-related opportunity identification and pursuit reflects our Sustainable Growth Model (see pages 18 to 25), and the highly granular, diverse and early-stage nature of sub-opportunities. Our approach contrasts with a more centralised decision-making, prioritisation and target setting approach which would not be appropriate within our business model.

Sector and company level:

- Talented people throughout the organisation seek and pursue most relevant sub-opportunities
- Autonomous and agile individual companies can rapidly take advantage of sub-opportunities
- R&D and capital expenditure budgets are set from the bottom up

Group level:

- Low-carbon transition and adaptation sub-opportunities are considered in the development of M&A strategies
- Standalone acquisitions' level of alignment with the low-carbon transition is explicitly considered
- Focus on increasing education and awareness around low-carbon transition and adaptation across the Group

During 2023, we made three standalone acquisitions (for our Safety and Environmental & Analysis Sectors) which have market sub-opportunities aligned with a low-carbon transition⁴. Please see the case studies on WEETECH (page 43), Deep Trekker (page 49) and FirePro (page 74) for more information.

Introductory sessions on climate change mitigation and adaptation were delivered during 2023 to the Safety and Environmental & Analysis Sector boards, encouraging discussion of where companies may be able to grow by enabling the Net Zero transition or supporting adaptation. Similar sessions with the Healthcare sector board focused on the circular economy and resultant issues (including climate-related issues).

Although climate opportunities/risks are not yet uniformly incorporated into board discussions across companies, a number of companies are actively investigating climate-related sub-opportunities.

Risks

As a result of the risk assessment mentioned above, we do not outline additional details on our strategic response to climate-related risks or risk-related metrics and targets within this Report. In addition, we do not expect to carry out quantitative scenario analysis on these risks or disclose their quantified financial impacts, unless our assessment of their significance changes as a result of our ongoing risk management process.

Our plans to transition to a low-carbon economy

Halma operates globally and recognises the need to work towards Net Zero for our entire value chain. We are considering the developing guidance from the UK Government around transition plans, as well as the TCFD's transition plan guidance.

While we have not identified our own emissions as a significant risk to Halma, we have set interim and long-term Scope 1 & 2 targets and have disclosed our Scope 3 baselines in order to set appropriate Scope 3 interim and longer-term targets (see Metrics and Targets section below). As such, we currently disclose some information covering how we are planning to reduce Scope 1 & 2 emissions in our Emissions Reduction Report available at www.halma.com, given this is not significant information to include in our TCFD report. We will work towards creating a full transition plan as we develop our Scope 3 targets, taking into account our business model (see page 80) where our companies are empowered to develop their own sustainability and transition plans from the bottom up.

c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios including a 2°C or lower temperature scenario.

During 2022, we identified and assessed climate-related opportunities and risks using the three high-level, qualitative, narrative scenarios shown in the table below.

Scenario	IPCC alignment	Approx temp increase (2100)	Key narrative points
Steady Path to Sustainability	SSP 1/ RCP 2.6	1.5 degrees	Globally coordinated decarbonisation efforts from the early 2020s through to Net Zero emissions by 2050.
Late Policy Action	SSP4/ RCP 4.5	2 degrees	Delayed disorderly transition with individual states, corporations and individuals taking drastic but divergent action to limit emissions.
Fossil-fuelled Growth	SSP 5/ RCP 8.5	4 degrees	Extremely limited decarbonisation efforts leading to strongly increased physical climate risks.

Given our assessment that climate-related risks are unlikely to have a significant impact on the business, and the significant diversity of opportunities available, we will continue to review whether and in what contexts quantitative scenario assessment might be able to provide investor-useful additional information.

⁴ Our fourth standalone acquisition was in a niche of the Healthcare Sector where climate-related opportunities were considered less significant.

As explained above, our assessment showed that our business strategy is expected to be resilient to climate-related risks, and highly exposed to climate-related growth opportunities.

Nevertheless, the “late policy action” scenario creates the largest potential challenge for Halma over the medium to long term, particularly in relation to navigating rapid and divergent regulatory, disclosure and stakeholder expectation changes within our decentralised business model. In this scenario, however, we would expect significant transition-related growth opportunities.

Over the longer-term, a “fossil-fuelled growth” scenario would create increasing operational and supply-chain challenges, and fewer climate-related opportunities for Halma. However, we believe this scenario is the least likely outcome given increasing momentum and commitments to a Net Zero future among governments, businesses and other stakeholders – all of which support Halma’s future growth.

Risk Management

a) Describe the organisation’s processes for identifying and assessing climate-related risks; b) describe the organisation’s processes for managing climate-related risks; and c) describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation’s overall risk management.

The Risk management and internal controls section on pages 88 to 90 sets out our overall risk management system in which climate-related risks are identified and managed within both the “bottom-up risk assessment” and the “top-down principal and emerging risks” frameworks.

The Group’s existing risk management process enables bottom-up, climate-related opportunities and risks to be captured. As set out in the Risk management and internal controls section on pages 88 to 90, companies and functions identify opportunities and risks on an ongoing basis and, more formally, as part of their annual strategic reviews where they assess how these are currently controlled and whether any further actions are required.

We do not expect that our mostly small- to medium-sized companies are yet sufficiently educated and equipped to fully capture and manage transition and physical risks, particularly over the medium to longer term. For example, the companies do not currently utilise climate scenario analysis. However, we generally do not expect climate-related risks arising at the individual company level to create a significant risk to the Group as a whole, because of the decentralised and diversified nature of Halma (see page 80).

In 2022 we concentrated on identifying and assessing the significance of potential climate-related opportunities and risks as part of a standalone process, using scenario analysis, at the Group level. This standalone assessment is described in more detail in our 2022 Annual Report and Accounts to conserve space for more relevant and timely disclosures.

This year and going forward, the continued identification, assessment and management of these Group-level risks is integrated into our top-down principal risk process, which includes a review of the emerging risks landscape (see page 90). In addition, we are supporting our companies to improve their ability to capture bottom-up climate-related risks, by integrating climate-related risks into the overall risk landscape in a more prominent manner.

We assess the relative importance of climate-related opportunities and risks at the Group level by comparing qualitative potential impact and likelihood with the same scales used to assess principal risks. This qualitative process includes a high level, directional assessment of financial impact as well as reputational, regulatory and other impacts (including considering existing and emerging regulatory requirements).

Metrics and Targets

a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.

We disclose total GHG emissions in line with the TCFD cross-industry metric guidance, as set out below. Although we have not identified our Scope 1 & 2 emissions as a significant risk, 5% of executive bonuses are linked to an energy productivity target that supports achievement of our Scope 1 & 2 targets (outlined below), as set out further in our Remuneration Report on page 136.

We do not consider that most of the other suggested cross-industry metrics are currently appropriate for our business model and the nature of our opportunities and risks.

Given our assessment that climate-related risks do not pose a significant risk to our business model, we do not currently intend to disclose the amount or percentage of assets or activities vulnerable to transition or physical risks. We will continue to consider the use of an internal carbon price, if relevant, as we develop our Scope 3 transition plan.

We do not currently use any central metrics to manage climate-related opportunities, including the TCFD’s suggested cross-industry metrics on opportunities or capital deployment. Where individual businesses and sectors identify climate-related opportunities, they may use specific metrics to track their progress against these, in line with our decentralised model and the granular, diverse and early-stage nature of the sub-opportunities.

TCFD Statement continued

As our climate governance process evolves and we increase centrally available climate-related information over time, we may be able to disclose other climate-relevant opportunity metrics such as taxonomy-aligned revenues or product development where relevant.

b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.

Scope 1 & 2 emissions

Our Scope 1 & 2 emissions, calculated in accordance with the GHG protocol, are disclosed in the SECR-compliant table at the bottom of this Report. Our Scope 1 & 2 emissions profile is fairly simple, and at approximately 18 ktCO₂e in our 2020 baseline year, is small compared to the FTSE 100 average and only c.2% of our total baseline greenhouse gas footprint.

We do not currently obtain assurance over our Scope 1 & 2 emissions or related metrics, but are reviewing what level of assurance may be appropriate considering our business and the way we use these metrics.

Scope 3 emissions

During 2023, we worked with an external consultant to estimate our Scope 3 baseline (2020) emissions. Figures were calculated for all relevant categories in accordance with the GHG protocol and using acceptable Scope 3 methodologies, but as these figures are heavily reliant on assumptions and estimates they may be recalculated in the future as data availability and accuracy improves. We estimate that 2020 Scope 3 emissions were approximately 0.95 million tonnes CO₂e, or c.98% of our total baseline greenhouse gas footprint.

The main components of this footprint are as follows:

- Supply chain (including upstream transport and distribution): approximately 0.34 million tCO₂e (c.35% of total 2020 baseline emissions).
- Products' use phase: approximately 0.58 million tCO₂e (c.59% of total baseline) – with approximately 60% of these emissions relating to one company comprising approximately 1% of Group revenue, which sells products which have high energy usage to meet customer needs.

Full details of all categories of baseline Scope 3 emissions are available in our Emissions Reduction Report at www.halma.com, given this is not significant information to include in our TCFD report.

c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.

Scope 1 & 2 emissions

Despite not identifying our Scope 1 & 2 emissions as a significant risk, we have targets in place to reduce our emissions in line with stakeholder expectations. These targets are outlined in the table below and include Net Zero by 2040 and a 1.5 degree-aligned interim 2030 target.

During 2023, our company boards have focused on creating their sustainability action plans. These include their bottom-up Scope 1 & 2 emissions reduction plans where relevant. A high level summary of performance against our targets is included in the table below. Full details on the definitions of our Scope 1 & 2 targets, our current and historic performance against them, and narrative discussion about key Scope 1 & 2 emission sources, milestones, and key levers required to reach our targets and our progress is disclosed in our Emissions Reduction Plan available at www.halma.com. This level of detail is not included in our strategic report in the interests of proportionate disclosures, given the low materiality of our emissions.

Scope 3 emissions

We have estimated and reported our 2020 Scope 3 baselines in order to confirm our assessment that these do not constitute a significant risk. However, we recognise the need for us to work towards Net Zero for our entire value chain. We are now developing our reporting plan and capabilities to be able to update these figures on a more regular basis to meet stakeholder expectations, and working towards setting appropriate reduction targets. Halma companies are also already investigating how they can reduce Scope 3 emissions from their supply chains.

Greenhouse gas data and commentary on greenhouse gas and energy performance

Scope 1 & 2 targets	2020 baseline	2022	2023	Commentary
Medium term: Reduce Scope 1 & 2 emissions 42% by 2030 from 2020 baseline (aligned with 1.5 degree Science-based Target guidance) ¹	0%	-35%	-47%	The reduction from our 2020 baseline is largely due to increasing renewable electricity purchases, alongside energy efficiency measures and changes to our companies' operations. More detail is set out in our Emissions Reduction Report at www.halma.com .
Short term: achieve 80% renewable electricity by 2025 ²	8%	42%	62%	Bottom-up company-led purchase and generation of renewables has increased our total renewable electricity percentage. Approximately 94% (2022: 92%) is local renewable tariffs (largely backed by Energy Attribute Certificates (EACs)) or unbundled EACs. Onsite electricity generated increased by 13% year-on-year, comprising approximately 6% of total renewable electricity (2022: 8%).

Scope 1 & 2 targets	2020 baseline	2022	2023	Commentary
Annual: achieve at least 4% energy productivity improvements ³	N/A	N/A	10%	During the year, we saw a c.10% increase in revenue (adjusted to remove the effects of currency movements and acquisitions) while energy consumption (adjusted on the same basis) remained relatively flat. Changes in energy consumption reflected various operational changes and investments, including premise moves and expansions, the impact of energy efficiency measures at a number of our companies, and a number of elements outside our control (i.e. warmer winters in some geographies). In our first year of targeting energy productivity, we were pleased to see an increased focus on this issue among most of our companies.

Long term: Net Zero by 2040⁴

- 1 Market-based calculation of Scope 2 emissions. This target is aligned with guidance from the Science-based Targets initiative (SBTi) and is an absolute measure aligned with the non-sector specific 1.5-degree emissions pathway. This target has not been verified, as SBTi verification requires our target to include Scope 3.
- 2 Current year renewable % reflects the full year impact of acquisitions and disposals made during the period. Comparative figures are not updated for the impact of acquisitions and disposals made in subsequent periods.
- 3 Revenue/energy consumed. Annual straight-line increase from 2022. Due to the inclusion of this metric in remuneration, it is calculated on a different basis to Scope 1 & 2 emissions and renewable electricity percentage. Revenue is adjusted to a constant currency basis, and both revenue and energy are adjusted to exclude all acquisitions in the current and prior period. This target was set using the EP100 initiative minimum commitment (to double energy productivity over 25 years).
- 4 Market-based calculation of Scope 2 emissions. Our Net Zero target is aligned with guidance from the Science-based Targets initiative (SBTi). We will reach Net Zero by reducing emissions as much as is feasible before using carbon removal instruments, as set out in our Emissions Reduction Report at www.halma.com.

CO ₂ e emissions (tonnes) from:	2023 (current year)	2022 (comparative year)	2020* (baseline year)
Scope 1 ¹	4,059	4,451	5,156
Scope 2: Location-based ²	10,032	10,516	12,748
Scope 2: Market-based ²	5,500	7,209	12,906
Total: Location-based	14,091	14,967	17,904
Of which UK	2,926	3,434	3,992
Total: Market-based	9,559	11,660	18,062
Of which UK	1,621	3,052	3,955
Energy consumption in MWh used to calculate above emissions	55,687	54,028	60,470
Of which UK	17,266	17,920	18,042
Scope 3: Annually calculated categories ³	14,975	11,170	17,716
Intensity ratio (market-based) ⁴	13.1	14.8	NA
Scope 3: Baseline estimate ⁵	N/A	N/A	952,077

Reporting methodology and scope:

We have reported on all the emission sources required under the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. We have employed the Operational Control definition to outline our carbon footprint boundary; included within that boundary are Scope 1 & 2 emissions from manufacturing sites and offices which we own and/or operate. Excluded from our footprint boundary are emissions from manufacturing sites and offices which we do not own and/or operate and emissions considered non-material by the business. We have used the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) and the Environmental Reporting Guidelines (March 2019) including Streamlined Energy and Carbon Reporting (SECR) guidance published by the UK's Department for Business, Energy & Industrial Strategy (BEIS). Emission factors were sourced from the UK Government's GHG Conversion Factors for Company Reporting 2022 and the International Energy Agency's Emissions Factors (2022 edition). For our Scope 2 market-based calculations, we used residual emission factors where available from the Reliable Disclosure Organization (RE-DISS 2021 edition). Further information about our basis of preparation for all emissions and energy data can be found on our website at www.halma.com.

- 1 Included in Scope 1 are GHG emissions from direct fuel combustion at our sites, refrigerants, and from fuel use in our company-owned or leased vehicle fleet.
- 2 Electricity purchased for our own use. Market-based is net of market instruments.
- 3 Business air travel, Well to Tank, grey fleet (private and hire cars used for business), waste generation. 2023 Scope 3 annually calculated emissions reflect the continued recovery in business travel following restrictions during the pandemic.
- 4 Prior to 2021, we did not show market-based Scope 2 emissions. In line with our science-based target, which is calculated using the market-based approach, we have transitioned to showing our intensity measure based on the market-based method. We do not show a recalculated intensity measure for our 2020 baseline.
- 5 Estimated as explained further in our TCFD report above, and in our Emissions Reduction Report and ESG Data Basis of Preparation document at www.halma.com.
- 6 Our Scope 1 & 2 (market-based) GHG emissions for the year ended 31 March 2020 form the baseline for our Science-based target. Given the acquisitive nature of Halma, we have chosen to apply a 5% base year threshold for the structural change trigger of acquisitions and disposals. This year the impact of our acquisitions and disposals did not reach the 5% threshold for a base year recalculation. We do not recalculate Scope 3 annually calculated emissions for acquisitions and disposals.

Examples of energy efficiency measures undertaken during the year by our companies included upgrades to more energy efficient equipment and premises, LED lighting upgrades, retrofitting motion sensors, improving HVAC controls and processes, and improving monitoring, metering and energy awareness programmes.

Risk management and internal control

Managing risk and leveraging opportunities to achieve our sustainable growth strategy

Our approach to risk management

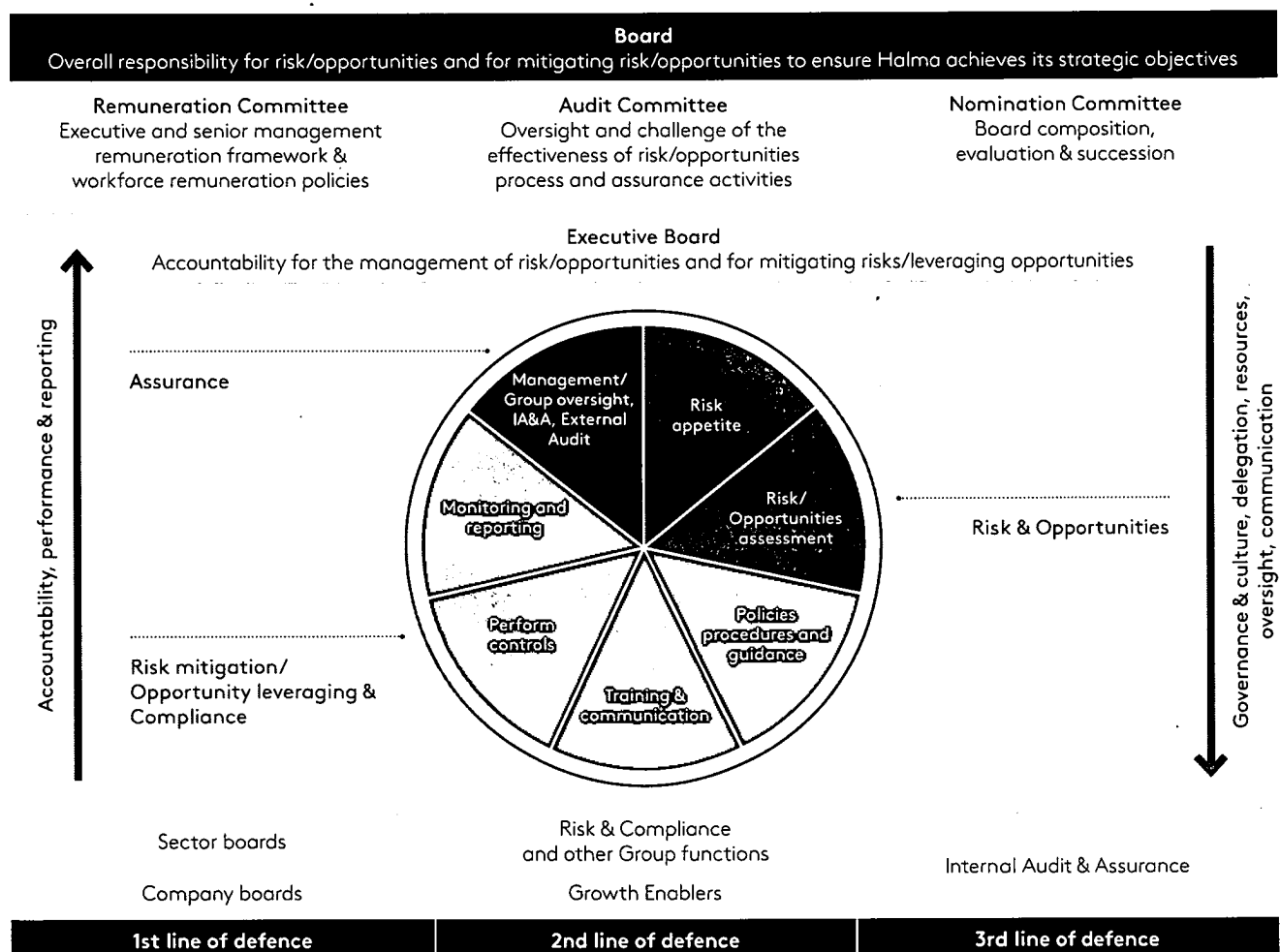
Effective management of risks enables us to leverage opportunities to achieve our strategic goals and provides a solid foundation from which our businesses can grow. Whilst there is a group-wide framework and approach to risk management, as described in this section, our decentralised business model empowers every employee and every business at Halma to identify and manage risks and take advantage of opportunities. Our risk management approach is underpinned by a risk awareness culture which allows management to make better commercial decisions, deliver our sustainable growth strategy and maximise the benefits of our decentralised business model. During the year, the responsibility of the risk management area has been transitioned from the Director of Internal Audit & Assurance to the newly created role of the Director of Risk & Compliance.

The new structure has strengthened our governance model by enhancing the independence between the second and third line of defence, enabling enhanced risk and compliance support to Halma companies, and expanding the current independent assurance coverage.

The Director of Risk & Compliance is responsible for ensuring that our Risk, Control and Compliance Framework is continuously evolving in alignment with the Group's growth, strategy and DNA. A key focus in 2023, which will continue in the upcoming years, is on enhancing the quality of risk discussions at the companies board level and increasing the inclusion of opportunities within those discussions, where appropriate.

Our risk and control governance framework

The graphic below illustrates the structure of our governance framework. For more details on the role and responsibility of the Board and its Committees, refer to the Corporate Governance Report section on page 110.



Risk management process

As in prior years, each company within Halma identifies risks and opportunities as part of their annual strategic reviews, assesses their likelihood and impact, evaluates existing risk mitigations and assesses whether any further actions are required. A similar exercise is performed at sector and Group level as part of the Group's "bottom-up" risk assessment process.

Our "top-down" approach focuses on reviewing our principal risks and takes into account the results of the bottom-up risk assessment, the emerging risk review and the Executive Board perspectives. The assessment of the principal risks, the risk appetite, mitigating actions, and the evaluation of potential emerging risks are reviewed and approved by the Executive Board. The Audit Committee reviews the effectiveness of the process, whilst the Board reviews and approves the principal risks, the risk appetite and evaluates whether the risks are managed within the risk appetite assigned to them.

Any actions to improve how we manage our principal risks are captured and tracked to completion in our integrated risk, control and assurance software. Risk mitigations are periodically audited by the Internal Audit & Assurance Team.

During the year, deep-dive risk analyses are performed on specific areas to assist the Executive Board in their strategic decision-making. These areas included specific elements of emerging and principal risks, such as climate-related risks (refer to our TCFD statement

section on page 80). The risk deep dives and their outcome are integrated into the wider risk management approach and process.

Risk Appetite

The risk appetite is a foundational element of our risk framework as it provides guidance to management on the amount and type of risk we seek to take in pursuing our strategic objectives. For the purpose of identifying the level of risk appetite we have towards our principal risks, we defined four risk appetite categories, as follows:

- **Averse:** We have little appetite for risk and will seek to minimise our exposure and avoid uncertainty.
- **Cautious:** We have an appetite for some risk but prefer options that have a low degree of downside.
- **Open:** We are open to taking risks after considering potential options, and will choose options that have a greater likelihood of success and offer an acceptable level of reward.
- **Seeking:** We are willing to proactively take risks and be more innovative to achieve higher returns, despite the higher inherent risks.

The risk appetite statements are approved by the Board, which also reviews the level of risk appetite associated with our principal risks annually, recognising that risk appetite will change and evolve over time. Principal risks are assessed against their risk appetite to evaluate whether further risk mitigation actions should be taken to ensure that the risk levels remain within the Board's risk appetite.

Case study

A proactive and agile approach to the fast-changing geopolitical and economic landscape

In light of the rising complexity of the geopolitical landscape and its repercussions on the economic outlook, the Group carried out a deep dive assessment to understand macro and geopolitical trends and their potential impact on Halma.

The assessment was carried out with the support of our external advisors which helped us to include the perspective of external stakeholders into the analysis. The exercise led to the setup of a comprehensive framework to provide reassurance that we are managing this risk appropriately within our unique structure.

Internal monitoring networks were enhanced by leveraging Halma's Hubs regional presence to monitor the developments of the geopolitical landscape and gain on-the-ground insights. To ensure a consistent and comprehensive monitoring, key leading indicators

of changes in macro and geopolitical risk have been identified and are being regularly monitored by the internal networks, which periodically update the sectors and the Group.

The companies have embraced the insights of the analysis and used them to inform the assessment of their strategic and operational decisions, where relevant. In line with Halma's highly decentralised and agile model, some of our companies have implemented a range of initiatives to adjust to the evolving geopolitical landscape, such as the enhancement of a regionalised approach within their global footprints or reassessments of their supply chain setup.

Risk management and internal control continued

Emerging Risks

We consider emerging risks as part of our risk management review process and as part of the everyday management of the business. In addition to the daily management of such risks, we conducted a specific review to assess the emerging risks landscape over the short (0 to 2 years), medium (3 to 5 years) and long (6 to 10 years) periods. The review was informed by:

- emerging risk factors identified at company and sector level during the bottom-up assessment process;
- leading external thought leaders' views on global emerging risks; and
- insights from Executive Board members on emerging risks trends.

Whilst a number of potential emerging risks were identified and assessed during the review this year, such as social unrest, livelihood crisis, biodiversity loss, natural resources crisis and other climate-related risks (see also TCFD Statement section at page 80), currently, none of these is expected to become future principal risks.

The outcomes of the emerging risk assessment have been discussed with and reviewed by the Executive Board and by the Board. We will continue to monitor the evolution of emerging risks and reassess the landscape at least on an annual basis.

Our risk profile and principal risks

Below is a visual representation of Halma's risk profile, showing the level of residual risk and the risk type for each principal risk. We also use Halma's risk profile as a basis for our scenario analysis, including those used in the long-term viability statement.

p80 Read more in our **TCFD Statement**

p98 Read more in our **Viability statement**

Halma risk profile

Type of risk

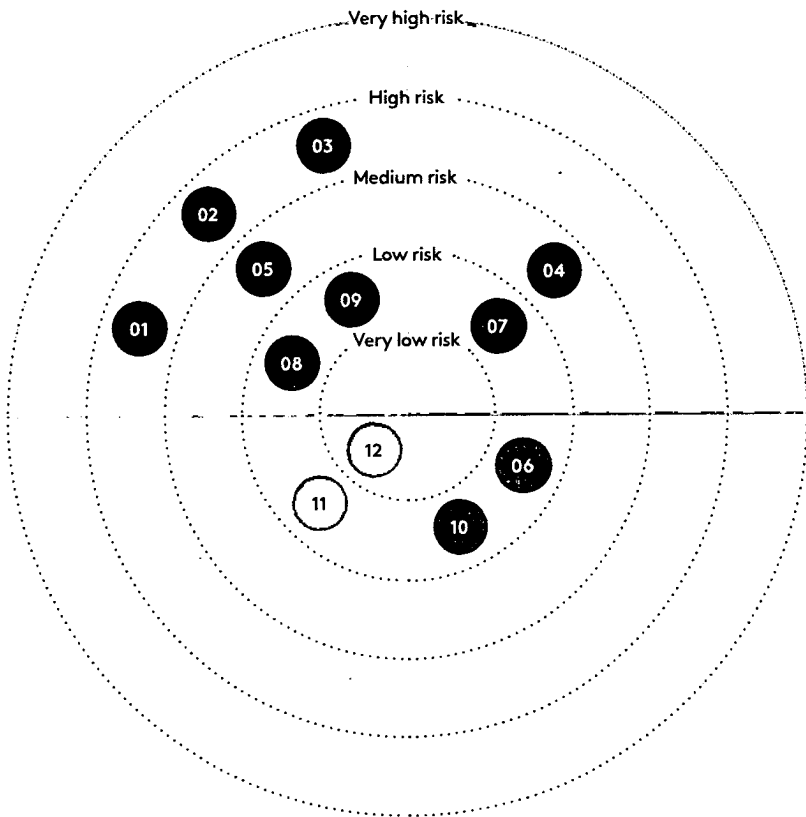
- Strategic
- Operational
- Legal & Regulatory
- Financial

Principal risk

- 01 Innovation & Digital
- 02 Talent and Diversity
- 03 Acquisitions and Investments
- 04 Cyber
- 05 Economic and Geopolitical Uncertainty
- 06 Non-compliance with Laws and Regulations
- 07 Natural Hazards, including Climate Change
- 08 Organic Growth
- 09 Business Model and its Communication
- 10 Product Failure or Non-compliance
- 11 Liquidity
- 12 Financial Controls



During the year, no new principal risks were identified.



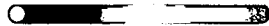
Principal risks and uncertainties

01. Innovation & Digital

Risk Owner:

Chief Innovation and
Digital Officer

Inherent risk level:



Residual risk level:



Residual risk change:

➔ Marginal increase

Risk appetite: Seeking

Risk and impact

Failing to innovate to create new high-quality products to meet customer needs whilst capturing digital and sustainability growth opportunities, or failure to adequately protect intellectual property, resulting in a loss of market share and poor financial performance.

For more information on our innovation-related target, see the "Research & Development" KPI in the KPIs section.

Risk evolution

The risk score was minimally adjusted during the year based on a new estimate of the missed opportunity of failing to innovate.

How do we manage the risk?

Halma's digital innovation strategy focuses on the education of our companies around customer centricity and the incubation and acceleration of innovation across the companies. This includes regular promotion, training and monitoring of agile or lean start-up ways of working in companies. As the I&D team execute on their strategy over time, we expect that the companies will develop greater capabilities on innovation and digital as they drive their product strategies.

The strategy delivery is supported by an innovation champions network and partnerships, conferences, development programmes and innovation awards which help spread and reward ideas across the Group. Sectors also play a key role in promoting active collaboration between companies to share ideas and experiences and reviewing R&D budgets and projects to ensure that the spend effectively supports the growth strategy in targeted markets. Sector M&A activity is also targeted to help address innovation and R&D gaps, in line with sector-specific initiatives. Key R&D and innovation metrics are periodically reviewed to measure positive impact.

Product development is devolved to our companies who are closest to the customer. Companies are encouraged to develop and protect intellectual property, and focus on talent and retention to ensure there is sufficient expertise within the business.

02. Talent and Diversity

Risk Owner:

Group Talent, Culture and
Communications Director

Inherent risk level:



Residual risk level:



Residual risk change:

➔ No change

Risk appetite: Open

Risk and impact

Not having the right talent and diversity at all levels of the organisation to deliver our strategy, resulting in reduced financial performance.

For more information on our talent and diversity-related targets, see the "Employee engagement", "H&S" and the "Diversity, Equity & Inclusion" KPIs in the KPIs section.

Risk evolution

During the year, a number of initiatives started in 2022 were finalised and fully implemented, such as a diversity, equity and inclusion target for the Managing Director level. The year saw the Group Chief Executive and Chief Financial Officer transitions, which, although brings an inherent risk, have been extensively planned, significantly mitigating the risk. Overall the risk level remains in line with the prior year.

How do we manage the risk?

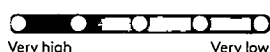
We have comprehensive recruitment processes to recruit the brightest talent, including the "Future Leaders" programme to attract and develop graduates into future leadership roles.

The Senior Management reward structure is aligned with strategic priorities of companies, sectors and Group and DEI targets. Periodic review of reward packages to ensure competitiveness, benchmark with the market and alignment with high long-term growth.

An Annual Performance and Development Review process is in place for sector and Executive Board members. The Nomination Committee reviews succession and development plans annually. A strategic review of sector board and company leadership talent is performed annually to identify and develop future leaders.

Programmes to develop talent and enhance skills (including climate and sustainability-related skills) are in place across our companies.

An annual employee engagement survey is carried out to provide insight into employee sentiment, including alignment between strategy and objectives and clarity to employees about their contribution towards achieving objectives.



Principal risks and uncertainties continued

03. Acquisitions and Investments

Risk Owner:
Group Chief Executive

Inherent risk level:


Residual risk level:


Residual risk change:
++ Increased

Risk appetite: Open

Risk and impact

Failing to achieve our strategic growth target for acquisitions and investments due to insufficient opportunities being identified, poor due diligence or poor integration, resulting in erosion of shareholder value.

For more information on our inorganic growth target, see the "Acquisition profit growth" KPI in the KPIs section.

Risk evolution

During the year, the risk level rose due to the increasingly challenging macroeconomic (i.e. increased cost of capital and debt) and geopolitical environment. The highly volatile external environment increases the complexity of finding deals that are able to deliver on our inorganic growth strategy and are at the right level of risk appetite. Given their role in the acquisition strategy, we recognise that the Group Chief Executive and Chief Financial Officer combined change might be seen as introducing a certain level of risk. This potential risk is adequately mitigated by the strength of well established end-to-end M&A processes led by experienced teams. Furthermore, the Group Chief Executive and the Group Financial Officer have extensive M&A experience gained both internally to Halma and externally, which further mitigates this risk.

How do we manage the risk?

Acquisitions are a core element of Halma's sustainable growth model; hence the Group has a clear strategy that allows us to take advantage of new growth opportunities through the acquisition of companies in our existing or adjacent markets.

Regular reporting of the acquisition pipeline to the Executive Board and the Board. All acquisitions are reviewed and approved by the Group Chief Executive, Chief Financial Officer and Board.

Dedicated M&A Directors who support the sectors in their acquisition strategy, from pipeline development to the delivery of the acquisition. A robust due diligence process is carried out for all acquisitions by experienced staff who bring in specialist expertise as required, and low-carbon transition risk and opportunity reviews are built into our standalone M&A process.

Strategic transformation plans and clear processes are in place for new acquisitions to enable them to achieve their growth potential whilst integrating into the Group (including from a control framework and compliance perspective).

Internal Audit reviews are performed within 12 months of acquisition to assess the effectiveness of the required control framework for standalone acquisitions. Post-acquisition reviews are performed for all acquisitions after 12 months to ensure strategic objectives are being met and to identify learnings for future acquisitions.

Minority equity investments are assessed through the lenses of Halma's investment framework and executed in line with an established acquisition process which ensures an appropriate level of assessment and oversight. Minority investments are regularly reviewed by the Investment committee, and "Lessons learnt reviews" are carried out to improve the existing processes.

04. Cyber

Risk Owner:
Chief Technology Officer

Inherent risk level:


Residual risk level:


Residual risk change:
+ Marginal increase

Risk appetite: Averse

Risk and impact

Loss of digital intellectual property/ data or ability to operate systems or connected devices due to internal failure or external attack. There is resulting loss of information or ability to continue operations, and therefore financial and reputational damage.

Risk evolution

The inherent risk level increased during the year due to the continuously evolving landscape of external cyber threats, however it is mitigated by the delivery of investments to upgrade the cybersecurity defence. The finalisation of the current initiatives is crucial to keep the risk within the risk appetite.

How do we manage the risk?

Cyber risk is owned by the CTO at an executive level, who periodically updates the Board and Audit Committee.

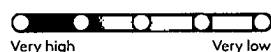
All employees are required to comply with the IT Acceptable Use Policy. Regular online IT awareness training is provided for all employees who use computers.

A group-wide IT framework is in place, periodically reviewed and includes Cyber risk policies and procedures. Companies confirm the effectiveness of their most critical IT controls (including documented and tested disaster recovery plans for critical systems and infrastructure) every six months through the Internal Control Certification process. The Internal Audit & Assurance Team periodically and independently tests these controls.

There are central and local IT resources maintaining and sharing updated technical knowledge. The central technology resources are available to companies to help them better manage cyber risk.

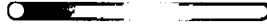
Cyber threats are monitored and reported upon every two months for all parts of the Group.

Group-wide Incident Management Policy and Crisis communications plans are in place. Access to cyber expertise is available should a cyberattack occur.



05. Economic and Geopolitical Uncertainty

Risk Owner:
Group Chief Executive

Inherent risk level:


Residual risk level:


Residual risk change:
++ Increased

Risk appetite: Cautious

Risk and impact

Failure to anticipate or adapt to macroeconomic and geopolitical changes, resulting in a decline in financial performance and an impact on the carrying value of goodwill and other assets. This risk remains elevated in certain geographies due to geopolitical events such as the conflict in Ukraine and US/ China trade relations.

Risk evolution

During the year, the overall risk level increased, triggered by the higher level of inherent risk due to the macroeconomic situation and increasing geopolitical complexities. During the year, a deep dive risk assessment was carried out to assess the Group's exposure to key macroeconomic and geopolitical risks, which resulted in an enhanced monitoring process for relevant geopolitical risk factors. Halma remains resilient to macroeconomic volatility due to growth drivers linked to highly regulated markets, demand for healthcare and life-critical resources, and growing efforts to address climate change, waste and pollution. See the case study on page 89 for more information on the assessment performed.

How do we manage the risk?

The diverse portfolio of companies across the sectors, in multiple countries and in relatively non-cyclical global niche markets with secular long-term growth drivers helps to minimise the impact of any single event.

Monitoring mechanisms are established at Group, sector and company levels, including:

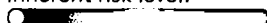
- Regular monitoring and assessment of emerging trends and potential risks and opportunities relating to economic or geopolitical uncertainties.
- Monitoring of end market exposure and changes in key end markets due to macroeconomic factors.
- Financial warning signs KPIs give earlier indications of potential problems, and half-yearly assessments of the carrying value of goodwill and other assets are performed.

In line with Halma's model, the risk is managed at the local company level through decentralised decision-making and autonomy to rapidly adjust to changing circumstances. The companies have robust credit management processes in place and operations, cash deposits and sources of funding in uncertain regions are kept to a minimum.

The Group provides continuous support to company boards and DCEs to navigate geopolitical changes (including when these changes are triggered by disorderly low-carbon transition scenarios). Halma's financial strength and availability of pooled resources in the Group can be deployed, if needed, to further mitigate the risk.

06. Non-compliance with Laws and Regulations

Risk Owner:
Group General Counsel &
Chief Sustainability Officer

Inherent risk level:


Residual risk level:


Residual risk change:
+ Marginal increase

Risk appetite: Averse

Risk and impact

We are not fully compliant with relevant laws and regulations, resulting in fines, reputational damage and possible criminal liability for Halma senior management.

Risk evolution

The marginal increase in the risk likelihood is primarily driven by the increasing complexity of the regulatory environment and the growth of our companies and the Group. Effective mitigating controls are in place to mitigate the current risk and take a proactive approach to this increasingly challenging context.

How do we manage the risk?

Legal compliance is owned by the Group General Counsel & Chief Sustainability Officer at an executive level, who periodically updates the Board and Audit Committee. Group policies, procedures and guidance are in place, setting out the Group's requirements from a compliance and regulatory perspective. Companies confirm the effectiveness of their most critical legal compliance controls every six months through the Internal Control Certification process. The Internal Audit & Assurance Team periodically and independently tests these controls. Group Legal, Sustainability & Governance (LSG) Team advises on legislative and regulatory changes relevant to the Group as a listed company. All employees are required to sign to confirm that they have read and understood the Halma Code of Conduct. An ongoing compliance training programme is in place for Group and its companies. A whistleblowing hotline is available to all employees and third parties to raise concerns over the lack of compliance and misconduct. These are independently followed up and investigated. The Group LSG Team resources, including the Deputy General Counsels, who sit on the sector boards, and a panel of high-quality external legal advisors, are available to sectors and companies to help them better manage legal compliance risks, including during due diligence processes.

The board of each company is accountable for identifying and monitoring what laws are relevant to their business, including any emerging or changing legislation, and for ensuring commercial legal risks are appropriately managed. Claims and litigation risks are reported to Group by all companies every six months. Material legal issues and risks are reported to and discussed by the Board every quarter. Appropriate levels of Group insurance cover are maintained. A crisis management plan exists to manage communications and the reputational risk for Halma and/or its companies.

Principal risks and uncertainties continued

07. Natural Hazards, including Climate Change

Risk Owner:
Group General Counsel &
Chief Sustainability Officer

Inherent risk level:


Residual risk level:


Residual risk change:
= No change

Risk appetite: Averse

Risk and impact

There is a risk we are unable to respond to large scale disasters or natural catastrophes such as hurricanes, floods, fires or pandemics, as well as longer term changes to the climate such as increasing water scarcity and temperatures, resulting in the inability of one or more of our businesses to operate, causing financial loss and reputational damage. This risk includes potential impacts from physical climate change on our supply chains.

Risk evolution

The reassessment of the climate-related risks and opportunities confirmed the risk level to be in line with the prior year. More information is available in our TCFD Statement on page 80.

How do we manage the risk?

Halma operates in end markets with strong long-term growth drivers contributing to a low-carbon economy and lower risks of disruptions due to natural hazards. Our business model is expected to be resilient to climate-related risks, due to Halma's highly diversified portfolio of companies and agile business model, which enable our companies to quickly address challenges caused by natural hazards and climate change.

The geographical diversity of Halma's companies reduces the impact of any single event, and the companies' manufacturing capabilities can be leveraged, in case of need, to provide flexibility to support the companies affected.

All companies are required to have business continuity and disaster recovery plans in place which are tested periodically and tailored to manage the specific risks they are most likely to face. The Group has a crisis management plan to manage communications and the reputational risk for Halma and/or its companies.

Business interruption insurance is in place to mitigate any financial loss that may occur from natural hazards. Climate risk and opportunity review processes and governance are in place, and we continue to work with our companies to help them manage disruption risks within their supply chains. More information on climate-related risks is available in the TCFD Statement (page 80).

08. Organic Growth

Risk Owner:
Group Chief Executive

Inherent risk level:


Residual risk level:


Residual risk change:
= No change

Risk appetite: Open

Risk and impact

Failing to deliver desired organic growth, resulting in missed expected strategic growth targets and erosion of shareholder value.

This risk includes potential impacts from the Net Zero transition on our supply chain.

For more information on our organic growth target, see the "Organic revenue growth" and "Organic profit growth" KPIs in the KPIs section at page 26.

Risk evolution

During the year, the delivery of the organic growth targets has been continuously challenged by the economic and geopolitical environment, however the ability to fulfil strategic growth targets remains strong.

How do we manage the risk?

Halma has a clear Group strategy to achieve growth targets through the organic growth of Halma's companies, which is accelerated by the Halma Growth Enablers and the Halma DNA. The remuneration of companies' executives and above is based on profit growth.

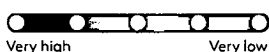
Companies achieve organic growth through the continuous focus on the development of an agile business model and a culture of innovation to take advantage of new growth opportunities as they arise.

Company strategies are reviewed and challenged by the sector to ensure they are aligned with the Group strategy and organic growth targets. Sector management ensures that the Group strategy is fulfilled through ongoing review and chairing of companies. Regional hubs, for example those located in China and India, support local strategic growth initiatives for all companies. Potential new partnerships and investments are comprehensively assessed for future organic growth prospects.

Companies continuously focus on attracting and developing the best talent to deliver Halma's organic growth strategy effectively.

At a Group level, the annual strategic planning process, the annual budget and the monthly 12-month rolling forecast enable a review of the effectiveness of the delivery of the organic growth strategy through control over the Balance Sheet and the Profit & Loss.

Climate risk and opportunity review processes and governance are in place, and we continue to work with our companies to help them manage transition risks within their supply chains. More information on climate-related risks is available in the TCFD Statement (page 80).



09. Business Model and its Communication

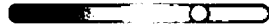
Risk Owner:

Group Chief Executive

Inherent risk level:



Residual risk level:



Residual risk change:

■ No change

Risk appetite: Cautious

Risk and impact

Failing to clearly articulate or adapt our business model as Halma grows through exploring and implementing additional or new business models, resulting in missed growth opportunities and erosion of shareholder value.

This risk includes meeting increasing or shifting shareholder expectations around climate change and sustainability.

Risk evolution

During the year, the risk appetite has been reassessed and reduced from "Open" to "Cautious" to capture the fact that although Halma's sustainable growth model is constantly challenged and fine-tuned to ensure that it enables the companies to grow, these evolutions are carefully thought through, and a low level of risk is sought.

The inherent and residual risk level remains in line with the prior year.

How do we manage the risk?

The Halma Sustainable Growth Model is at the core of the Group strategy and a key success factor underpinning the Group's ability to deliver returns for its stakeholders. More information on our business model is available on page 24.

The sector and Executive Boards perform periodic reviews to identify opportunities which may require a new organisational approach or evolutions of the existing approach.

The current model is challenged through the lenses of the learnings from past experience and through the continuous search and exploration of innovative ideas and opportunities to grow and scale the Group as the global economic environment evolves.

The Board performs strategic reviews of the business model to consider the strengths and weaknesses of the existing model and the need to make changes.

The Group has a clear strategy to communicate its business model to internal and external stakeholders, which is crucial to the successful execution of the Group's sustainable growth strategy.

Regular communications and updates on the business model underpin the delivery of the communication strategy. These target Group, sector and company boards throughout the year and are integral to the recruiting and onboarding process.

Sustainability, including climate change, is integral to Halma's strategy at all levels. Sustainability strategies are regularly reviewed and discussed in the companies, sectors and, Executive Board as well as at the Board.

Sustainability networks are in place to share learnings and promote awareness in our companies. There are central growth-enabling resources with sustainability-related knowledge which are available to sectors and companies to help them better manage sustainability risks and opportunities.

More information on climate-related risks is available in the TCFD Statement (pages 80).

Principal risks and uncertainties continued

10. Product Failure or Non-compliance

Risk Owner:
Group Chief Executive

Inherent risk level:


Residual risk level:


Residual risk change:
+ Marginal increase

Risk appetite: Averse

Risk and impact

A failure in one of our products, including due to non-compliance with product regulations, may result in severe injuries, death, financial loss and reputational damage, which might be amplified in cases of large contracts.

Risk evolution

During the year, the risk likelihood saw a marginal increase to reflect the current/historical cases' frequency and the potential challenge posed by the Medical Device Regulation (MDR) to achieve regulatory compliance for some of the products of our Healthcare Sector companies produced for the European market. MDR is a key focus within the Healthcare Sector which is coordinating several risk-mitigating initiatives (e.g. regulatory monitoring, knowledge sharing amongst companies).

How do we manage the risk?

Our companies manufacture and assemble a wide variety of product types across different geographies and end markets. They are, therefore, experts in their trade and carry the responsibility for complying with relevant product safety and quality requirements, obtaining relevant accreditations and all necessary product certifications.

Halma's companies have adopted customised sets of controls to achieve high-quality standards – these might include but are not limited to:

- Strict product development and rigorous testing procedures.
- Clear requirements for suppliers to ensure safety and quality.
- Quality checks on products received from suppliers.
- Monitoring of defects and warranty returns.
- Traceability of product.
- Obtaining ISO 9001 certification, where relevant.
- Product compliance with regulations is checked as part of due diligence for any new acquisition.
- Ensuring employees have appropriate quality-related skills.

Furthermore, potential liabilities are limited as much as possible through terms and conditions of sale and liability insurance cover.

11. Liquidity

Risk Owner:
Chief Financial Officer

Inherent risk level:


Residual risk level:


Residual risk change:
= No change

Risk appetite: Averse

Risk and impact

There is a risk that the Group's cash/funding resources are inadequate to support its activities or there is a breach of funding terms.

For more information on our liquidity target, see the "Cash generation" KPI in the KPI section at page 29.

Risk evolution

Due to the strength of Halma's cash-generation model and the tight controls over liquidity, the residual risk remains low, in line with the prior year. We renewed our syndicated credit facility during the year, which remains at £550m, and now matures in May 2028 and completed a new Private Placement of £330m with a seven year average life. More information is given in Note 27 to the Accounts.

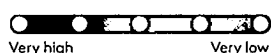
How do we manage the risk?

A clear liquidity management strategy is a core pillar of the Halma financial model. More information is available on page 24.

The strong cash flow generated by the Group provides financial flexibility, together with a revolving credit facility.

Treasury policy and procedures provide comprehensive guidance to the Group and companies on banking and transactions, including required approvals for drawdowns and all new or renewed sources of funding.

Cash needs and the Group cash position are monitored regularly through the review of the 12-month rolling forecast, of the three-years liquidity forecast and of current and forecast covenant compliance. The currency mix of debt is reviewed annually, and on acquiring or disposing of a business.



12. Financial Controls

Risk Owner:
Chief Financial Officer

Inherent risk level:



Residual risk level:



Residual risk change:
= No change

Risk appetite: Averse

Risk and impact

Failure in financial controls either on its own or via a fraud which takes advantage of a weakness, resulting in financial loss and/or misstated reported financial results.

Risk evolution

No significant risk factors have been identified at both inherent and residual risk levels during the year.

We continuously challenge, review and enhance our financial controls and the processes across the Group, which ensure these are effective whilst we continue to closely monitor the developments of the UK Corporate Governance Code.

How do we manage the risk?

Group policies, procedures and guidance are in place, setting out the Group's requirements for financial controls. Companies confirm the effectiveness of their most critical financial controls (including segregation of duties, delegation of authorities and financial accounts reconciliations) every six months through the Internal Control Certification process. The Internal Audit & Assurance Team periodically and independently tests these controls.

Sector and Group finance teams perform regular reviews of financial reporting and indicators. Six-monthly peer reviews of reported results for each company are performed to provide an independent challenge.

Ongoing training of finance personnel (including finance teams of newly acquired companies) on Halma's policies and financial control framework.

Companies' directors have legal and operational responsibilities as they are statutory directors of their companies. This fits with Halma's decentralised model and contributes to ensuring an effective financial control environment is in place.

Viability statement

During the year, the Board carried out a robust assessment of the principal risks affecting the Group, including those that would threaten its business model, future performance, solvency or liquidity. The principal risks and uncertainties, including an analysis of the potential impact and mitigating actions are set out on pages 91 to 97 of the Strategic Report.

The Board has assessed the viability of the Group over a three-year period, taking into account the Group's current position and the potential impact of the principal risks and uncertainties. While the Board has no reason to believe that the Group will not be viable

over a longer period, it has determined that three years is an appropriate period. In drawing its conclusion, the Board has aligned the period of viability assessment with the Group's strategic planning process (a three-year period). The Board believes that this approach provides greater certainty over forecasting and, therefore, increases reliability in the modelling and stress testing of the Company's viability. In addition, a three-year horizon is typically the period over which we review our external bank facilities and is also the performance-based period over which awards granted under Halma's share-based incentive plan are measured.

In reviewing the Company's viability, the Board has identified the following factors which they believe support their assessment:

- 1

The Group operates in diverse and relatively non-cyclical markets with long term growth drivers.
- 2

There is considerable financial capacity under current facilities and the ability to raise further funds if required.
- 3

The decentralised nature of our Group ensures that risk is spread across our businesses and sectors, with limited exposure to any particular industry, market, geography, customer or supplier.
- 4

There is a strong culture of local responsibility and accountability within a robust governance and control framework.
- 5

An ethical approach to business is set from the top and flows throughout our business.

In making their assessment, the Board carried out a comprehensive exercise of financial modelling and stress-tested the model with a downside scenario based on the principal risks identified in the Group's annual risk assessment process. The scenarios modelled used the same assumptions as for the going concern review, as set out on page 167, for the years ending 31 March 2024 and 31 March 2025 with further assumptions applied for the year ending 31 March 2026. The base case reflects the latest forecasts and strategic plans of the business. The downside scenario included a reduction in trading for the year to 31 March 2024 which could be caused by a significant downside event with the addition of impacts from other of the Group's principal risks such as litigation or product failure.

For the years ending 31 March 2025 and 31 March 2026 the downside scenario reflects growth at half the rate modelled in the base case. In both scenarios, the effect on the Group's KPIs and borrowing covenants was considered, along with any mitigating factors. Based on this assessment, the Board confirms that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period to 31 March 2026.

Non-financial information statement

In compliance with the Non-Financial Reporting requirements contained in sections 414CA and 414CB of the Companies Act 2006, the table set out below, and the information it refers to, is intended to help stakeholders understand our position on key non-financial matters. The description of our business model can be found on pages 20 to 25 and stakeholder engagement information can be found on pages 56 to 62.

Policies¹

Due diligence, implementation and outcomes

Environmental

Halma's **Environmental Policy**² and our **Environmental Commitment statement**³ set out our guiding principles and commitments for both internal and external audiences.

Halma's Environmental Policy has been set by the Board, and our Group General Counsel & Chief Sustainability Officer, who chairs our Sustainability Management committee, has principal responsibility for coordinating and monitoring.

We encourage our companies and their suppliers to improve energy productivity, reduce water consumption, waste and emissions and, in terms of materials, to reduce or make more efficient use of them. Focusing on our sustainability pillar of Protecting our environment will help us limit our key environmental impacts including energy consumption, GHG emissions and hazardous and other waste production. Our energy use and emissions performance can be found in the TCFD Statement on page 80 and in more detail in our ESG Data Supplement at www.halma.com.

More information on our programmes to reduce our environmental impact and data is available in the Sustainability section on page 72 and on our website. Our assessment of and response to climate-related risks and opportunities can be found in our TCFD Statement on page 80.

All Halma companies are encouraged to undertake an ISO 14001 environmental management accreditation, where warranted. For the year to 31 March 2023, based on available data reported by our companies, we estimate that approximately 20% of the Group's sites, contributing approximately 24% of revenue, were covered by an ISO 14001 accreditation (2022: 17% sites; 22% revenue).

Risk:

- Natural Hazards, including Climate Change – page 94

Non-financial KPIs:

- Reduction in Scope 1 & 2 emissions - page 31

Anti-bribery and corruption

Halma has a zero-tolerance policy on bribery and corruption, as set out in its **Anti-Bribery and Corruption Policy**^{2,4}, which extends to all business dealings and transactions in which the Group is involved. This includes a prohibition on making political donations, offering or receiving inappropriate gifts or making undue payments to influence the outcome of business dealings.

Our policy and guidance in this area is well understood, routinely reviewed and compliance is checked as part of the half year and year-end control process. There are set criteria for any gifts, hospitality, entertainment and charitable donations including that any gifts, hospitality, entertainment or charitable donations in excess of the thresholds set out in the policy must receive set pre-approval and be recorded in the Gifts and Hospitality Register.

We require customers and suppliers who contract on our standard business terms to comply with anti-corruption and anti-bribery laws and any suspected breaches of compliance with this policy can be reported through the whistleblowing reporting service.

Online anti-bribery and corruption compliance training is mandatory for senior management, all company board directors and other key business personnel. Over 600 employees completed anti-bribery and corruption training during the year ended 31 March 2023.

Risk:

- Non-compliance with Laws and Regulations - page 93

Non-financial information statement continued

Policies ¹	Due diligence, implementation and outcomes
Employees	
The Code of Conduct³ (Code) aims to ensure that Halma maintains consistently high ethical standards globally, while recognising that our companies operate in markets and countries with cultural differences and practices. It is issued to all Halma employees and published on our website. Halma has a group-wide Whistleblowing Policy^{2,4} which applies to all employees and Halma operations as well as joint venture partners, suppliers, customers and distributors relating to our companies. Our Health and Safety Policy² requires companies to manage their activities in a way which avoids causing unnecessary or unacceptable risks to health and safety and provides clear guidelines for our companies on managing health and safety risks to ensure a safe work environment. Our Diversity and Inclusion Policy³ sets out our commitment to building inclusive and diverse companies. Our Equal Opportunities Policy² is a Group policy which promotes equal opportunity for all employees and job applicants and aims to create a working environment in which all individuals are able to make the best use of their skills, free from discrimination or harassment.	Code of Conduct Each officer or employee who joins the Group is required to acknowledge that they have read the Code and understood its importance. The Code was refreshed in 2023 and is being rolled out. Please see page 65 for further details regarding the new Code. Whistleblowing All whistleblowing reports are appropriately investigated and concluded. The Audit Committee receives details of any reports relating to financial misconduct and the Board receives an overview of reports relating to people and culture. We have an independent third-party reporting line, NavexGlobal, for individuals to raise concerns that they are either not able to do so through other channels or would prefer to raise anonymously. Details about the confidential reporting service are available in our Code (which is available on our website, www.halma.com) and SharePoint sites, and are prominently displayed on posters within all of our Group and company locations. Health and Safety The Board monitors health and safety performance, which is collected through the central financial consolidation system, at every meeting. In the event of any accident, the company in which the accident occurred is to review the relevant root cause and ensure that preventative measures are taken, including further training and education of their employees. In line with Halma's autonomous structure, operational responsibility for compliance with local health and safety regulations, including that of suppliers, resides with the board of each company. However, we routinely monitor health and safety performance across the Group and companies are encouraged to seek continuous improvement and to promote a strong health and safety culture. Companies are required to carry out an independent health and safety review every three years to assess compliance and to ensure that there is a consistent and adequate level of reporting and investigation of health and safety incidents across the Group. In addition, our lead global insurer reviews employee and third-party safety and controls at four to five properties per year as part of their rotational assessments. During the year ended 31 March 2023 over 800 employees completed our Group online health and safety training programmes. Based on available data reported by our companies, approximately 17% (2022: 15%) of the Group's sites are covered by ISO 45001 or BS OHSAS 18001 accreditation, a minimum standard for occupational health and safety management best practice. These sites currently contribute approximately 17% (2022: 16%) of the Group's revenue and we continue to encourage our companies to certify to the ISO 45001 standard. Diversity and Inclusion We have identified Diversity, Equity and Inclusion (DEI) as a key societal issue in which Halma can have a strong positive impact. DEI is one of our key focus areas within our Protecting our people sustainability pillar. Further information on health and safety, employee wellbeing and engagement, diversity and inclusion, gender pay gap and training and development, including metrics, can be found in the Our people and culture section on page 66. Page 21 details Halma's cultural genes and DNA.
Risk: • Talent and Diversity – page 91 Non-financial KPIs: • Accident Frequency Rate • Employee Engagement % • Company board gender balance	

Policies¹

Due diligence, implementation and outcomes

Social

Halma has a group-wide **Data Protection Policy**² and Guidance which requires our companies to comply with six key data protection principles, which are Lawfulness, Fairness and Transparency, Purpose Limitation, Data Minimisation, Accuracy, Storage Limitation and Integrity and Confidentiality.

The Group has a policy on **Competition Law**² which is applicable to all employees.

We have a **Conflict Minerals Policy**² which gives guidance to all companies on how to determine whether any of the four minerals, or their derivatives, classified by the US government as "conflict minerals" are contained in any product.

Code of Conduct³, as detailed above.

Code of Conduct

We expect our external business partners and suppliers to be aware of the Code of Conduct and apply similar ethical standards in their operations. Each of our companies is responsible for monitoring the standards of their business partners and suppliers.

Data Protection

Under the Data Protection Policy, all companies are required to have their own Privacy Policy in place which is tailored to their business and local law, relating to the categories of individuals whose personal data they process. Privacy Policies and security measures are required to be reviewed at least annually and tested where appropriate. Our companies are also required to ensure appropriate and robust clauses are included in any contracts with third parties where personal data will be disclosed.

Competition Law

Our companies must confirm that the relevant people in their business are familiar with the Competition Compliance manual as part of the half year and year-end control process. Online anti-competition compliance training is mandatory for senior management, all company board directors and other key business personnel. Over 400 employees completed competition law training during the year ended 31 March 2023.

Conflict Minerals

Our companies are responsible for managing their own supply chains, which includes complying with conflict mineral due diligence requests from their customers where applicable, supported by Group guidance to do so. A number of our companies already confirm that their supply chains are conflict mineral-free, including a number of our largest companies. Historically, we have not collated data on these policies or procedures centrally.

Product safety

Our companies take pride in the quality of their work and are committed to the highest levels of quality and safety standards at every stage of the product life cycle. Given the significant diversity of types of products and end markets, responsibility for complying with relevant product safety and quality requirements and obtaining relevant accreditations and certifications sits with the local, legally constituted company boards. For the year to 31 March 2023, based on available data reported by our companies, we estimate that approximately 62% of the Group's sites, contributing approximately 75% of revenue, were covered by an ISO 9001 quality management accreditation (2022: 60% of sites; 70% of revenue).

Further information on the positive role we play in society can be found in the following sections of this Report.

- Sustainability - page 72.
- Our people and culture, including Water for Life global campaign - page 66.
- Business reviews - page 46.

Non-financial information statement continued

Policies¹

Due diligence, implementation and outcomes

Human rights

Halma is committed to conducting its business ethically and in line with all relevant legislation including human rights laws. Halma has published seven **Modern Slavery Act Statements²** since September 2016, which detail the progressive steps taken annually to tackle modern slavery and human trafficking.

Halma's **Human Rights and Labour Conditions Policy⁴** reflects the core requirements of the Universal Declaration of Human Rights and the Group observes the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work, including the conventions relating to forced labour, child labour, non-discrimination, freedom of association and right to collective bargaining.

The Group Chief Executive has overall responsibility for ensuring that human rights considerations are integral to the way in which existing operations and new opportunities are developed and managed. Compliance with, and respect for, these fundamental principles are integrated throughout our organisation.

All companies have been provided with a detailed guidance note to raise awareness of the Modern Slavery Act and the issue of modern slavery in business and supply chains. Each company is required to consider the potential issue of modern slavery and human trafficking within their business and supply chain and may take varying approaches, such as supplier due diligence, questionnaires and the use of terms and conditions, according to their specific circumstances.

Online compliance training on the Modern Slavery Act has been rolled out to senior management, all company board members and other relevant employees across the Group. Over 550 employees have completed this training during the year ended 31 March 2023. This is an important tool in assisting our business management in raising awareness of the issues and understanding their responsibilities in their operations.

We have onboarded 35 suppliers onto the EcoVadis platform, which assesses suppliers against all aspects of their treatment of their people, and will give additional support over time, particularly to our smaller companies, as they continue to manage modern slavery risks going forward.

Our Modern Slavery Act Statement can be found at www.halma.com.

Managers and supervisors must provide leadership that promotes human rights as an equal priority to other business issues. All employees are responsible for ensuring that their own actions do not impair the human rights of others, and are encouraged to bring forward, in confidence, any concerns they may have about human rights.

Risk:

- Non-compliance with Laws and Regulations – page 96

1 In addition to the Code of Conduct having been refreshed, the following policies referenced in this section have also been refreshed: Whistleblowing, Health and Safety, Data Protection, Competition and Anti-Bribery and Corruption. The main changes have been to streamline and simplify the policies in order to enable easier compliance by Halma's companies, whilst also continuing to meet all applicable legal requirements. The updated policies will come into effect in FY24 at the same time as the new Code of Conduct.

2 Available to all employees of Halma and our companies. Not published externally.

3 Available both on our website at www.halma.com and to employees of Halma and our companies.

4 Included within our Code of Conduct.

The Strategic Report was approved by the Board of Directors on 15 June 2023 and signed on its behalf by:

Marc Ronchetti

Group Chief Executive

Steve Gunning

Chief Financial Officer

Cautionary note: this Strategic Report has been prepared solely to assist shareholders to assess the Board's strategies and their potential to succeed. It should not be relied on by any other party, for other purposes. Forward looking statements have been made by the Directors in good faith using information available up until the date that they approved the Report. Forward looking statements should be regarded with caution because of the inherent uncertainties in economic trends and business risks.

Introduction to governance

Good governance supports sustainable growth



Dame Louise Makin
Chair

This Report outlines the governance framework within which the Company operates, how it has supported the Board's strategic activities during the year and how the Principles set out in the UK Corporate Governance Code 2018 have been applied.

Last year the Board set the following priorities for the year ahead:

- To keep the talent pipeline under review at Executive Board level and one level below.
- Support M&A activity that is aligned to our purpose.
- Further embed sustainability into our business and monitor progress against our non-financial targets.
- Refocus on the Medical Sector strategy, following changes to the leadership structure.

I am pleased to report that we have made good progress against all of these priorities, as follows:

- Appointed Marc Ronchetti as Group Chief Executive from 1 April 2023, to succeed Andrew Williams.
- Appointed Steve Gunning as Chief Financial Officer in January 2023, in place of Marc.
- Completed seven purpose-aligned acquisitions in the year.
- Reviewed climate risks and opportunities and performance against our non-financial KPIs.
- Reviewed the work undertaken to estimate our Scope 3 emissions.
- Agreed our reporting as aligned to the Taskforce for Climate Related Disclosure (TCFD) Framework.
- Renamed our Medical Sector to Healthcare, to more closely align with our purpose and reflect our wider growth ambitions.

Priorities for 2023/24

The Board's priorities for 2023/24 are to:

- Embed Halma's DNA throughout the Group, aligning our culture through the refreshed Executive Board, to maintain our collegiate, purpose-led and growth-orientated management teams.
- Keep supporting our companies to identify, assess and capitalise on sustainability-linked growth opportunities.
- Continue to review Growth Enabler investments to ensure that they are appropriately utilised by our companies and deliver strong returns.
- Revisit our APAC strategy to inform our capital allocation priorities in the region.
- Maintain our focus on purpose-aligned M&A.
- Evolve our ongoing portfolio review to optimise each component for long-term sustainable value creation.

Introduction to governance continued

Board changes

We announced in June 2022, that Andrew Williams would be retiring as Group Chief Executive on 31 March 2023. Prior to Andrew's formal decision to retire, the Board, supported by the Nomination Committee, had conducted a thorough selection process to identify Andrew's successor as Group Chief Executive. The Board were delighted to announce Marc Ronchetti's appointment as CEO Designate and from 1 April 2023, as Group Chief Executive. I would like to thank Andrew for his tremendous contribution to Halma's growth during his 18-year tenure and congratulate Marc on his appointment.

As part of the fulfilment of the executive succession plans, and following a robust selection process led by the Nomination Committee, Steve Gunning was appointed as Chief Financial Officer on 16 January 2023. On behalf of the Board, I am delighted to welcome Steve to Halma.

The planning and execution of these succession plans have provided a smooth transition and continuity in a year of change. As at 31 March 2023 the Board comprised seven non-executive Directors and four Executive Directors.

Shareholder engagement

Following the below 80% vote received on our Remuneration Report and the below 80% vote received on the reappointment of our Remuneration Committee Chair, Jo Harlow, we engaged with our major shareholders and the proxy agencies to better understand the reasons for their votes (if it was against) and any comments or concerns that they held on these two resolutions. Further details on the Remuneration Report vote can be found on page 138 of the Remuneration Report but, from my engagement with shareholders and proxy agencies on the specific objection to the re-election of Jo, the reason that a number of investors voted against her re-election was simply as a result of her position as Chair of the Remuneration Committee, which linked directly to their concerns on the Remuneration Report for the year ended 31 March 2022. I am confident that our engagement – and in particular, an explanation of the rationale for the remuneration decisions made in 2022 which could not refer to the imminent succession plans that were to be executed – has addressed these concerns. The Board is most appreciative of Jo's leadership of the Committee and engagement with shareholders, and unanimously supported all decisions that were made. I, along with my fellow Directors, have absolutely no concerns on Jo's performance as a Director of the Company or in her role as Chair of the Remuneration Committee.

Corporate governance statement

The Company reports against the Financial Reporting Council's (FRC) UK Corporate Governance Code 2018 (the Code), which is available at www.frc.org.uk.

The Board considers that it has applied all Principles, and complied with all Provisions of the Code for the year ended 31 March 2023, with the exception of Provision 38, which requires that pension contribution rates for Executive Directors, or payments in lieu, are aligned to those available to the wider workforce. As reported last year, the Company undertook a review of its UK pension provision in 2021 and consulted with employees. As a result, the pension offering moved from a trust-based plan to a Master Trust arrangement which offered members more competitive management charges, more options at retirement and improved member communications and retirement planning tools. We also took this opportunity to improve the employee and employer contribution structure which meant that all UK employees could receive more for lower employee contributions and all employees could receive up to 10.5% of their salary as an employer contribution. To align with the Code, the Executive Directors voluntarily agreed for their cash-in-lieu of pension to be reduced to 10.5% of salary from 1 January 2023, which equalises the pension offering across all employees in the UK. Therefore, whilst we were not fully compliant for the full financial year, we have been compliant for the three month period to 31 March 2023 and will be fully compliant for the year to 31 March 2024.

Conclusion

I hope that you will find the information in this Report helpful in understanding our approach to governance and how we have applied the Principles of the Code.

We believe that our organisational structure and governance framework enables our companies to operate effectively and with agility – which means we can continue to deliver value through our sustainable growth, returns and positive impact for the benefit of all of our stakeholders.

Dame Louise Makin

Chair

15 June 2023

The Company's application of the Code

Links

Board Leadership and Company Purpose

Halma is a purpose-driven company – growing a safer, cleaner, healthier future for everyone, every day – and is led by an effective and entrepreneurial Board, whose objective is to promote the long-term success of the Company by generating value for shareholders and benefitting our wider stakeholders. The Group achieves this through its autonomous, decentralised operating model and maintains effective engagement channels with its stakeholders to consider their needs and the impact of decisions when realising strategic objectives.

The Board leads by example in promoting the desired culture, values and purpose-aligned strategy and has put in place policies and practices to support this.

The Board operates within a framework of prudent and effective controls, which complements its autonomous structure. The Board annually reviews and approves the Budget and monitors capital allocation throughout the year.

- Sustainable Growth Model **p18**
- Roles and Responsibilities **p120**
- Board Governance Structure **p110**
- Our stakeholders, s.172(1) compliance statement and Board decision-making **p56-p65**

- Company purpose, values and culture **p20**
- Engagement with our people **p56**
- Resources, governance and control frameworks **p111**
- Board Governance Structure **p110**
- Audit Committee Report **p128**
- Risk management and internal control **p88**

Division of Responsibilities

The Board has clearly defined roles and responsibilities. The Chair, who was independent on appointment, and continues to retain objective judgement, monitors the effectiveness and independence of Board members, whilst fostering an open culture of debate.

- Roles and Responsibilities **p120**
- Board Governance Structure **p110**
- Board of Directors **p166**
- Independence and objective judgement **p121**

Composition, Succession and evaluation

The Board, supported by the Nomination Committee, has an established approach for succession and for evaluating candidates for Board positions – which ensures that there is an appropriate mix of diversity, skills and experience on the Board.

- Nomination Committee Report, including Board and Committee evaluations, skills matrix, appointment and induction processes and diversity **p122**

Audit, Risk and Internal Control

The Board confirms that there is an ongoing process for identifying, evaluating and managing the emerging and principal risks faced by the Group and for determining the nature and extent of the risks it is willing to take in achieving its strategic objectives. The Board has undertaken a robust assessment of the Group's emerging and principal risks during the year under review and up to the date of this Report. The Board continues to improve and embed controls and to keep systems under review to ensure that the internal control and risk management framework remains fit for purpose.

- Risk management and internal control, including principal and emerging risks **p88**
- Audit Committee Report, including fair balanced and understandable assessment **p128**

Remuneration

The Board has established a Remuneration Committee which has delegated responsibility for setting the policy for executive remuneration, to support the strategy and long-term sustainable growth of the Company. The Board exercises independent judgement when authorising remuneration outcomes. The Remuneration Committee Report describes the work of the Committee during the year and sets out how executive remuneration is aligned to our purpose and supports our strategy. The Report also describes how the Committee has considered workforce remuneration and how executive remuneration aligns with wider Group pay policies.

- Remuneration Committee Report **p136**

Board of Directors



Dame Louise Makin
Chair

Appointed: February 2021
(July 2021 as Chair)

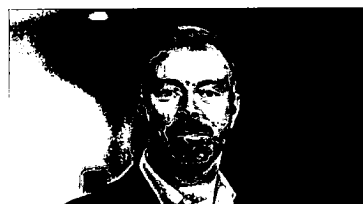
Louise is an experienced executive and board director, having led businesses across multiple sectors. She was the Chief Executive Officer of BTG plc, the international specialist healthcare company, from 2004 to 2019. Louise led the transformation of the company through a combination of organic growth and acquisitions, and significantly increased its market capitalisation before its sale in 2019. She previously served as a non-executive Director of Premier Foods plc, Woodford Patient Capital Trust plc and Intertek Group plc, and as a director of several not-for-profit organisations. Louise brings a wealth of leadership and international experience to the Board.



Marc Ronchetti
Group Chief Executive

Appointed: July 2018
(April 2023 as Group Chief Executive)

Marc joined Halma in 2016 as Group Financial Controller. He was promoted to the plc and Executive Board as Chief Financial Officer in July 2018 and became Group Chief Executive in April 2023. Marc brings a proven ability to drive business growth. He has played a vital role in evolving the Groups Sustainable Growth Model, purpose and culture and has overseen a significant number of acquisitions whilst supporting Halma's companies to grow. Marc was previously Finance Director of the UK operations of Wolseley plc (now Ferguson plc) and prior to that held various group and divisional roles at Inchcape plc.



Steve Gunning
Chief Financial Officer

Appointed: January 2023

Steve joined Halma in 2023 as Chief Financial Officer. He was previously CFO of International Airlines Group and prior to that held several senior commercial and finance roles within IAG, including CFO of British Airways and Chief Executive of IAG Cargo. Steve was also a non-executive Director at FirstGroup plc. Earlier in his career, Steve worked in range of finance and audit roles in the UK and US at PricewaterhouseCoopers.



Andrew Williams
Executive Director

Appointed: July 2004
(February 2005 as Group Chief Executive)

Andrew joined Halma in 1994 as Manufacturing Director of a Halma company, becoming its Managing Director in 1997. He joined Halma's Executive Board in 2002 and served as Group Chief Executive between February 2005 and March 2023. Andrew has proven his ability to grow and acquire companies globally while evolving the Group portfolio for sustainable growth and high returns. He brings clear strategic leadership to the Board and has a deep understanding of our companies and the Group's stakeholders. He is a Chartered Engineer. Andrew served as a non-executive Director of Capita plc from January 2015 until May 2021. Andrew will step down from the Board on 30 June 2023.



Jennifer Ward
Group Talent, Culture and Communications Director

Appointed: September 2016

Jennifer joined the Halma Executive Board in March 2014 and has global responsibility for talent and culture as well as internal and external communications and brand across Halma. She became a Board member in September 2016. Prior to joining Halma as Group Talent Director, Jennifer spent over 15 years leading Human Resources, Talent and Organisational Development for divisions of PayPal, Bank of America and Honeywell. Jennifer brings a wealth of experience to the Board to ensure we secure and develop talent ahead of our growth needs and build a sustainable culture of high performance.

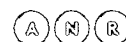
External appointments:
Diploma plc



Tony Rice
Senior Independent Director

Appointed: August 2014
(July 2015 as Senior Independent Director)

Tony was Chief Executive Officer at Cable & Wireless Communications plc and Tunstall plc and held a number of senior roles at BAE Systems plc. Tony was Chair of Ultra Electronics Holdings plc, Dechra Pharmaceuticals plc and served as a non-executive Director of Spirit Pub Company plc, where he was Senior Independent Director and Remuneration Committee Chair. Tony brings a wealth of board level experience at UK listed companies, internationally and in regulated industries to his role as Senior Independent Director.



**Jo Harlow**

Independent non-executive Director

Appointed: October 2016

Jo has significant international experience, gained most recently as Corporate Vice President of the Phones Business Unit at Microsoft. She previously worked at Nokia as Executive Vice President of Smart Devices. Before her move into consumer electronics, Jo worked in strategic marketing at Reebok and Procter & Gamble. Jo brings a wealth of expertise to the Board in digital, technology, sales and marketing. Jo was previously a Member of the Supervisory Board at Ceconomy AG.

External appointments:

InterContinental Hotels Group plc
J Sainsbury plc
Chapter Zero

**Roy Twite**

Independent non-executive Director

Appointed: July 2014

Roy is Chief Executive of IMI plc, having been appointed to the IMI Board in February 2007. During his career with IMI, Roy has held several senior management roles including Managing Director of IMI Norgren UK (2001), President of IMI Hydronic Engineering (2004), President of Retail Dispense (2007) and President of IMI Precision Engineering (2009) and Divisional Managing Director of IMI Critical Engineering (2011). Roy brings wide-ranging knowledge of the engineering sector along with extensive management and operational experience.

External appointments:

IMI plc, Executive Director

**Dharmash Mistry**

Independent non-executive Director

Appointed: April 2021

Dharmash is an experienced technology venture capitalist, entrepreneur and non-executive director. He was formerly a Partner at Balderton & Lakestar, an executive at Emap PLC and worked earlier in his career at The Boston Consulting Group and as a Brand Manager at Procter & Gamble. Dharmash was formerly a founder of blow LTD, which he chaired, and has served as a non-executive Director at The British Business Bank, BBC, Hargreaves Lansdown PLC and Dixons Retail PLC.

External appointments:

The Premier League
Rathbones Group plc

**Sharmila Nebhrajani OBE**

Independent non-executive Director

Appointed: December 2021

Sharmila has sectoral specialisms in health, media and sustainability. She served with the BBC for 15 years, latterly as Chief Operating Officer of BBC New Media, and most recently was Chief Executive of Wilton Park an ambassador level policy development role in the UK Foreign and Commonwealth Office focused on global health, climate risk and national security. Her other executive board positions include Medical Research Council, the Association of Medical Research Charities and the NHS and she was appointed OBE for services to medical research. She is a qualified chartered accountant.

External appointments:

ITV plc
Severn Trent plc
Coutts & Co
National Institute for Health and Care Excellence

**Carole Cran**

Independent non-executive Director

Appointed: January 2016

Carole was Chief Financial Officer of Aggreko plc until December 2017, prior to which she held a number of senior finance roles within that group. Previously, she worked at BAE Systems plc in a range of senior financial positions, which included four years in Australia. Carole commenced her career in the audit division of KPMG where she qualified as a Chartered Accountant. Carole has extensive financial experience and has a strong focus on governance and risk.

External appointments:

Forth Ports Limited, Executive Director

**Committee Membership**

A Audit Committee
N Nomination Committee
R Remuneration Committee

● Chair of Committee
○ Member of Committee

Note: unless otherwise stated all external appointments are non-executive roles.

Executive Board



01

Steve Gunning
Chief Financial Officer

See page 106 for biography

02

Jennifer Ward
Group Talent, Culture and
Communications Director

See page 106 for biography

03

Steve Brown
Sector Chief Executive, Healthcare

Steve joined Halma in 2015 and was appointed to the Executive Board in November 2021. Prior to his appointment, Steve was Divisional Chief Executive of Halma's Environmental & Analysis Sector, Divisional Chief Executive for the Safety Sector and Managing Director of Apollo, one of Halma's largest companies.

04

Catherine Michel
Chief Technology Officer

Catherine joined Halma as its first Chief Technology Officer in September 2019. She has global responsibility for fostering the digitalisation of our companies' products and our underlying business operations.

05

Constance Baroudel
Sector Chief Executive,
Environmental & Analysis

Constance was appointed to the Executive Board in April 2021. She joined Halma as Divisional Chief Executive, Medical & Environmental in August 2018.

06

Funmi Adegoke
Group General Counsel &
Chief Sustainability Officer

Funmi joined Halma's Executive Board in September 2020. She has global responsibility for the Group's legal, risk and compliance affairs, oversees the company secretariat function and has principal responsibility for our sustainability activities.



07

Aldous Wong

President of Halma Asia Pacific,
Adviser to the Executive Board

Aldous was appointed as President of Halma Asia Pacific in January 2022, becoming the senior leader for the region and an adviser to the Executive Board.

08

Andrew Williams
Executive Director

See page 106 for biography

09

Inken Braunschmidt

Chief Innovation and Digital Officer

Inken joined Halma and was appointed to the Executive Board in July 2017 and is responsible for driving Halma's Digital and Innovation Strategy.

10

Marc Ronchetti

Group Chief Executive

See page 106 for biography

11

Wendy McMillan

Sector Chief Executive, Safety

Wendy was appointed to the Executive Board in April 2021. She joined Halma as a Divisional Chief Executive in the Safety Sector in February 2018.

12

Please see our website,
www.halma.com,
for full biographies

Corporate Governance Report

Board Governance Structure

Board

Sets the Group's purpose and provides strategic leadership to the Group within a framework of robust corporate governance and internal control, monitors diversity, culture and the values that are embedded throughout our business to deliver long-term sustainable growth for the benefit of our shareholders and other stakeholders.

Board Committees

Nomination Committee

- Reviews the size, balance of skills and diversity and composition of the Board and Committees.
- Leads the Board's succession planning and keeps the senior leadership needs of the Company under review.
- Oversees the development of a diverse succession pipeline.
- Oversees the Board and Committee evaluations.

To learn more see page 122

Audit Committee

- Monitors the integrity of financial statements, including significant financial judgements or estimates and ensures that the Annual Report is fair, balanced and understandable.
- Oversees the system of internal control and risk management.
- Monitors the effectiveness of the Internal Audit function.
- Reviews external Auditor independence and performance.
- Leads the audit tender process.

To learn more see page 128

Remuneration Committee

- Keeps under review the framework and Policy on Executive Director and senior management remuneration (including benefit arrangements).
- Recommends to the Board the design, targets and framework for senior management performance-related pay and share awards.
- Approves service contracts for Executive Directors.
- Reviews workforce remuneration policies and alignment with culture.

To learn more see page 140

Share Plans Committee

- Actions and administers share award grants and vestings, following approval by the Remuneration Committee.

Bank Guarantees and Facilities Committee

- Agrees and approves arrangements for issuing guarantees, indemnities or other support for bank loans and other financing facilities.

Acquisitions and Disposals Committee

- Reviews and approves the final terms and structure of acquisitions or disposals which have been agreed in principle by the Board.

Management Committees

Executive Board

- Develops strategy and monitors operational, financial and non-financial performance - including sustainability matters.
- Drives the strategic priorities across all sectors and functional areas, such as finance; talent, culture and communications; legal and compliance; innovation and digital; technology and IT.
- Leads group-wide initiatives.
- Reinforces the Group's operational and governance structures and acts as a forum for management decisions.
- Reports back to the Board via the Group Chief Executive.
- Biographical information for each Executive Board member is available on our website www.halma.com

Sustainability

Management committee

- Provides oversight and strategic and operational direction into sustainability-related workstreams.
- Reviews and recommends appropriate sustainability-related governance.
- Takes primary responsibility for identification and management of climate-related risks and opportunities at a Group level.
- Reports back to the Executive Board via the Group General Counsel & Chief Sustainability Officer.

Investment committee

- Provides governance, support and challenge to Halma Ventures and advises on Group strategy for making minority investments and other opportunities that offer Halma access to new technology and capabilities.
- Reviews and approves investment proposals for up to £10m (being the Group Chief Executive's delegated authority limit).
- Reviews financial performance and strategic value of investments against established criteria and considers the exit or acquisition strategy, as appropriate.
- Reports back to the Executive Board via the Group Chief Executive.

Corporate Governance Report

The role of the Board and value creation

The Board's role is to provide entrepreneurial leadership, within a framework of prudent and effective controls, that promotes the interests of the Company over the long term for the benefit of its stakeholders. The Board sets the Group's strategic goals and has ultimate responsibility for its management, direction and performance. The Company's Articles of Association set out the Board's powers and the Board has adopted a formal schedule of matters reserved solely for its decision and certain decision-making and monitoring activities are delegated to Board Committees or management committees. The full list of matters reserved for its decision can be found at www.halma.com.

Halma has a primary duty to generate and preserve value over the long-term for its shareholders whilst considering its wider stakeholders and positively contributing to society. Details of the Company's strategy and business model, together with its stakeholder considerations can be found in the Strategic Report. The activities of the Board during the year are set out on the following pages.

Resources, governance and control frameworks

As a decentralised organisation, it is critical that Halma's governance and control framework is robust, clearly defined, well communicated and operating effectively to support the Company in the delivery of its strategy. The Board has established three principal Committees (Audit Committee; Nomination Committee; Remuneration Committee) which review and monitor specific areas on behalf of the Board and make recommendations for its approval. Each Board Committee operates under written terms of reference which are approved by the Board and are made available at www.halma.com. The Chair of each Committee reports to the Board on their activities after each meeting and once the minutes have been approved by the Committee, they are circulated to all Board members. Further information on the composition, role and activities of each Committee is set out in the respective Committee Reports.

There are additionally three topic specific committees, typically chaired by the Group Chief Executive, to which it has delegated certain powers to negotiate, review and administer matters (Share Plans Committee; Bank Guarantees and Facilities Committee; Acquisitions and Disposals Committee) and three management committees (Executive Board; Sustainability Management committee; Investment committee) which have been established to review and make decisions on strategic and operational matters.

The Board sets the Company's strategy, the execution of which is delegated to the Executive Board, chaired by the Group Chief Executive, which monitors progress against the Group's strategic objectives and reviews operational and business performance. A summary of the responsibilities of the Board, each Board Committee and for each management committee is set out on page 110.

The foundation of our business model is the autonomy that our businesses enjoy. To support this autonomy, while retaining oversight and control from a Group perspective, companies must comply with Halma's suite of financial and non-financial policies and procedures and provide confirmation of compliance with key controls half yearly. The Group's policies set out our requirements in the areas of financial reporting and internal control, health and safety, ethics, human resources, IT, data privacy, and legal and compliance. These policies are made available to all employees via a dedicated SharePoint site.

An authority matrix sets out the matters that are reserved for decision by the Board, those that can be approved by the Group Chief Executive and the financial authority that has been delegated to Executive Board members, the Divisional Chief Executives (DCEs) and to company managing directors. This approach ensures that companies have a clear framework within which they can operate and balances autonomy with the need for oversight and control.

Each company in the Group has its own board of directors which meets regularly to fulfil its legal duties and to maintain operational and financial management of the company's affairs. Each DCE chairs the company board in their subsector portfolio and meets with the Executive Board at least three times per year. The DCEs also provide a written report on the financial and business performance, including areas such as talent, culture, diversity and sustainability, to the Executive Board members and Halma's Chair on a regular basis.

The Sector Chief Executives (SCEs) hold regular sector board meetings, attended by the sector's DCEs and finance, legal, talent and M&A leads, which provide a valuable forum for review of sector wide strategy, financial and operational performance, talent and culture, diversity, sustainability, M&A, and legal and compliance. The governance structure of our companies, sectors and Board is set out on page 3.

Corporate Governance Report continued

Board operations and activities

The Board schedules six meetings per year but will meet or pass resolutions, as required, to deal with urgent matters and event-driven items such as acquisitions and trading updates. All Directors receive an agenda and meeting papers in the week prior to the Board meeting. Papers are delivered via an electronic board portal for security and efficiency.

Board meeting attendance

During the year, attendance by Directors at scheduled Board meetings was as follows:

Board attendance	Eligible	Attended
Dame Louise Makin	6	6
Marc Ronchetti ¹	6	5
Steve Gunning ²	2	2
Andrew Williams	6	6
Jennifer Ward	6	6
Carole Cran	6	6
Jo Harlow	6	6
Dharmash Mistry	6	6
Sharmila Nebhrajani OBE	6	6
Tony Rice	6	6
Roy Twite	6	6

1 Marc was unable to attend one meeting as he was on the residential executive programme at Stanford Graduate School of Business.

2 Steve joined the Board on 16 January 2023.

Timeline of key Board activities

2022

April

- Acquisition of Deep Trekker.

June

- Full year results.
- Announcement of retirement of Andrew Williams and appointment of Marc Ronchetti as CEO Designate.
- Recommendation of final dividend.

July

- Annual General Meeting.

September

- Strategy meeting.
- Trading update.
- Acquisition of IZI Medical.

2023

January

- Steve Gunning appointed as Chief Financial Officer.
- Board and Committee evaluation process agreed.

November

- Half Year results.
- Declaration of interim dividend.

October

- Acquisition of WEETECH.

February

- Acquisition of Thermocable.

March

- Trading update.
- Annual Budget approved.
- Board evaluation feedback.
- Acquisition of FirePro.

May

- Acquisition of Sewertronics.

June

- Full year results.
- Recommendation of final dividend.

How the Board supports our companies through our Growth Enablers

The Board supports the evolution of Halma's growth strategy and the development of its Growth Enablers, which help to allocate human and capital resources, to ensure that our sectors and companies continue to invest organically and through acquisition to deliver sustainable growth over the long term.



Mergers and Acquisitions (M&A)

- The Board sets a clear strategy which includes a significant growth element being delivered through standalone M&A and bolt-on acquisitions to our companies.
- Through the annual Budget process, key resources, both in terms of people and financing, are made available by the Board to ensure that we can deliver on this strategic priority.
- The M&A pipeline is reviewed at each Board meeting and all material acquisitions (those with a maximum consideration in excess of £10m) are subject to its approval. Prior to approval, the Board will review the proposed value creation strategies and, post-acquisition, it receives insight on the financial and operational performance of newly acquired businesses.



International Expansion

- All major changes, material financial commitments or new business developments – such as significant expansion into a new territory – are considered by the Board and are matters reserved for its decision.



Talent and Culture

- The Board receives regular updates from Jennifer Ward, Group Talent, Culture and Communications Director on areas including the talent pipeline, diversity, equity and inclusion initiatives and employee engagement.
- Talent discussions are a key feature at each Nomination Committee meeting and monitoring the Group's culture, diversity, equity and inclusion is an important role for the Board.



Finance, Legal and Risk

- The Board has established a clear and robust framework to control financial investment, oversee financial performance and reporting, and to manage risks and opportunities. It annually assesses risk management and internal control systems.
- The Board has an established legal and compliance framework to enable companies to maintain their autonomy and agility while leveraging the scale of Halma to get consistent, quality advice at competitive rates through a panel of preferred external law firms.



Digital Growth

- The Board takes a close interest in Halma's desire to expand its digital capability and supports R&D within our companies through Board presentations and non-executive Director interactions with management. Our companies can leverage the skills and experience from our non-executive Directors with digital expertise.



Innovation Network

- The Board share their deep and diverse knowledge and experience with senior management and company personnel throughout the year, through both formal and informal events and interaction – enabling our companies to leverage the breadth of their network and obtain support, guidance and contacts in areas which are new to them.



Strategic Communications and Brand

- A key focus in the Board's Budget approval process is to allocate capital to resource the central and sector teams to support our companies in developing market-leading positions by connecting with customers through their brand, marketing, product positioning and the effective use of all media channels.

Governance in action

1.

Talent and leadership

In June 2022, we announced that after 18 years of outstanding leadership, Andrew Williams would retire as Group Chief Executive on 31 March 2023. Supported by the Nomination Committee, the Board executed its succession plans and, following a rigorous selection process, appointed Marc Ronchetti as CEO Designate and ultimately as Group Chief Executive from 1 April 2023. During the appointment process the Board considered factors such as alignment with Group culture and the evolution of Halma's Sustainable Growth Model, as well as the impact on employees, investors and wider stakeholders.

To enable an orderly transition from the role of Chief Financial Officer to Group Chief Executive, Steve Gunning was appointed in January 2023 as Chief Financial Officer. Further details of the appointment and induction process can be found in the Nomination Committee Report.

The Directors attended the Accelerate Halma conference in October 2022, which was held in person for the first time since the COVID pandemic. The conference brought together our top 350 leaders, under the theme of "connected for growth". The event showcased our companies and provided opportunities for our companies to understand our business model, connect with other companies, leverage skills from other leaders and explore challenges and opportunities together.

Additionally, during the year, and as an output to the 2022 Board evaluation, a targeted process to facilitate the way in which our companies can access and leverage the specialist skills of the non-executive Directors was developed and implemented. This further enhances the role the Board plays in supporting the Innovation Network Growth Enabler.

2.

Strategy and growth

The Board reviewed and considered significant acquisition opportunities (those with a consideration of over £10m) throughout the year, resulting in the successful completion of five acquisitions, namely FirePro, Thermocable, WEETECH, IZI Medical and Deep Trekker, details of which can be found in the Strategic Report. A further two acquisitions completed during the year, which did not require Board approval. The Board assessed the alignment of each target acquisition with the Group's purpose and strategy and, following approval and completion, will continue to monitor the integration of these companies into the Group.

The Board sets and approves its priorities at the start of each financial year. The Board's priorities for 2023 included M&A, talent, sustainability, investment in R&D and infrastructure. These priorities are driven by the Executive Board across all sectors and functional areas and the Board monitors their progress at each Board meeting.

In September 2022, the Directors attended the Company's annual strategy meeting, which brings together the Board and Executive Board to undertake an in-depth review of Company strategy, considering both past performance, future trends and opportunities, as well as macroeconomic and geopolitical influences.

3.

Risk, legal and finance

The Board received regular reports on risk, finance and legal matters throughout the year and, following the appointment of the Director of Risk & Compliance, and the subsequent separation of the Internal Audit and Risk functions, closely monitored the evolution of these responsibilities.

The Board received several risk updates and deep dives throughout the year particularly in light of the current geopolitical and macroeconomic environment, see page 89. Development of our Risk and Compliance function, as well as details of our Internal Audit activities can be found on page 134.

In discharging its duty to ensure adequate resources are in place, the Board reviewed and approved the annual Budget for 2024, and monitored progress against the 2023 Budget, ensuring capital allocation remained appropriate against our strategic priorities.

4.

Governance and stakeholders

The Board received regular updates on governance practices and approved matters such as the Group's annual Modern Slavery Act statement, as well as financial matters such as the Group's going concern and viability statement during the year. The Board reviewed and approved a refreshed Code of Conduct "Just be a good person" in March 2023, which is being rolled-out across the Group.

The Board conducted its annual Board and Committee evaluations by way of internal questionnaires and discussed outputs and agreed actions for the year ahead, whilst monitoring progress against actions identified in the prior year. Full details of the Board evaluation can be found in the Nomination Committee Report and the Committee evaluations are covered in their respective Reports. Additionally the Board's independence and conflicts of interest were considered and approved in the year.

The Board places great importance on its relationships and interactions with its various stakeholders, as detailed on page 56. Board members held numerous engagement sessions with shareholders during the year and, having considered internal and external factors and implications, has recommended a final dividend for approval by shareholders at the Annual General Meeting.

Corporate Governance Report continued

Company purpose, values and culture

Our strategy is powered by our purpose of growing a safer, cleaner, healthier future for everyone, every day and is focused on acquiring and growing businesses in global niche markets, in the areas of safety, health and the environment (further details are set out in the Strategic Report).

Our corporate culture is an essential component of our strategy and is embedded within Halma's DNA through our cultural and organisational genes. Our inclusive culture across our business brings competitive advantage to the Group and is encapsulated within our Talent & Culture Growth Enabler. It is vital that we protect the unique cultural genes that we have in order to grow our business sustainably and deliver on our purpose (see page 21 for more information on Halma's DNA and cultural and organisational genes).

It is essential that the Board and executive management act in a constructive and respectful manner, exhibiting the tone that we expect across our Group. We consider that this culture promotes good governance across our companies and empowers people to make good and ethical business decisions.

Establishing and promoting culture

The Board ensures that the Company's purpose and DNA are aligned to its culture and strategic objectives. Our employees are key to delivering our success and by fostering a collaborative and inclusive culture our people are unified by our purpose and aspire to deliver our strategic ambitions. Our positive culture is demonstrated through the 76% overall employee engagement score achieved from our annual engagement survey this year and the strong leadership and talent at Halma.

Our robust risk and governance framework provides a base from which our culture can be embedded across all levels of our business and the Board periodically reviews workforce policies and our Code of Conduct.

Our Code of Conduct is underpinned by our culture and stipulates the expected behaviours and corporate culture that we require all employees to display. It provides a plain language summary on anti-bribery and corruption, insider dealing, conflicts of interest, modern slavery and human trafficking. It also sets out information on how employees can raise concerns via management or the independent third party confidential reporting service, operated by NavexGlobal. Halma's Code of Conduct must be signed by every employee when they join the company and signed again periodically thereafter. We recently refreshed our Code of Conduct, which was approved by the Board in March 2023, and is being rolled-out. The Code of Conduct is available from our website at **www.halma.com**.

The Board takes health and safety matters very seriously and accident statistics are reported to the Board at each meeting. This enables the Board to assess the effectiveness of health and safety practices and behaviours within the Group. Health and safety is one of our non-financial key performance indicators (see page 31 for more information). The Board approved a revised Health and Safety Policy, applicable to both the Group and our companies in the year under review, which is currently being rolled-out. The Directors made a number of business site visits during the year, which provides them with a first-hand experience of the workplace environment and culture, particularly around health and safety. Directors report their observations from all site visits to the Board and the relevant Sector Chief Executive and Divisional Chief Executive.



Find out more information on our website
www.halma.com/who-we-are



Find out more information in the
Our people and culture section

How the Board has engaged with employees to monitor culture

Engagement mechanism	How the Board monitored culture and insight gained	Outcomes in 2022/23
Company site visits and employee events	Throughout the year our executive and non-executive Directors have undertaken a total of 65 site visits to our companies, which have provided invaluable insight into how our culture permeates throughout our decentralised, autonomous structure. Directors engaged with employees on matters such as executive and wider workforce remuneration, company culture, purpose, health and safety and diversity, equity and inclusion, and provided feedback to the Board and management following each visit. In October 2022 we held our first in-person Accelerate Halma conference since the COVID pandemic. The event provided an opportunity for our non-executive Directors to interact with colleagues in an informal setting, which included a non-executive Director hosted breakfast with company-wide employees. Read more on page 58.	We developed a non-executive Director company visit guidance document, which sets out areas which Directors might engage on during their visit. This was implemented and embedded successfully during the year and provided a useful framework and objective to each site visit.
Annual employee engagement survey	The Group's annual engagement survey results are a good indicator of sentiment across the Group and provide insights at a company and Group function level. A summary of the survey results is reviewed by the Board and areas for improvement discussed. The results are shared and focus sessions with employees are held to discuss the results and gather feedback on areas for improvement - which helps to shape and drive company/function specific action plans. Employee engagement is one of our non-financial key performance indicators (see page 30 for more information).	We were pleased to achieve a 76% overall engagement score in 2023. Read more on the outcomes of our employee engagement survey on page 66.
Board, Committee and strategy meetings	The Board receives reports throughout the year on whistleblowing, talent and retention, employee engagement survey results, health and safety matters as well inviting senior employees to present at the Board or attend events with the Directors, all of which provide insights into employee sentiment and culture.	The Board kept under review talent and retention, employee engagement, and concerns of the workforce during the year.
Whistleblowing	The Board has put in place procedures for employees to confidentially raise matters of concern, either with management or through our dedicated confidential reporting hotline. All workforce concerns that have been raised are reviewed at each Board meeting, including updates on previous investigations and the action that has been taken where reports are founded.	The Board have continued to monitor all workforce concerns raised throughout the year, which provide useful insights into the culture across the Group.
Policies and practices	Our workforce policies and Code of Conduct are underpinned by our values and culture. Each of our employees is required to read and sign the Code of Conduct upon joining and to adhere to our workforce policies. The Board periodically reviews these policies to ensure they remain appropriate and aligned with our purpose, values and culture.	During the year the Board approved refreshed policies, including the Code of Conduct and Health and Safety Policy.
Investing in and rewarding employees	The Remuneration Committee regularly considers wider workforce remuneration, including gender pay gap data across the UK and the US. A particular focus has been on how our companies are supporting employees during the cost-of-living crisis (see further details in the Remuneration Report). Our employee share schemes and bonus/profit sharing plans are designed to benefit the wider workforce and incentivise our employees to contribute to the success and performance of the Company. Non-executive Directors engage with employees on areas of executive remuneration at company visits, and continue to offer employees the opportunity to discuss remuneration matters further. Feedback from such visits is reported to the Board for discussion.	The Board received updates on initiatives put in place locally to assist employees in the cost of living crisis and on the implementation of the UK Real Living Wage across our UK companies. Non-executive Directors engaged with employees during the year, on remuneration and other matters, through site visits and at the Accelerate Halma conference.

Engagement with employees

The Code sets out three prescribed ways in which the Board should engage with its workforce, or, where one of these methods is not adopted, an explanation must be provided on the alternative engagement methods used and the reasons for adopting that approach. Due to the Company’s decentralised operating model and the geographic spread of our companies, we have implemented alternative engagement methods, which we believe are more fitting, and effective, for our structure and culture – as outlined below.

The Board utilises a number of different methods of engagement, both directly and indirectly, with employees to foster and promote a two-way dialogue and to provide a critical means of monitoring culture, as set out below.

There are frequent opportunities for the employee voice to be relayed to the Board via company management, the annual engagement survey, through site visits, company events and reporting of workforce concerns raised via the confidential reporting service with NavexGlobal.

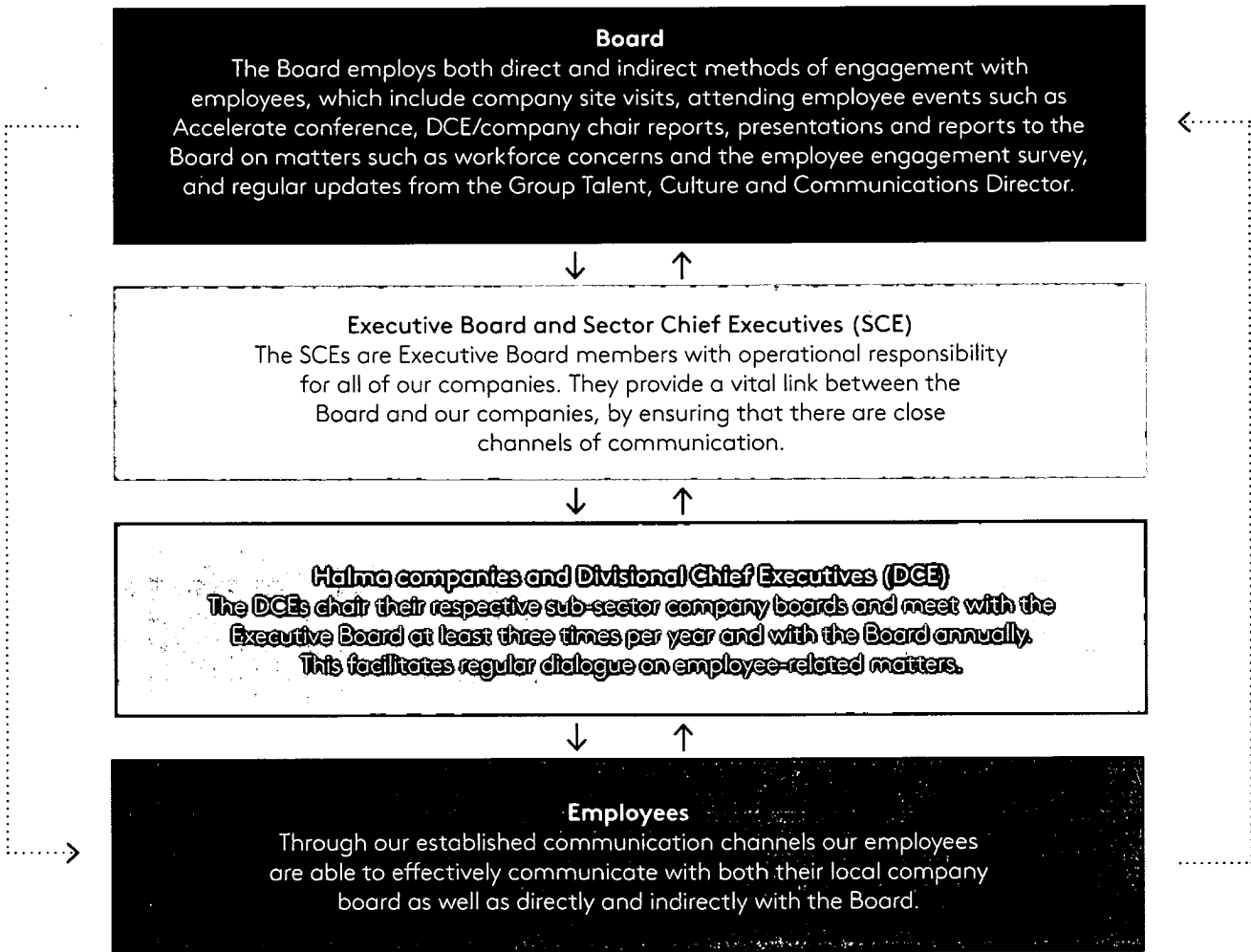
In addition, we consider that engagement by the local company board with their own workforce, as well as the engagement by the Board through these mechanisms, provides an effective platform for clear and open communication with our global employee base. To support this, we have also put in place reporting mechanisms such that concerns and feedback raised at the company level is fed back to the Board.

The Board strongly believes that its mechanisms for engaging with our employees are appropriate for our decentralised structure and are an effective means of bilateral engagement with our colleagues.

Engagement with other stakeholders

The Board considers its investors, debt holders and other stakeholder groups in its decision-making and our interaction with key stakeholders is set out on pages 56 to 62 of the Strategic Report.

Our employee engagement framework



Case study

Non-executive Director site visit

In June 2022, our Senior Independent Director, Tony Rice, visited Ramtech, based in Nottingham. Ramtech joined the Group in August 2021 and sits within the Safety Sector as a provider of wireless solutions designed to save lives, protect assets and gain insight.

Hosted by the Ramtech board of directors, Tony received a tour of the offices, where he met with colleagues, and gained insight into the day-to-day operations and culture of the business.

Tony received presentations on growth, product innovation and operations, following which he facilitated a roundtable discussion, comprised of a group of employees across HR, marketing, engineering, logistics and customer services. The group were keen to provide background to their roles and life at Ramtech, and discuss wide-ranging matters including the benefits of becoming part of the Halma Group. Discussions were positive and highlighted the alignment of vision, values, purpose and culture between Ramtech and Halma, and, as a recently acquired business, provided employees with further background to Halma and how it can offer support.

As is our usual process, following the event Tony reported back to the Board on his visit to Ramtech and noted that employees had been welcoming and engaging and that the visit had presented an excellent opportunity to experience first-hand the cultural fit with Halma and a better understanding of the business.



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My visit to Ramtech was informative and engaging, demonstrating the strengths of the business and its alignment with our vision, purpose, values and culture. I look forward to observing the capabilities that the company will bring to the Group.

Tony Rice
Senior Independent Director



Corporate Governance Report continued

Roles and Responsibilities

The executive and non-executive responsibilities are clearly defined, set out in writing and are regularly reviewed by the Board. The roles and responsibilities of Board members are set out below.

Chair's responsibilities

Governance

- Promoting high standards of corporate governance.
- Leading, chairing and managing the Board.
- Ensuring all Board Committees are properly structured and operate with appropriate terms of reference.
- Regularly considering the composition and succession planning of the Board and its Committees.
- Ensuring that Board and Committee performance is evaluated on a regular basis.
- Ensuring adequate time is available for all agenda items and that the Board receives accurate, clear and timely information.

Strategy

- Setting the strategy of the Group and monitoring its progress against its strategic objectives.
- Promoting open and constructive debate in Board meetings.
- Ensuring effective implementation of Board decisions with the support of the Group Chief Executive.
- Ensuring that the Board manages risk effectively.
- Consulting, where appropriate, with the Senior Independent Director on Board matters.

People

- Chairing the Nomination Committee.
- Identifying and meeting the induction and development needs of the Board and its Committees.
- Developing a strong working relationship with the Group Chief Executive.
- Ensuring a strong working relationship between Executive and non-executive Directors.
- Setting clear expectations concerning the Company's culture, values and behaviours.
- Ensuring effective relationships are maintained with key stakeholders.

Group Chief Executive

- Providing coherent leadership and management of the Company.
- Developing objectives, strategy and performance standards to be agreed by the Board.
- Providing effective leadership of the Executive Board to achieve the agreed strategic priorities.
- Maintaining an Executive Board of the right calibre and expertise, ensuring that succession plans are available and reviewed annually with the Chair and the non-executive Directors.
- Monitoring, reviewing and managing key risks and strategies with the Board.
- Ensuring that the assets of the Group are adequately safeguarded and maintained.
- Building and maintaining the Company's communications and standing with shareholders, financial institutions and other stakeholders and effectively communicating Halma's investment proposition and purpose.

Executive Directors

- Implementing and delivering the strategy and operational decisions agreed by the Board.
- Making operational and financial decisions required in the day-to-day management of the Company.
- Providing executive leadership to senior management across the business.
- Championing the Group's culture and values, reinforcing the governance and control procedures.
- Promoting talent management and diversity, equity and inclusion.
- Ensuring the Board is aware of the view of employees on issues of relevance to Halma.

Senior Independent Director

- Acting as a sounding board for the Chair.
- Serving as a trusted intermediary for the other Directors.
- Providing an alternative channel for shareholders and employees to raise concerns, independent of executive management and the Chair.

Independent non-executive Directors

- Contributing independent thinking and judgement and providing external experience and knowledge to the Board's agenda.
- Scrutinising the performance of management in delivering the Company's strategy and objectives.
- Providing constructive challenge to the Executive Directors.
- Monitoring the reporting of performance and ensuring that the Company is operating within the governance and risk framework approved by the Board.

Company Secretary

- Acting as a sounding board for the Chair and other Directors.
- Ensuring clear and timely information flow to the Board and its Committees.
- Providing advice and support to the Board and its Committees on matters of corporate governance and regulatory compliance.

Independence and objective judgement

For the year ended 31 March 2023, the Board was composed of 11 Directors, each bringing a variety of skills, knowledge and experience, in addition to diverse thinking. With four Executive Directors and seven non-executive Directors (including the Chair), there is a strong independent element to Halma's Board which ensures that the balance of power rests with the non-executive members of the Board.

Dame Louise Makin was independent on appointment as a non-executive Director in February 2021 and the Board considers that she retains objective judgement. To facilitate effective debate, the Chair ensures that no Director or group of Directors dominate Board meeting discussions and that the voice of all Directors is heard and respected. Halma's culture of openness and transparency is apparent in how the Board members interact individually and collectively. The Executives genuinely value the insight, views and challenge that the non-executive Directors bring and the transparent reporting by the Executives ensures that all stakeholder interests can be considered and well-informed, collaborative decisions made.

The Board has reviewed the independence of each non-executive Director and, following an assessment of any relationships or circumstances which are likely to affect a Director's judgement, consider each to be independent for the year ended 31 March 2023. While non-executive Directors are not required to hold shares in the Company, the Board believes that any Halma shares held serve to align their interests with those of shareholders and do not interfere with their independence. Tony Rice was appointed Senior Independent Director in July 2015 and is available as an alternative channel of communication for shareholders, independent from executive management and the Chair.

Time commitment

Director availability and time commitment to the Company is essential for a properly functioning Board and no issues have been experienced during the year. In addition to the scheduled and ad hoc Board and Committee meetings, Directors also attend the Annual General Meeting and the annual strategy meeting. Non-executive Directors are also encouraged to attend our Accelerate conference and undertake company site visits, both of which our Executive Directors attend. The Board must approve all significant external appointments prior to any Director accepting the position. Our appointments policy permits Executive Directors to accept one external appointment, provided that it is beneficial to the Company and the development of the individual. The Board must be satisfied that it does not present a conflict of interest with the Group's activities or require a significant time commitment which could interfere with the performance of their executive duties.

For non-executive Directors, the number of external directorships is an important consideration when recruiting and a preferred candidate must reassure the Nomination Committee that they can allocate sufficient time to the role (around 20 days per annum is anticipated plus additional time if they Chair a Committee) before they are recommended for appointment.

Prior to the Board's approval of an additional role, an assessment is made of the combined time commitment required by their existing roles plus that required in the new role. If there is any concern over the time available to fulfil their role at Halma, the Board would not approve the appointment. However, where Directors are rotating off or rebalancing their portfolio of roles, consideration will be made of the sequence and timing of the roles and a pragmatic approach is taken (as opposed to an absolute numerical limit) in respect of any potential over-boarding concerns, whether temporary or otherwise. All Directors are subject to an annual review, at which time commitment and their personal contribution is a key focus.

Nomination Committee Report



Dame Louise Makin
Nomination Committee Chair

Committee composition and attendance

	Eligible	Attended
Dame Louise Makin (Chair)	7	7
Andrew Williams ¹	7	6
Carole Gran	7	7
Jo Harlow	7	7
Dharmash Mistry ¹	7	6
Sharmila Nebhrajani OBE	7	7
Tony Rice	7	7
Roy Twite	7	7

¹ Andrew and Dharmash were unable to attend one Committee meeting, which was called at short notice, due to pre-arranged commitments.

The Committee schedules three routine meetings a year but will meet more often as the work requires. Due to the level of activity during the year, the Committee formally met seven times. Attendance at each Committee meeting is set out in the table above.

Committee composition

The Committee comprises the Chair and the six independent non-executive Directors. For the year to 31 March 2023, the Group Chief Executive, Andrew Williams, was also a Committee member but since 1 April 2023, his successor, Marc Ronchetti, has not been appointed as a member. Dame Louise Makin chairs the Committee but she would not chair a meeting which considers the appointment of her successor.

Only Committee members are entitled to attend meetings although the Group Chief Executive and Group Talent, Culture and Communications Director are regular attendees. External search consultants are invited to attend and present on specific items, when appropriate. Full biographical details of members of the Committee can be found on page 106.

Principal role and responsibilities

- Reviewing the size, balance and composition (including diversity) of the Board and its Committees, ensuring that they have the appropriate skills, knowledge and resources to fulfil their duties.
- Making recommendations to the Board on any changes to the structure or composition of the Board and its Committees.
- Leading the process for new Board appointments.
- Leading succession planning discussions for Board and Executive Board positions, including the identification and assessment of potential candidates and making recommendations to the Board for its approval.
- Keeping under review the leadership needs of the Group, for both Executive Directors and other senior executives, including any recommendations made by the Group Chief Executive.
- Monitoring development and diversity at the Executive Board level and one level below, to maintain visibility of the pool of internal candidates for Board and Executive Board succession.
- Implementing and monitoring the Board's own diversity policy.
- Ensuring that all new Directors undertake an appropriate induction programme.
- Reviewing the ongoing training needs for the Board.
- Assisting the Chair and the Senior Independent Director with the annual Board evaluation process and review of the time requirements from non-executive Directors.

The Committee operates under written terms of reference (available at www.halma.com) which are reviewed at least annually.

Activities during the year

- Reviewing the internal and external talent pipeline as part of the Committee's regular succession planning activities at Board and Executive Board level, with a key focus on Group Chief Executive and Chief Financial Officer succession.
- Following a thorough selection process, recommending to the Board the appointment of Marc Ronchetti as CEO Designate and, from 1 April 2023, as Group Chief Executive.
- Following a thorough selection process, recommending to the Board the appointment of Steve Gunning as Chief Financial Officer from 16 January 2023.
- Working with external search consultants, Lygon Group, to commence a search for non-executive directors as part of the Committee's planning for non-executive directors who are serving out their final term.
- Continuing the focus on increasing diversity throughout the organisation.
- Updating the Board skills and experience matrix.
- Following the individual Director evaluations, recommending the election and re-election of Directors at the 2023 Annual General Meeting.

Board and Executive Board Composition

The Board comprises an independent Chair, six non-executive Directors and four Executive Directors, each of whom sit on the Executive Board. There is a strong independent element to the Board which ensures that the balance of power rests with the non-executive

members of the Board and each Board member brings a variety of skills, knowledge and experience, in addition to diverse thinking. The Committee regularly reviews the balance of skills, experience and knowledge on the Board and its Committees – along with the diversity that each member brings – in order to identify any gaps or new skills and experience that would benefit the Group, which helps inform Board succession planning.

The matrix below sets out the core skills and experience that each Director has and also identifies where particular Directors are considered to have expertise in certain areas.

The Executive Board comprises the four Executive Directors plus seven other executives who cover a range of strategic, operational, financial and technical areas.

Further background on the skills and experience of the Board and Executive Board is set out in the biographies on pages 106 to 109 and full biographies are available on our website at www.halma.com.

Roy Twite and Tony Rice will have served on the Board for nine years this year (on 24 July and 8 August respectively) but to assist the Company, and ensure orderly Director succession, they will seek re-election as non-executive Directors for a final term at the 2023 AGM. It is anticipated that Tony will step down before, and Roy will step down at, the 2024 AGM. Having considered the factors which could impair their independence, the Board considers that they will both remain independent during the period up to July 2024.

Board – skills and experience

	Dame Louise Makin	Marc Ronchetti	Steve Gunning	Andrew Williams	Jennifer Ward	Carole Cran	Jo Harlow	Dharmash Mistry	Sharmila Nebhrajani OBE	Tony Rice	Roy Twite
Strategy and M&A	●	●	●	●	●	●	●	●	●	●	●
Finance & accounting	●	●	●			●		●	●	●	●
Risk management and regulation	●	●	●	●		●	●	●	●	●	●
Digital and technology	●	●	●	●	●		●	●	●		
Engineering and science		●		●	●				●	●	●
Sustainability	●	●	●	●	●	●	●	●	●	●	●
Talent and remuneration	●			●	●	●	●	●	●	●	●
International experience	●	●	●	●	●	●	●	●	●	●	●
Listed CEO/CFO	●	●	●	●		●				●	●

● Expert ● Experience

Nomination Committee Report continued

Board and Executive Board diversity

Embracing diversity, in all its forms, enables individuals to share their own perspective, which promotes inclusivity and supports good decision-making by the Board and Executive Board. The Board recognises the many benefits of building a diverse leadership team and the tables below set out gender, ethnic and age diversity of the Board and Executive Board at the date of this Report.

Our Board Diversity Policy was updated in March 2022 to reflect the new targets set by the FTSE Women Leaders Review on gender diversity. The Policy also affirms our commitments, on ethnic diversity, as a signatory to the Change the Race Ratio. Halma has maintained at least one ethnically diverse Director on the Board since 2011, which is prior to the publication of the Parker Review's original report in October 2017. We took the opportunity in our March 2022 Policy to go beyond the Parker Review recommendation, by committing to maintain our current composition of two ethnically diverse Directors on the Board.

The Committee is supportive of the new FCA Listing Rules and amendments to the Disclosure and Transparency Rules, which came into effect for accounting periods starting on or after 1 April 2022 and is pleased to report that during the financial year ended 31 March 2023 and up to the date of this Report, the Board had met the three targets required under Listing Rule 9.8.6 R (9) as:

- at least 40% of the individuals on the Board are women;
- the Chair is a women; and
- at least one individual on the Board is from a minority ethnic background.

The Company has collected the diversity data used for these purposes from each individual on a voluntary basis.

In March 2023, the Parker Review published an update report entitled "Improving Ethnic Diversity in UK Business" and have requested that Boards of FTSE 350 companies set their own target, by December 2023, for the percentage of their senior management group who self-identify as being in an ethnic minority. The Board will be considering an appropriate target with management over the coming months and will publish a target by the end of 2023 and will report on our progress from 2024 through to the target date in December 2027.

Board and Executive Board – Gender Diversity

	Number of Board Members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID & Chair)	Number in Executive Management	Percentage of Executive Management
Men	6	55%	3	5	45%
Women	5	45%	1	6	55%

Board and Executive Board – Ethnic Diversity

	Number of Board Members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID & Chair)	Number in Executive Management	Percentage of Executive Management
White British or other White (including minority-white groups)	9	82%	4	8	73%
Mixed/Multiple Ethnic Groups	–	–	–	1	9%
Asian/Asian British	2	18%	–	1	9%
Black/African/Caribbean/Black British	–	–	–	1	9%
Other ethnic group, including Arab	–	–	–	–	–

Board and Executive Board – Age Diversity

	Number of Board Members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID & Chair)	Number in Executive Management	Percentage of Executive Management
40 – 49	2	18%	1	6	55%
50 – 59	6	55%	1	5	45%
60 – 69	2	18%	1	–	–
70 – 79	1	9%	1	–	–

Board and Committee Diversity Policy

Halma is committed to building a diverse and inclusive culture throughout the Group. Diversity, Equity and Inclusion is one of our sustainability key focus areas as we believe it benefits the global economy and creates a fairer future for everyone, every day. The benefits of diversity across all levels of the organisation are clear and the unique culture that each of our businesses bring – through innate differences in our people – is the foundation for our success. Creating inclusive environments, where everyone has equal access, opportunity and treatment and can bring their full self to work, is fundamental to accelerating our growth and achieving our purpose.

The Board is committed that its composition, and that of each Committee, should cover a range of factors, such as gender, ethnicity, age,

sexual orientation, disability and socio-economic background. The Board has agreed the following commitments in relation to gender and ethnicity:

- to maintain gender balance at Board, Committee and Executive Board level by ensuring that representation of both men and women is at or above a minimum 40% threshold;
- by 31 December 2025, ensure a minimum representation of men or women one level below the Executive Board is at or above a 40% threshold;
- to have at least one woman in the Chair or Senior Independent Director role and/or one woman in the Group Chief Executive or Chief Financial Officer role;
- to maintain at least two ethnically diverse Directors on the Board and Committees; and
- as a signatory to Change the Race Ratio, to increase racial and ethnic diversity at senior leadership level.

Board appointment process

The Board has an established approach for identifying and evaluating suitable candidates for Board positions, which was utilised most recently for the appointment of Marc Ronchetti for the role of Group Chief Executive and for Steve Gunning as Chief Financial Officer. The search for new non-executive Directors also follows the approach described below.

Prior to the Committee making a recommendation to the Board for a Director appointment, it undertakes the following steps:

- Agrees the skills, experience and knowledge required for, and complementary to, the role.
- Approves the role specification.
- Selects an independent global executive search firm, which understands Halma's business model and culture, to prepare a long list of diverse external candidates and, for executive roles where there are internal candidates that have been identified through the Committee's succession planning, to benchmark those candidates. For the year ended 31 March 2023, the Committee used the services of executive search consultancy, Lygon Group – who are not connected to the Company or any Halma Director – to benchmark the internal candidates identified for the Group Chief Executive role and to source external candidates for the Chief Financial Officer role.
- Reviews the long list of candidate profiles and, based on insight derived internally or from the search firm, creates a shortlist of diverse candidates for interview.
- For non-executive positions, interviews are held with members of the Committee (including the Chair), the Group Chief Executive and the Group Talent, Culture and Communications Director. For executive positions, the Chair and non-executive Directors lead the interview process and seek input from other executives, as appropriate.

- The Committee members meet to share their feedback on each candidate and will compare their assessment against the role criteria, along with any reference information provided by the search firm. Maintaining a focus on gender and ethnic diversity, while ensuring that other elements of diversity are not overlooked, remains an important factor for the Committee. Where elements of diversity will be lost when certain Directors come to the end of their tenure, the Committee aims to ensure that it will remain diverse or will seek a replacement Director to maintain/restore that element of diversity to the Board and its Committees.
- A preferred candidate is selected by the Committee and, following discussion with the candidate, a formal decision is taken to recommend their appointment to the Board.
- If the Board approves the recommended appointment, then a regulatory news service announcement is issued.

Director induction process

Newly appointed Directors follow a tailored induction programme, which includes dedicated time with each Board and Executive Board member, the Company Secretary, DCEs and functional experts. A bespoke schedule of company visits across each of the three sectors is arranged for the Director and they are encouraged to attend the Accelerate conference and other Company events throughout the year. The induction aims for Directors to become swiftly acquainted with Halma's strategy, business model, DNA (cultural and organisational genes) and governance structure prior to them building their understanding of each sector and our companies. In addition, a briefing on statutory duties and listed company regulation is provided to new Directors and updated at least annually and presented at the Board for the benefit of all Directors.

Case study

Induction of Marc Ronchetti as Group Chief Executive

Being Halma's Chief Financial Officer since July 2018, Marc's understanding of the Group, its culture and strategy was already well embedded – as were his relationships with colleagues, external advisers and significant shareholders. Therefore, the skills and knowledge required for his transition into his first CEO role required a tailored approach to his induction. Importantly, the programme focused on meeting and learning from a number of key internal and external stakeholders:

Halma company colleagues: in the period June 2022 to April 2023, Marc visited over 50% of our companies across all three sectors, with the remaining companies scheduled through the year to 31 March 2024. These visits enabled Marc to not only discuss the business and strategy with the local board but also meet a wider group of colleagues who work daily to fulfil our purpose.

Group and sector colleagues: a critical element of Marc's induction was to shadow Andrew Williams for 10 months to leverage his 18 years of experience as Halma's Group Chief Executive. Marc had regular one-to-one meetings with the Chair, Company Secretary, Executive Board members and Divisional Chief Executives which have given him greater insight into the role that each play in the Group and enabled him to develop deeper relationships with the senior leadership team. Marc attends the Group's hybrid town hall meetings, where Halma colleagues – from the UK, the US, India and China – are updated on Company news, recognise individual and team achievements and have the opportunity to ask questions or share news.



Advisers and shareholders: while Marc had established relationships with these stakeholders, the focus of discussions and meetings were in the context of his leadership of the Group.

Network: a key element of Marc's professional development was in the form of a residential executive programme at Stanford Graduate School of Business. This not only provided insights from the academics and industry speakers in areas such as leadership, accountability for results, and purpose and diversity but the delegates themselves comprised of a diverse and global network of executive leaders from which to learn and share experiences.

“

The structure and breadth of my induction programme has enabled me to transition seamlessly from Chief Financial Officer into the Group Chief Executive role – while it was an intense programme, it was incredibly rewarding and struck the right balance for me to learn from others, while permitting time and space for me to gather my own thoughts and ideas.

Marc Ronchetti
Group Chief Executive

Executive Directors may undertake tailored professional development as part of their onboarding plan, such as business management, personal development or mentoring programmes.

The Chair reviews the training and development needs of the Board, and for each Director, at least annually.

Annual Board and Committee evaluations

The Committee reviews the process and output from the annual Board and Committee evaluations. The formal evaluation process involves a review of the performance of each Director through individual meetings held with the Chair and for the Chair, an appraisal is undertaken by the non-executive Directors collectively and fed back via the Senior Independent Director. The Board undertakes an evaluation of its own performance and effectiveness, with the findings and proposed actions being presented at the Board by the Chair.

Each Committee undertakes its own evaluation and the findings and proposed actions are formally reviewed at the relevant Committee meeting. Progress against agreed actions is monitored by the Company Secretary throughout the year and a formal review is undertaken ahead of the next evaluation cycle, to ensure that the actions have been, or will be, appropriately closed out. The results from the Audit Committee and Remuneration Committee evaluations are discussed in the respective Committee Reports and the results from the Committee's own evaluation are set out below.

Evaluation type

The Committee normally utilises an external evaluator on a triennial basis and the Chair, with the support of the Company Secretary, formulates a bespoke internal questionnaire in the two years in between. The last externally-facilitated evaluation was undertaken by Independent Audit in 2021 and an internal evaluation was undertaken for 2022 and 2023. The internal evaluation exercise is thorough and allows directed questions to be asked on areas particularly relevant to Halma at that time or on topics that have been raised during the year – examples of topics covered over recent years include Board succession, Boardroom dynamics, strategic progress in specific areas and the level of challenge and support that has been provided by the non-executive Directors. These questions are supplemented by standing governance questions on Board and Committee structure, Director skills, experience and diversity, Board and Committee effectiveness, strategy and risk. For the year ending 31 March 2024, an externally-facilitated evaluation will be carried out and the results will be reported in next year's Report.

2023 Committee evaluation

The Committee's own evaluation for the year ended 31 March 2023 concluded that:

- The size and structure of the Committee, along with the frequency and duration of the meetings was appropriate.
- The papers and presentations were of high quality.
- Meetings are chaired well.
- Overall the Committee was operating effectively, with recognition that the Group Chief Executive and Chief Financial Officer succession plans had been well planned and well executed.

2023 Board evaluation

The Board's 2023 evaluation questionnaire confirmed that the Directors believe that:

- The Board is operating effectively.
- The papers are clear and of a high standard.
- The Board has healthy debates which lead to good decision-making.
- Strong relationships have been formed amongst the Board members, while independence of the non-executives from management is maintained.

The main areas for focus over the coming year and the proposed actions agreed are as follows:

- Rotational presentations from the Sector Chief Executives will include more coverage on evolving and potentially disruptive technology and business models, in addition to the regular sector strategy update and review of end-market trends.
- Insight on mega trends and the competitive landscape in which our companies are operating will be topics for fuller consideration at our annual strategy meeting.
- Following the success of the non-executive Director and the Divisional Chief Executives interactions over the past year, further opportunities for senior management to gain exposure to the Directors will be sought.
- M&A proposals will include a summary of the Executive Board's appraisal of the opportunity, to provide further context to the Board, and additional information on the top M&A pipeline targets will be provided at each Board meeting.

Following the annual evaluation, and the individual performance reviews undertaken by the Chair, all Directors that are standing for election or re-election are considered to be effective in their role, hold recent and relevant experience applicable for Halma's business and they each continue to add value and demonstrate commitment to their role. Accordingly, the Board is recommending to shareholders the election or re-election of the Directors standing at the 2023 AGM.

Dame Louise Makin

Committee Chair

For and on behalf of the Committee 15 June 2023

Audit Committee Report



Carole Gran
Audit Committee Chair

Committee composition and attendance

	Eligible	Attended
Carole Gran (Chair)	4	4
Jo Harlow	4	4
Dharmash Mistry¹	4	3
Sharmila Nebhrajani OBE¹	4	3
Tony Rice	4	4
Roy Twite	4	4

¹ Dharmash and Sharmila were unable to attend one Committee meeting due to prior commitments.

The Committee has four scheduled meetings per year, to coincide with the key events in the corporate reporting calendar and audit cycle. The attendance at each Committee meeting is set out in the table above.

Principal role and responsibilities

Financial reporting

- Reviewing significant financial reporting judgements and estimates, and the application of accounting policies, including compliance with accounting standards.
- Ensuring the integrity of the financial statements and compliance with UK company law and regulation.
- Ensuring the Annual Report and Accounts are fair, balanced and understandable.
- Monitoring the integrity of announcements containing financial information.
- Assessing and approving disclosures made in respect of the Task Force on Climate Related Financial Disclosures (TCFD) framework.

Internal control

- Monitoring the adequacy and effectiveness of the internal controls and processes.

Risk management

- Reviewing and providing oversight of the processes by which risks are managed.
- Reviewing the process undertaken, and the stress-testing performed, to support the Group's Viability statement and Going Concern statement.

Compliance, fraud and whistleblowing

- Monitoring compliance with the UK Corporate Governance Code 2018.
- Reviewing the adequacy and effectiveness of the Group's compliance functions; monitoring the processes in place to prevent and detect fraud and receiving reports on fraud attempts or incidents; reviewing the adequacy of arrangements in place to enable employees to raise concerns in confidence.

Internal audit

- Reviewing and approving the audit work plan and charter.
- Reviewing reports from audits and monitoring the status of remedial actions; monitoring the structure, composition and resourcing of the function.
- Reviewing the role and effectiveness of the function and periodically engaging an independent third-party review of internal audit's effectiveness.

External audit

- Managing the relationship with the external Auditor.
- Monitoring and reviewing the independence and performance of the Auditor and leading the tender process or Senior Statutory Auditor change.
- Formally evaluating Auditor effectiveness.
- Reviewing the policy on non-audit services carried out by the Auditor.
- Negotiating and approving Audit fees, the scope of the audit and the terms of engagement.
- Making recommendations to the Board for the appointment or reappointment of the Auditor.

The Committee operates under written terms of reference (available at www.halma.com) which are reviewed annually.

Committee composition and appointment

The Committee comprises six independent non-executive Directors. Carole Cran is Chair of the Committee and continues to have recent and relevant financial experience and competence in accounting, see page 107 for her biography.

Only Committee members are entitled to attend meetings, although the Committee Chair invites the Board Chair, Executive Directors, Group Financial Controller, Group General Counsel & Chief Sustainability Officer, Director of Internal Audit & Assurance and representatives from the external Auditor to regularly attend meetings. Subject matter experts, including on Risk, Tax, Treasury Sustainability and Sector Chief Executives' and Financial Officers' are invited to present on a cyclical basis to keep the Committee updated.

Appointments to the Committee are made by the Board and the remuneration of the Committee Chair reflects the additional responsibilities and time commitment required in the role. As part of the induction process for new members of the Committee, they will meet separately with key individuals – including the Committee Chair, the Chief Financial Officer, the Director of Internal Audit & Assurance and the external Auditor. While each non-executive Director will largely manage their own continuing development, the Committee receives relevant updates throughout the year including from the external Auditor and other professional advisers on matters relevant to financial reporting, technical accounting and governance, internal control, tax, audit and risk, and may request additional information, as required.

The Committee as a whole has competence relevant to the Group, with each member bringing valuable

experience, diversity of thought and independent judgement. Biographies for each member of the Committee are set out on pages 106 and 107.

Governance

The Committee, and independently the Committee Chair, regularly meets with the Director of Internal Audit & Assurance and separately with the external Auditor, without any Executive Directors present. The Committee Chair maintains regular contact with management, particularly the Chief Financial Officer, Group Financial Controller and the Company Secretary.

All members of the Committee further their internal network and knowledge of the companies through company visits, corporate events and the Accelerate conference.

The Committee Chair sets the forward agenda for the year but also allows for flexibility in the timing and the schedule to ensure that new or unforeseen areas can be appropriately reviewed. The agenda and meeting papers are circulated in a timely manner, in accordance with the terms of reference.

The Committee Chair reports to the Board after each meeting on the key matters discussed. Minutes are circulated to all Board members and the external Auditor once they have been approved by the Committee. Internal Audit reports that identify any significant control or compliance weakness, or other risk that requires immediate management attention, are circulated to the Committee via the Company Secretary when the report is issued. At the same time, commentary from the Chief Financial Officer and Divisional Chief Executive on the background to the weakness, any mitigating controls and the actions being taken to address the findings is shared with Committee members.

Activities during the year

The Committee has a wide-ranging remit, covering reviewing and monitoring the integrity of the financial statements and other financial information, internal controls and risk management, the external and internal audit process and compliance with laws, regulations and ethical codes of practice. The Committee discharged its duties under its Terms of Reference for the year and key activities included:

- Reviewing the Half Year Report and Annual Report and Accounts and considering the key accounting judgements and estimates that affect the application of the policies and reported values and approving the Group's going concern and viability statements.
- Reviewing the risk and assurance processes.
- Monitoring the Group's whistleblowing and compliance procedures and reports raised.
- Agreeing the external Auditor fee and confirming their independence and effectiveness.
- Approving the Internal Audit Charter and work plan.
- Receiving updates on TCFD and the reporting landscape from the Head of Sustainability, and reviewing and approving TCFD disclosures.
- Considering emerging external audit and governance topics.
- Reviewing the Group's Principal and Emerging Risks.
- Considering the output of the annual Committee evaluation and agreeing appropriate actions.
- Receiving presentations on the controls environment in the Safety, Healthcare and Environmental & Analysis Sectors.
- Undertaking its annual review of whistleblowing and bribery procedures.
- Reviewing the output of the Financial Reporting Council report on Audit Quality Review.
- Considering the output of the Internal Audit effectiveness review.
- Reviewing the Committee's Terms of Reference and Auditor Independence Policy.

Audit Committee Report continued

Committee evaluation

An evaluation of the Committee's own effectiveness is undertaken each year and the findings are reported to the Board. In 2023, this evaluation took the form of a tailored internal questionnaire. The feedback was provided to the Committee Chair and a summary of the output and proposed actions is reviewed by the Committee. The 2023 evaluation demonstrated that the Committee is working effectively and the Committee members considered it to be exercising good oversight of the reporting environment and effectively supporting and overseeing the work of the internal and external auditors. Some areas for improvement were identified which the Committee Chair discussed with the Chair, Group Chief Executive, Chief Financial Officer and the external Auditor to form a collective view on how best to address these points. A proposal was presented at the June 2023 Committee meeting and the actions to address each area were agreed. These included reviewing additional training areas required in relation to the Committee's ongoing role in the changing regulatory landscape.

Financial Reporting Council review of 2021/22 Annual Report and Accounts

In November 2022, the Company received a letter from the Financial Reporting Council (FRC) in connection with their review of the Halma Annual Report and Accounts for the year ended 31 March 2022. The Committee were pleased to note that the FRC had no questions arising from their review of this Report, and that they had two areas of observation for consideration in our 2023 Annual Report and Accounts, relating to TCFD Scope 3 emissions disclosures and share-based payments disclosures. Each of these observational areas have been addressed in this Report. We have acknowledged and thanked the FRC for their observations.

Financial statements and significant accounting matters

During the year, and prior to the publication of the Group's results for the Half Year ended 30 September 2022 and the Full Year ended 31 March 2023, the Committee considered the significant risks and material issues, judgements and estimates made in relation to the Group's financial statements.

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

Significant risks and material issues, judgements and estimates	How the Committee addressed each area and conclusion
Value of goodwill, due to the significance of the amounts recorded on the Consolidated Balance Sheet, and the judgements and estimates involved in assessing goodwill for impairment.	• Focusing on, monitoring regularly, and constructively challenging the reasonableness of the assumptions used in impairment calculations by management, in particular discount rates, growth rates, the level of aggregation of individual cash generating units (CGUs) and methodology applied. • Considering the appropriateness and reasonableness of stated judgements and conclusions included in the disclosures in note 11 to the Accounts. • In particular, during the year, considering the CGU groups to which the Group's seven acquisitions were attributed, the treatment of inflation within assumptions given the significant increase seen and assessing the reasonable of sensitivities applied and considered to be reasonably possible.
Carrying value of acquired intangibles across the Group and the adequacy of future cash flows.	• Focusing on and challenging the assessment of the presence of impairment indicators that warrant an impairment test of an asset. • Constructively challenging the reasonableness of assumptions used in impairment calculations by management, in particular discount rates and asset specific growth rates.
Risk that acquisitions are not accounted for correctly in line with IFRS 3 "Business combinations".	• Challenging the appropriateness of assumptions used in determining the fair value of the acquired intangible assets and residual goodwill identified, and the reasonableness of the disclosures included in note 25 to the Accounts. • The fair value of acquired intangible assets and carrying values arising on the seven acquisitions in the year, particularly in relation to the acquisitions of FirePro, WEETECH, IZI Medical and Deep Trekker.
Valuation of contingent consideration arising on acquisitions in current and prior periods.	• Assessing treatments of contingent consideration payment arrangements against the requirements of IFRS 3 and IFRS 13. • Considering assumptions made around forecasts used in calculations. • In particular, at 31 March 2023, the treatment and valuation of the contingent consideration provisions in relation to Visiometrics, IZI Medical and Infinite Leap.
Judgements and estimates involved in valuing defined benefit pension plans.	• Assessing the assumptions in determining pension obligations, particularly given market volatility, and determining whether key assumptions were reasonable, particularly the assumptions around mortality, discount rate and inflation that are most material to the Group's plans and resulted in retirement benefit assets being recognised for the Group at 31 March 2023. • The recognition of the plan surpluses in accordance with IFRIC 14.
Compliance risks with existing and evolving tax legislation, and judgements around uncertain tax positions including the recoverability of the tax receivable balances.	• Assessing the position taken with regards to tax judgements. • The judgements around the carrying value of tax provisions and uncertainties, in particular, the potential impact on the Group of the European Commission's decision against the UK Government relating to the UK Controlled Foreign Company partial exemption being illegal State Aid. • Understanding the evolving BEPS Pillar 2 and UK Transfer Pricing legislation and the likely compliance impact on the Group.
Carrying value of investments (Company only).	• Constructively challenging the reasonableness of the assumptions used in impairment calculations by management, in particular discount rates and future cashflows.
Going concern status of the Group and any impact to future viability.	• The evidence supporting the going concern basis of accounts preparation, the Viability Statement and the risk management and internal control disclosure requirements.
Task Force on Climate-Related Financial Disclosures (TCFD)	• The work undertaken to continue to assess and manage the climate-related risks and opportunities for the Group and the associated reporting in accordance with the TCFD framework

In addition, the Committee considered the presence of any significant product failures in the period that would warrant the inclusion of a significant warranty provision, and assessed the capitalisation and carrying value of Capitalised Development Costs in line with the accounting policy and standards.

Audit Committee Report continued

External Auditor

The external Auditor is appointed to give an opinion on the Group and Company financial statements. The audit includes the review and testing of the data contained in the financial statements to the extent, and materiality level necessary for expressing an audit opinion as to whether they present a true and fair view of the Group and parent company affairs as at 31 March 2023.

The Committee monitors the effectiveness of the external Auditor throughout the year and annually conducts an evaluation of the external audit, by way of a tailored online questionnaire, further details are set out on page 133. The assessment highlighted no major concerns and the insights from the questionnaires have been discussed both internally and with PwC, to assist with the planning of future work. The Committee concluded that it was satisfied with the auditor's performance in discharging the Full Year audit and the Half Year review; the independence and objectivity of the auditor; the robustness of the audit process, including how the auditor demonstrated professional scepticism and challenged managements assumptions and the quality of service and delivery of the audit. Accordingly, the Committee recommends that PwC are reappointed as Auditor at the 2023 Annual General Meeting (AGM).

Audit tendering

The Committee has primary responsibility for recommending to the Board the appointment or reappointment of the external Auditor before it is put to shareholders at the AGM. The Committee will, at the appropriate time, lead the audit tender process. This process will be carried out at least every 10 years and, unless it is undertaken earlier, it is the Committee's policy to consider whether a tender is appropriate every five years – to coincide with the change in Senior Statutory Auditor.

Following a tender process, PwC were appointed Auditor to the Company at the AGM in 2017. In accordance with our Auditor Independence Policy, which requires us to change our audit partner every five years, Christopher Richmond was appointed Senior Statutory Auditor for the financial period commencing 1 April 2022.

In 2021, prior to any decision on the rotation of the Senior Statutory Auditor, the Committee considered the possibility of re-tendering the external audit function and concluded that it was satisfied that PwC was effective and remained independent in accordance with our Auditor Independence Policy and the FRC's Ethical Standard, and that a tender process was not appropriate at that time.

Whilst the Committee remains satisfied that PwC are effective and independent, the next external audit tender will occur in 2026, with a recommendation put to shareholders at the 2027 AGM. The proposed tender date is in the best interests of shareholders and the Company as PwC has a detailed knowledge of our business, an understanding of our industry and continues to demonstrate that it has the necessary expertise and capability to undertake the audit.

Statement of compliance

The Company confirms that it complied throughout the year with the provisions of the Competition and Markets Authority's Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014.

Auditor objectivity and independence (including non-audit fees)

The Group has adopted a Policy on "Auditor Independence and Services provided by the External Auditor" which sets out the limited services that the external Auditor can provide to Group companies, which do not conflict with the Auditor's independence. The Policy was updated in 2020 to align with the FRC's revised Ethical Standard which applied from March 2020. The Committee continues to monitor changes in legislation related to auditor independence and objectivity and annually reviews the Policy.

In addition to Halma's Policy, the Auditor runs its own independence and compliance checks, prior to accepting any engagement, to ensure that all non-audit work is compliant with the Ethical Standard in force and that there is no conflict of interest.

During the year, three pieces of permitted audit-related services work (in addition to the Half Year review) were undertaken by PwC. These were in respect of a liquidity test pertaining to a dividend distribution in Belgium, which must be performed by an auditor, an annual tax audit in India, which is a statutory requirement, and a required audit for HWM-Water Limited relating to its Queens Innovation Award, with total fees of c.£12,000. It was deemed appropriate to use PwC in respect of these three items of work given their understanding of the business and involvement in the Group audit. Additionally, PwC provided access to their technical guidance toolkit, for a total fee of c.£1,000. All work was pre-approved by the Committee Chair and reported to the Committee in accordance with our Policy.

The audit fees payable to PwC for the year ended 31 March 2023 were £2.5m (2022: £2.1m) and permitted audit-related service fees were £0.1m (2022: £0.1m). Other non-audit services totalled less than £0.1m in both the current and preceding year. The total of audit related and non-audit related services for the year totalled c.6% of three year average audit fees, significantly below the limit of 70% required by the Policy.

Evaluation of the effectiveness and quality of the External Auditor

The effectiveness of the External Auditor is monitored throughout the year, including through:

- **FRC's Audit Quality Inspection and Supervision report 2021/22** – the Committee reviewed the results of the FRC's Audit Quality Inspection and Supervision report 2021/22 during the year and noted an improvement on rating from the prior year and that good practice in respect of professional scepticism, high quality reporting and audit documentation had been highlighted.
- **Progress against audit plan and strategy** – the Committee continually evaluated and monitored progress against the agreed audit plan and strategy and any issues or reasons for variation from the plan were identified, discussed and agreed with the Auditor. Additionally, the Committee reviewed, benchmarked and latterly agreed to the auditors fees for the year under review, which had primarily increased due to the additional requirements under the revised auditing standard ISA315 and inflationary increases.
- **Auditor reports to the Committee** – through PwC's formal reports to the Committee at each meeting the Committee track and consider the work undertaken by the Auditor during the year.

- **Interaction with Auditor** – the Committee Chair, the Chief Financial Officer and management have regular communication with the Auditor throughout the year and are able to raise issues and discuss key deliverables as the year progresses. The Committee recognises that PwC have appropriately challenged management on key judgements and estimates throughout the year, as detailed in the significant risks and material issues, judgements and estimates table above.
- **Audit tender and rotation** – in accordance with our Auditor Independence Policy, the Committee reviews the appropriateness of tendering the external audit function every five years and, in conjunction with this, will rotate statutory audit partner at least every five years, the most recent rotation of which took place in 2022, with a new audit partner in place for FY23.
- **Annual internal effectiveness survey** – a tailored on-line questionnaire is circulated and completed by Committee members, other senior management and company CFO's who are engaged in the audit process, the outcomes of which are reported to the Committee and the Board. A summary of the process and key findings is set out below.

External audit evaluation process

Bespoke questionnaire covering

- External audit partner time commitment.
- Quality of the team.
- Accounting, technical and governance insight.
- Policies for compliance with the revised Ethical Standards.
- Quality and timeliness of reporting.
- Clarity and authority of communications.

Questionnaire completed by

- Committee members.
- Group Chief Executive.
- Chief Financial Officer.
- Director of Internal Audit & Assurance.
- Company Secretary.
- Company CFOs.
- Sector CFOs.
- Group Financial Controller.

Results

- Results of the questionnaire are collated centrally by the Group Financial Controller and a summary of the findings and the FRC's AQR Report on PwC as a firm, are provided to the Committee and PwC.

Outcome

- Following a review by the Committee of the output from the 2023 questionnaire and the AQR Report findings, the Committee confirmed that PwC is effective as external Auditor to the Company and recommended to the Board their reappointment as Auditor be proposed to shareholders at the 2023 AGM.

Audit Committee Report continued

Risk management and internal controls

The Committee maintains oversight of the risk management and internal control framework and systems (including financial, operational and compliance controls) and monitors its effectiveness, reporting back to the Board, who has ultimate responsibility to the shareholders for the Group's system of internal control and risk management. While not providing absolute assurance against material misstatements or loss, this system is designed to identify and manage those risks that could adversely impact the achievement of the Group's objectives. The Group's risk management structure and process is detailed on pages 88 and 89. The Group's emerging risks are detailed on page 90 and the principal risks and uncertainties are detailed on pages 91 to 97.

The Committee regularly reviews the ongoing process in place for identifying, evaluating and managing the emerging and principal risks faced by the Group and for determining the nature and extent of the risks it is willing to take in achieving its strategic priorities. This risk framework is in accordance with the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting.

Our governance model was strengthened in 2022, with the appointment of a new Director of Risk & Compliance, separating the Risk and Internal Audit functions and enhancing the assurance framework. This enhancement of our risk management and internal controls framework will allow each function to continue to evolve and strengthen.

Regular reporting to the Committee by the Director of Internal Audit & Assurance, as well as findings of internal audits by circulation between meetings, ensures that there is a good understanding of any non-compliance that arises and the swift action being taken to close any gaps. The Group's external Auditor, PwC, has audited the financial statements and has reviewed the financial control framework to the extent considered necessary to support the audit report.

The Committee is satisfied that the risk management and internal control framework remains robust and effective, while still allowing autonomous and agile decision-making which is essential to Halma's decentralised structure and an integral part of Halma's growth strategy. No significant failings or weaknesses have been identified in the internal controls.

Whistleblowing

The Committee has responsibility for reviewing the adequacy and security of the Group's arrangements for employees and contractors to raise concerns about possible improprieties in financial reporting, fraud or other financial or ethical misconduct.

Halma has appointed an external third-party provider, NavexGlobal, to operate a confidential, multilingual, telephone and web reporting service, 24/7, through which concerns can be raised. Further details are set out in the non-financial information statement on page 99.

The Director of Risk & Compliance receives and reviews all reports to ensure that they are appropriately investigated and all allegations of fraud or financial misconduct are reported to the Committee. In line with many listed companies, most matters reported through the NavexGlobal service relate to personnel/HR matters and, while these are not areas for review by the Committee, such matters are duly investigated in the same manner and reported directly to the Board in its role of monitoring culture and workforce concerns.

Following a review during the year, the Committee is satisfied with the adequacy and security of the arrangements in place for concerns to be raised.

Climate-related disclosures

The Committee has overall responsibility for approving the disclosures made under the climate-related Listing Rule 9.8.6R(8). The Committee has continued to receive updates throughout the year on progress made against reporting on the climate-related disclosures. These are consistent with the TCFD recommendations and the 11 recommended disclosures under TCFD, as required by the Listing Rules.

Internal Audit

The Internal Audit & Assurance function comprises the Director of Internal Audit & Assurance and five audit managers – two based in the UK, two in the US and one in China. External co-source is also utilised for certain specialist areas as required, such as Cyber risk. A risk-based audit work plan is agreed by the Committee annually and takes account of the rotational visits undertaken by the external Auditor under their audit programme. Progress against the work plan is reviewed at each Committee meeting, in order that any changes in priorities or resourcing can be discussed and agreed. Pulse checks were successfully introduced as part of the 2022/23 annual audit plan to provide an additional assurance snapshot. These are shorter verbal assurance touchpoints that take place mid-way between full audits. Pulse checks are also used for companies acquired and are performed six months after the date of acquisition to check progress, followed by a full audit at 12 months.

The Committee has oversight of the Internal Audit & Assurance budget and resources available and it has satisfied itself that the Internal Audit & Assurance function has the appropriate level of resources and funds available to undertake its role. All Internal Audit reports are issued to management and the external Auditor.

Any reports which contain high priority findings which require immediate management action are circulated to the Committee with commentary from the Chief Financial Officer on the underlying issues and remedial or mitigating actions being taken to address the findings.

Evaluation of the effectiveness and quality of the Internal Audit function

The effectiveness of the Internal Audit function is monitored throughout the year, including through:

- **Progress against the Internal Audit plan** – the Committee review and discuss progress made against an agreed Internal Audit action plan at each meeting.

Internal audit evaluation process and outcome

Bespoke questionnaire covering

- The functions' position and reporting lines.
- Internal audit scope and its relevance to our business.
- Audit approach.
- Quality of the team.
- Reliability and quality of reporting.
- Use of technology and communication.

Questionnaire completed by

- Board members.
- Executive Board members.
- Sector CFOs.
- Group Financial Controller.
- Managing Director for Halma IT.
- Divisional Chief Executives.
- Company Secretary.
- PwC Audit Partner.

Results

- The responses from the questionnaire are collated centrally and a summary of the findings is provided to the Committee to consider the overall effectiveness of the function and any action required.

Outcome

- Following a review by the Committee of the output from the 2023 questionnaires and direct feedback from the Chief Financial Officer and the Chair, the Committee concluded that the quality, experience and expertise of the Internal Audit function is effective.

Fair, balanced and understandable

To ensure that the report and accounts are fair, balanced and understandable, the Committee considers the output from a series of focused exercises that take place during the Annual Report and Accounts production process. These can be summarised as follows:

- A qualitative review, performed by the Group's Finance and Secretarial functions, of disclosures and a review of internal consistency throughout the Annual Report and Accounts. This review assesses the Annual Report and Accounts against objective criteria drawn up for each component of the requirement (individual criteria that indicate 'fairness', 'balance' and 'understandability' as well as criteria that overlap two or more components).
- A risk comparison review which assesses the consistency of the presentation of risks and significant judgements throughout the main areas of risk disclosure in the Annual Report and Accounts.

- A formal review of all Board and Committee meeting minutes by the Company Secretary to ensure that all significant issues are appropriately reflected and given due prominence in narrative reporting.
- Availability to the Committee of the key working papers and results for each of the significant issues and judgements considered by the Committee in the period.

The Directors' statement on a fair, balanced and understandable Annual Report and Accounts is set out on page 168.

Carole Cran
Committee Chair

For and on behalf of the Committee 15 June 2023

Remuneration Committee Report



Jo Harlow
Remuneration Committee Chair

Committee composition and attendance

	Eligible	Attended
Jo Harlow (Chair)	7	7
Carole Cran	7	7
Dame Louise Makin	7	7
Dharmash Mistry ¹	7	6
Sharmila Nabhranjani OBE ¹	7	6
Tony Rice	7	7
Roy Twite	7	7

¹ Dharmash and Sharmila were unable to attend one Committee meeting due to prior commitments.

Committee Composition

The Committee schedules four routine meetings a year but will meet more often, if required. Due to the level of activity during the year, the Committee met formally seven times. Attendance at each Committee meeting is set out in the table above.

Only members of the Committee have the right to attend Committee meetings. The Group Chief Executive, the Group Talent, Culture and Communications Director and Head of Total Rewards attend Committee meetings by invitation but are not present when their own remuneration is discussed. The Committee also takes independent professional advice as required.

The Committee comprises of the non-executive Directors set out in the table above, with Jo Harlow as Chair. All members of the Committee are considered independent within the definition set out in the Code. No member of the Committee has any personal financial interest in Halma (other than as shareholders), conflicts of interests arising from cross directorships or day-to-day involvement in running the business.

Principal Role and Responsibilities

The Committee is appointed by the Board and operates under written terms of reference, which are available at www.halma.com.

The primary responsibilities of the Remuneration Committee are to:

- Make recommendations to the Board on the framework for Executive Director and senior executive remuneration based on proposals formulated by the Group Chief Executive.
- Determine and agree with the Board the policy and framework for the remuneration of the Chair, Group Chief Executive, other Executive Directors, members of the Executive Board and the Company Secretary.
- Have oversight of the remuneration arrangements of the management tier below Executive Board level.
- Ensure alignment between incentives and company culture.
- Approve the design of, and determine targets for, any performance-related pay plans operated by the Company and agree the total annual payments made under such plans.
- Review the design of all share incentive plans for approval by the Board and shareholders, and determine, each year, whether awards will be made, and if so, the overall amount of such awards, the individual awards to Executive Directors, other senior executives and the performance targets to be set.
- Determine the policy for, and scope of, pension arrangements for each Executive Director and other senior executives.

On behalf of the Board, I am pleased to present our Directors' Remuneration Report for the year ended 31 March 2023. This statement sets out the work of the Committee during the year and provides context for the decisions taken.

The context of remuneration in 2023

Our performance

Our Sustainable Growth Model (delivering sustainable growth, consistently high returns and positive impact) and in particular our DNA (combination of our decentralised organisational model and culture), continue to be critical in delivering our strong performance, as Halma reports its 20th consecutive year of profit growth, delivering 44 consecutive years of dividend per share growth of 5% or more.

Over the last year, we delivered continued high returns and strong growth. Revenue and adjusted profit grew by 21% and 14% respectively and Adjusted earnings per share increased by 17%. Return on Sales of 19.5% was within our KPI target range of 18-22% and Return on Total Invested Capital (ROTIC) of 14.8% remained well above our Weighted Average Cost of Capital estimated at 8.9%. Our total shareholder return has continued to outperform the FTSE 100 index, with an investment of £100 in Halma shares on 28 March 2013 worth £485.6 on 31 March 2023, compared to £174.1 for a similar investment in the FTSE 100 index.

These results have been delivered despite challenging markets, the continuing conflict in Ukraine and the resulting energy crisis, demonstrating the resilience of the Halma business model.

Our people

Halma's people remain its most important asset and we continue to believe that our people should be rewarded appropriately. The Committee reviews various aspects of the wider workforce's remuneration and considers such information when determining the approach to executive pay. Many Halma employees have been, and continue to be, impacted by inflationary pressures and the cost-of-living crisis and we are proud of the support that Halma companies have given their employees during this time. Halma also continues to pay the Real Living Wage across its UK operations and this will be the third year that we have published details of our mean gender pay gap for the employees across two of our largest regions (the UK and the USA), with a reduction to 18.7% from 20% disclosed last year. Examples of cost of living support and details of Halma's mean gender pay gap can be found on pages 66 to 71 in the section on Our people and culture.

As part of the Committee's commitment to workforce engagement, my non-executive Director colleagues and I held sessions with a cross-section of employees on site visits to some of our companies. A breakfast meeting was also held with select employees at Accelerate Halma, our group-wide leadership conference, held in October 2022. At these sessions we had productive conversations on the role of the Remuneration

Committee, executive and employee remuneration and a range of other topics including job satisfaction and company culture. Employees were candid and constructive in their views which gave us insight into the effectiveness of Halma's approach to remuneration and employee satisfaction.

Remuneration outcomes for 2023

Bonus

Bonuses for 2023 were based on three metrics below:

- Economic Value Added (EVA) – Performance against a weighted average target of EVA for the past three years, representing 90% of overall bonus opportunity.
- Diversity, Equity and Inclusion (DEI) – Gender balance on the boards of individual Halma companies, representing 5% of overall bonus opportunity.
- Climate Change – Annual improvement in energy productivity (Revenue / energy consumed), representing 5% of overall bonus opportunity.

The Committee considered the targets to be demanding, appropriate and material to stakeholder value-creation. The formulaic outcomes across all three metrics are set out below, with one third of the total payout deferred into shares which will become available after two years:

Metric (Weighting)	EVA (90%)	DEI (5%)	Climate Change (5%)	Total
2023 achievement as a % of maximum outcome for CEO	71.8%	0%	100%	69.7%

The Committee believes that the EVA formulaic outcome was appropriate and payout reflects the robust performance of the business through the previous three years. The Committee also reviewed the Climate Change outcome carefully and we are satisfied that Halma's underlying performance justifies the payout in respect of this metric. There will be no payout in respect of DEI. You will find further details of all the performance metrics on page 145 of the report.

Executive Share Plan (ESP)

For the 2020 ESP award, the two performance metrics, measured over a three-year period are:

- Growth in Adjusted earnings per share (EPS), with a 50% weighting.
- Average Return on Total Invested Capital (ROTIC), with a 50% weighting.

The targets were set to reflect the impact of the COVID pandemic and details can be found on page 146.

The three-year performance for average ROTIC (14.67%) and Adjusted EPS growth over the three-year period (10.16%) have been strong and are reflected in 94.79% vesting.

Metric (Weighting)	Adjusted EPS Growth (50%)	ROTIC (50%)	Total
Vesting	50.00%	44.79%	94.79%

Remuneration Committee Report continued

The Committee reviewed the topic of windfall gains for the 2020 grant and it determined that as a result of the share price increase at the time of grant, there was no windfall gain concern. It was therefore the view of the Committee that the formulaic vesting should proceed without any adjustments.

As has been highlighted since the 2020 grant, the Committee considers the targets for this award to be stretching.

In line with the 2018 Corporate Governance Code (Code), the Committee reviewed the outcomes of the individual incentive plans (annual bonus and ESP) as well as the overall levels of remuneration to ensure that they remained consistent with the underlying performance of the business. The Committee is satisfied that the total remuneration received by Executive Directors in respect of the year ended 31 March 2023 is a fair reflection of performance over the period and no use of discretion is warranted.

Pension

The maximum employer pension contribution rate for UK employees is 10.5% of salary, along with a generous contribution structure that encourages our employees – especially our lowest paid – to save for their retirement. In line with prior commitments made by the Company, company pension contributions for the Executive Directors were reduced on 31 December 2022 to align with the UK wider workforce rate of 10.5% of salary.

Executive Director changes

Andrew Williams stepped down as Group Chief Executive on 31 March 2023. He will retire and step down from the Board on 30 June and will continue to be paid in line with the Remuneration Policy until his retirement. On this basis, Andrew remains eligible to receive a bonus payable in June 2023, in respect of the 2023 financial year, that has just concluded. No bonus will be accrued or paid for the 2024 financial year and he will not receive an ESP award in June 2023. Further details of Andrew's leaving arrangements are set out on page 144.

Marc Ronchetti began his role as CEO Designate on 16 June 2022 and became Group Chief Executive effective 1 April 2023 with a salary of £900,000. The Committee's decision on salary reflected that Marc's total remuneration for the next few financial years will be substantially lower than Andrew Williams, had Andrew remained in post, assuming the same level of performance. This is the case as Marc's inflight share awards and deferred bonus shares are lower and reflective of his previous Chief Financial Officer role. Marc will also not be eligible to receive a salary increase until June 2024. The Committee's decision was discussed with shareholders as part of the consultations outlined below. They agreed the package was not excessive and no concerns were raised. You can find details of his package on pages 148 and 149.

Steve Gunning began employment with Halma on 16 January 2023 as Chief Financial Officer and he received an ESP award in February 2023.

Steve's package is set out on page 144. His annual bonus and ESP opportunity are in line with our Policy, with the annual bonus for 2023 pro-rated to reflect his period of employment.

Salary

The table below sets out the position for the Executive Directors over the 2023 financial year.

Executive Director	Base Salary
Group Chief Executive	£900,000
CEO Designate	£673,750
Chief Financial Officer	£600,000
Group Talent, Culture and Communications Director	£460,000

Chair and non-executive Director Fees

The Committee carried out a benchmarking review of the Chair's fees and the Committee was unanimous in approving an inflationary increase of 3.2% and you will find details of this on page 149.

Following a review, the Board agreed to leave the fees for the non-executive Directors unchanged and you will find more details of this on page 149. The next review will be carried out in late 2023 and any change effective from 1 January 2024.

Shareholder engagement

At the July 2022 Annual General Meeting (AGM), 67.14% of shareholders voted in support of the Remuneration Report resolution. In accordance with Code requirements, as more than 20% of votes were cast against the Board recommendation for this resolution, an interim update was announced and we consulted with our shareholders to understand the reasons behind the voting outcome. I set out below further key points on that shareholder consultation process:

- After the AGM, we wrote to shareholders representing over 55% of issued share capital to understand their perspectives on the AGM outcome. We met shareholders representing circa 30% of the share capital. The shareholders we met represented a cross-section of investors – diverse by voting outcomes, size of shareholding, geography and investor type (index funds vs active managers), including a good number of ESG focused funds. We are pleased that we saw a mix that is broadly reflective of the types of holdings on our wider register.
- At these meetings, we outlined Halma's continuing strong profit and valuation growth over the past twenty years. We explained that succession risk was an important part of the rationale for the variable pay reset in the 2021 policy and salary reset implemented over two years, in 2021 and 2022. We also shared details of how the Committee's decision-making, leading up to the 2022 salary increase implementation, was informed by the Executive Director succession planning process. Specifically, the decisions made supported the Committee's need to ensure that Halma had the

necessary remuneration tools to recruit in the external market and the urgency of this goal was not disclosable to shareholders at the time.

- We discussed the use of the FTSE 100 (excluding financial services) as the appropriate benchmark for establishing a competitive pay offering. We highlighted the difficulty of defining a specific comparator group that would cover the Safety, Environmental & Analysis and Healthcare sectors in which Halma competes for business and talent. Positioning Halma Executive Director remuneration at the median of the FTSE 100 (excluding financial services) continues to ensure Halma maintains the level of pay that supports the current talent retention needs as well as the company's current size and future growth ambitions.
- The outcome of having achieved market alignment on pay in 2022 was that Halma was able to hire Steve Gunning, an experienced FTSE 100 CFO to replace the Chief Financial Officer role vacated by Marc Ronchetti. Improving the competitiveness of executive pay was a major factor in being able to execute an effective Group Chief Executive and Chief Financial Officer transition plan. The details of the remuneration of our Group Chief Executive and Chief Financial Officer were shared with shareholders. We highlighted that these individuals would not receive salary increases in the 2024 financial year, with their next review effective 1 June 2024 (see table to the right), demonstrating Halma's return to restraint following the remuneration reset. We also flagged that Marc's total remuneration for the next few financial years will be substantially lower than Andrew Williams, had Andrew remained in post, assuming the same level of performance. Shareholders acknowledged that the remuneration packages were competitive but not excessive and appreciated the Company's commitment to return to restraint. No further concerns or suggested changes were raised in relation to this.
- We had open and constructive conversations with shareholders on the voting outcome. The shareholders we spoke to were able to appreciate that succession risk was best addressed by the two-year phased approach we adopted to salary changes. The feedback received was that the rationale was better understood and shareholders were appreciative of the additional context the Committee was able to provide in relation to the Group Chief Executive succession process, understanding that it was not possible to communicate this to shareholders until the Group Chief Executive succession was publicly announced in June 2022.

Remuneration arrangements for 2024

Salary

In line with our historically conservative approach to remuneration and the timings of appointments, salaries for our Group Chief Executive and Chief Financial Officer will remain unchanged through the 2024 financial year. A salary increase of 3% has been awarded to our Group Talent, Culture and Communications Director, which is lower than the average wider workforce increase.

Role	Current position	Position with effect from 1 June 2023
Group Chief Executive	£900,000	£900,000
Chief Financial Officer	£600,000	£600,000
Group Talent, Culture and Communications Director	£460,000	£473,800

Annual Bonus

Financial metrics – Halma is focused on sustaining our companies' growth and returns over the longer term, while delivering strong performance in the shorter term. As such, we will continue to use EVA as the performance metric for the annual bonus as it is aligned with our business model. This will represent 90% of the overall bonus opportunity.

Non-financial metrics – Positive impact is at the heart of our business model and this is why we will also continue to use Climate Change and DEI as non-financial metrics, each representing 5% of the overall bonus opportunity.

The Policy provides flexibility to include non-financial measures in both the ESP and the annual bonus, with up to 20% of the overall opportunity available to be utilised for non-financial measures. Reflecting the continuing development of our sustainability approach, we have chosen to maintain the 10% weighting on these non-financial metrics and we will continue to review this over the financial year.

ESP

The 2024 ESP share awards will be granted as normal, using Adjusted EPS growth and ROTIC as the performance metrics based on stretching performance conditions.

We will continue to review whether sustainability-linked remuneration can be extended to the ESP over time.

Closing remarks

The Committee's performance was assessed as part of the annual Committee evaluation. I am pleased to report that the Committee is regarded as operating effectively and that the Board takes assurance from the quality of the Committee's work.

In closing, I would like to thank the Committee for its work and support during the year and our shareholders for the level and quality of engagement over this last year. Thanks also to our executive team for their decisive leadership and continued efforts to deliver exceptional value to our stakeholders. As Andrew retires on 30 June, I would like to thank him for the invaluable support he provided in my role as Committee Chair. He will be greatly missed and I wish him the very best for the future.

I hope that you find this report helpful and look forward to your support of the Remuneration Report resolution at the AGM.

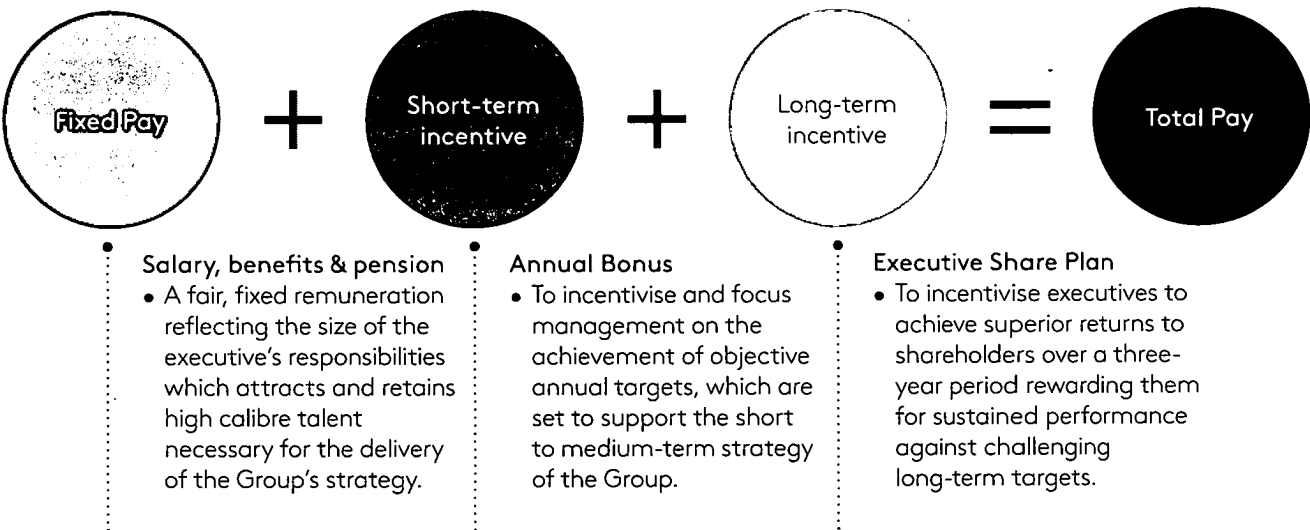
Jo Harlow

Committee Chair

Remuneration at a glance

We have a strong pay for performance culture that is aligned to our business model, focused on sustaining our companies’ growth and returns over the longer term, while delivering strong performance in the shorter term.

The components of our Executive Remuneration



Our performance metrics

Short-term incentive

Economic Value Added (EVA)	The use of EVA (profit less a charge for capital employed) reinforces the Group’s business objective to double every five years through a mix of acquisitions and organic growth. Performance is measured against a weighted average target of EVA for the past three years.
Diversity, Equity and Inclusion (DEI)	Our focus on DEI is the right thing to do and a critical driver of growth. Following our success in increasing gender diversity at the Halma and Executive Boards, our current focus is on increasing gender diversity on our company boards.
Climate Change	Action on climate change is an important part of us delivering on our purpose to grow a safer, cleaner, healthier future for everyone, every day. Reducing our own emissions is a key priority for us with year-on-year improvement in energy productivity as our target.
Maximum bonus opportunity: 200% of Salary (Group Chief Executive); 180% of Salary (Chief Financial Officer and GTCC Director)	

Long-term incentive

Adjusted EPS Growth	EPS growth provides a disciplined focus on increasing profitability and thereby provides close shareholder alignment through incentivising shareholder value creation.
ROTIC	ROTIC reinforces the focus on capital efficiency and delivery of strong returns, thereby further strengthening the alignment of remuneration with the Group strategy.
Maximum award: 300% of Salary (Group Chief Executive), 250% of Salary (Chief Financial Officer), 200% of Salary (GTCC Director)	

How actual performance compared to targets

Short-term incentive – Annual Bonus

Metric	Weighting	Threshold	Actual	Maximum	2023 CEO Achievement (% of maximum)
Economic Value Added	90%	£281.7m	£317.8m	£327.7m	71.8%
DEI	5%	33%	29%	–	0%
Climate Change	5%	4%	10%	7%	100%
Overall annual bonus outcome (% of max)					69.7%

Long-term incentive – Executive Share Plan

Metric	Weighting	Threshold	Actual	Maximum	2023 Achievement (Vesting %)
Adjusted EPS growth over a three-year period	50%	2%	10.16%	10%	50.00%
Three-year average ROTIC	50%	9.5%	14.67%	15.5%	44.79%
Vesting percentage (2020 Award)					94.79%

Executive Directors' earnings in 2023

The following charts set out the aggregate emoluments earned by the Executive Directors in the year ended 31 March 2023.

Element	Andrew Williams	Marc Ronchetti	Steve Gunning	Jennifer Ward
Fixed Pay	1,101	796	147	548
Salary	879	666	128	449
Benefits	28	21	6	24
Pension supplement	194	109	13	75
Short-term incentive				
Annual Bonus	1,254	845	188	577
Long-term incentive				
Executive Share Plan and Share Incentive Plan	1,249	694	0	476
Total Pay	3,604	2,335	335	1,601

Annual Remuneration Report

The Annual Remuneration Report sets out details of how the Policy was implemented in the year to 31 March 2023 and the proposed implementation for the next financial year.

Activities during the year

The Committee discharged its duties under its Terms of Reference for the year. During the year, the Committee met formally seven times and the Committee's main activities through the financial year are set out below:

- Reviewed the 2022 Directors' Remuneration Report, including narrative on the Real Living Wage, Gender Pay Gap and the Chief Executive Pay ratio.
- Approved the 2022 remuneration elements – annual bonus payout and ESP vesting.
- Approved 1 June 2022 merit increases for the Executive Board.
- Approved the 2023 Remuneration elements – Annual Bonus and ESP target-setting.
- Reviewed and confirmed the remuneration package for the Chief Executive Designate and termination package for Group Chief Executive.
- Reviewed the 2023 Remuneration elements – annual bonus payout and ESP vesting estimates.
- Approved the US taxpayers schedule to the ESP.
- Confirmed the reduction in cash-in-lieu pension supplement for the Executive Directors with effect from 1 January 2023.
- Reviewed and confirmed the remuneration package for the Chief Financial Officer.
- Discussed shareholder consultation plans and reviewed materials to be sent to proxy agencies and shareholder organisations.
- Reviewed details of performance award to be made to Chief Financial Officer in February 2023.
- Discussed wider workforce remuneration, including a cost of living update and non-executive Director engagement with employees.
- Received executive remuneration governance and market updates from our remuneration consultants, WTW.
- Reviewed the Committee's Terms of Reference.
- Discussed the 2024 annual bonus targets.
- Reviewed a draft of the Committee Chair's letter.
- Considered the output of the Committee effectiveness review.
- Commenced discussions on the 2024 Remuneration Policy review.
- Discussed agenda items for the Committee meetings to be held through to June 2024.

External advisers

In June 2020, after a thorough and competitive tender process, WTW was appointed by the Committee as the independent remuneration adviser and continued in this capacity through the year.

WTW is a member of the Remuneration Consultants' Group and voluntarily operates under the Remuneration Consultants' Group Code of Conduct in relation to executive remuneration consulting in the UK. This is based upon principles of transparency, integrity, objectivity, competence, due care and confidentiality by executive remuneration consultants. WTW has confirmed that it has adhered to that Code of Conduct throughout the year for all remuneration services provided to the Company. Therefore, the Committee is satisfied that the advice from WTW is independent and objective. The Remuneration Consultants' Group Code of Conduct is available at www.remunerationconsultantsgroup.com.

WTW's fee for the year with respect to executive remuneration matters was £97,300 (2022: £120,766) based on an agreed fee. WTW also provided services to the Company globally which comprise remuneration benchmarking and other consultancy advice.

Compliance statement

This Report has been prepared in accordance with the requirements of the Companies Act 2006 and the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 and subsequent amendments.

The Report also meets the relevant requirements of the Listing Rules of the Financial Conduct Authority and describes how the Board has applied the Principles relating to Directors' remuneration in the UK Corporate Governance Code. No changes are proposed to the Policy, which was approved at the 2021 Annual General Meeting, but the Directors' Remuneration Report will be subject to an advisory vote by shareholders at the 2023 Annual General Meeting.

Shareholder vote at 2021 and 2022 Annual General Meetings

The following table shows the results of the binding vote on the Policy at the 2021 Annual General Meeting held on 22 July 2021 and the advisory vote on the Directors' Remuneration Report at the 2022 Annual General Meeting. The Policy can be found on pages 122 to 128 of the 2021 Annual Report and Accounts, which can be found on our company website, www.halma.com and a summary is set out in this Report on pages 156 to 163.

	For	Against	Total	Withheld
Remuneration Policy (2021)				
Total number of votes	176,723,996	116,952,309	293,676,305	7,547,634
% of votes cast	60.18%	39.82%	100%	
Directors' Remuneration Report (2022)				
Total number of votes	196,844,865	96,326,858	293,171,723	12,719,326
% of votes cast	67.14%	32.86%	100%	

On pages 138 and 139, you will find details of the extensive shareholder engagement that was carried out in relation to results of the 2022 vote on the Directors' Remuneration Report. The feedback received was that the rationale of the 2021 policy changes was better understood and shareholders were appreciative of the additional context the Committee was able to provide in relation to the Group Chief Executive succession process. Shareholders acknowledged that the remuneration packages were competitive but not excessive and appreciated the Company's commitment to return to restraint.

Remuneration for 2023

Single figure of total remuneration for Executive Directors (audited)

The table below sets out the single figure of total remuneration received by Executive Directors for the years to 31 March 2022 and 31 March 2023.

	Andrew Williams £000		Marc Ronchetti ¹ £000		Steve Gunning ¹ £000		Jennifer Ward £000	
	2023	2022	2023	2022	2023	2022	2023	2022
Salary	879	759	666	482	128	–	449	386
Benefits²	28	27	21	20	6	–	24	25
Pension³	194	197	109	90	13	–	75	72
Total Fixed Pay	1,101	983	796	592	147	–	548	483
Annual Bonus⁴	1,254	1,553	845	887	188	–	577	711
Executive Share Plan – Awards⁵	1,245	826	690	458	–	–	472	313
Share Incentive Plan⁶	4	3	4	3	–	–	4	3
Total Variable Pay	2,503	2,382	1,539	1,348	188	–	1,053	1,027
Total Pay	3,604	3,365	2,335	1,940	335	–	1,601	1,510

1 Marc Ronchetti became Chief Executive Designate on 16 June 2022. Steve Gunning joined Halma as Group Chief Financial Officer on 16 January 2023.

2 Benefits: mainly comprises company car/car allowance and private medical insurance.

3 Pension: value based on the Company's pension contribution, or cash supplement in lieu of pension, during the year.

4 Annual bonus: payment for performance during the year; two thirds is payable in cash and one third is deferred into shares which vest two years from award without any performance conditions. Table shows total bonus including amounts to be deferred.

5 ESP: Figures relate to awards vesting based on performance to the years ended 31 March 2023 and 2022. For the award vesting for the year ended 31 March 2023, as the share price on the date of vesting is currently unknown, the value shown is estimated using the average share price over the three-months to 31 March 2023 of 2156p. For the award vesting for the year ended 31 March 2022, these figures have been revised from last year's report to reflect the actual share price on the vesting date of 2011p. Table shows total vestings and dividend equivalents in 2023 and 2022 respectively for: Andrew - £37,349 and £20,477, Marc - £20,707 and £11,352, Jennifer - £14,167 and £7,767.

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

Payments to past Directors and payments for loss of office (audited)

No payments were made in the year.

On his retirement from the Board in July 2021, Adam Meyers retained the following interests under the ESP, which vested during the year:

- 18,039 time pro-rated 2020 ESP shares vesting at 94.79% based on performance to 31 March 2023.
- 3,618 deferred bonus awards granted in 2021 will vest on 28 June 2023.

Annual Remuneration Report continued

Joining arrangements for Steve Gunning

Steve Gunning began employment with Halma on 16 January 2023 as Chief Financial Officer and details of his remuneration, which are in line with our Remuneration Policy are set out below:

- He was granted a Performance Share Award in February 2023 under the ESP, which will vest in February 2026, subject to performance conditions. The award is also subject to a two-year post-vesting holding period.
- His annual bonus for the 2023 financial year, that has just concluded is pro-rated to reflect his period of employment and his deferred bonus award will be calculated as one-third of the bonus earned.

Leaving arrangements for Andrew Williams

Andrew Williams stepped down as Group Chief Executive on 31 March 2023 and he will retire and step down from the Board on 30 June 2023 ("Retirement Date"). On this basis and in accordance with his service agreement, Andrew Williams will continue to be paid in line with the Remuneration Policy until his retirement and he will:

- continue to be paid a salary of £900,000 until Retirement Date.
- remain eligible to receive a bonus payable in June 2023, in respect of the 2023 financial year, that has just concluded with one-third granted as a deferred bonus award to vest in June 2025, with no attaching further performance conditions.
- not be paid a bonus for the 2024 financial year.
- not receive an ESP award in June 2023.
- be treated as a good leaver as he is retiring and hence his outstanding ESP awards that are unvested in June 2023 will be time pro-rated to Retirement Date and vest, subject to performance, at their normal vesting date.
- have automatic good leaver reason under the Share Incentive Plan (SIP) rules and as such all SIP shares held in trust will be transferred at retirement, free of tax and national insurance.
- continue to receive benefits through to the Retirement Date.
- be entitled to payment for any unused and accrued holiday days as at Retirement Date.
- remain subject to the post-cessation shareholding requirements.

Incentive outcomes for 2023 (audited)

Annual bonus in respect of 2023

In 2023, the maximum bonus opportunity for the Group Chief Executive was 200% and 180% of salary for the CEO Designate, Chief Financial Officer and the Group Talent, Culture and Communications Director.

Annual bonus for all Executive Directors was linked to performance based on the three metrics below:

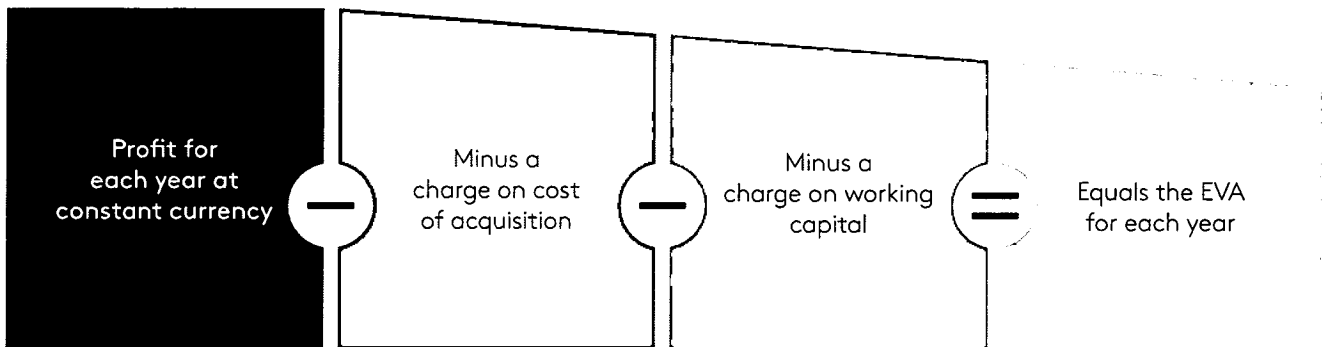
- Economic Value Added (EVA) – Performance against a weighted average target of EVA for the past three years, representing 90% of overall bonus opportunity.
- Diversity, Equity and Inclusion (DEI) – Gender balance on the boards of Halma companies, representing 5% of overall bonus opportunity.
- Climate Change – Annual improvement in energy productivity (Revenue / energy consumed), representing 5% of overall bonus opportunity.

The Committee felt that the targets were demanding, appropriate and material to stakeholder value.

Operating company directors and other sector and central senior management participate in bonus arrangements similar to those established for senior executives.

EVA calculation:

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

**DEI and Climate Change:**

The DEI target is based on progress towards our goal of reaching female representation on the boards of Halma companies of at least 40% by 31 March 2024. In 2023, maximum payout of 5% of bonus opportunity could have been achieved with a gender balance figure of 33% or above and nil payout with a figure lower than 33%.

The Climate Change target is based on achieving a stretching range of annual improvement in Energy Productivity. In 2023, there was a straight line payout between the minimum threshold of 4% (our published target) up to a maximum threshold of 7%.

Details of both of our non-financial targets for the 2023 financial year are set out in the tables below:

Diversity, Equity and Inclusion

Gender balance on the boards of Halma Companies

	Performance	% payout for performance against target
On / Off Target	≥ 33%	100%

Climate Change

Annual improvement in energy productivity

	Performance	% payout for performance against target*
Threshold	4%	25%
Maximum	≥7%	100%

* Straight line payout between thresholds and maximum

Details of the bonuses payable (cash and deferred share awards) and performance against all three targets are provided in the tables below:

Metric	Weighting	Threshold	Actual	Maximum	2023 CEO Achievement (% of maximum)
Economic Value Added	90%	£281.7m	£317.8m	£327.7m	71.8%
DEI	5%	33%	29%	–	0%
Climate Change	5%	4%	10%	7%	100%
Overall annual bonus outcome (% of max)					69.7%

Annual Remuneration Report continued

The deferred bonus awards across all three metrics are calculated as one-third of the bonus earned. The number of shares over which awards will be made will be determined by the share price for the five trading days prior to the date of award. The value of each individual's award, relative to their bonus has been fixed as follows:

Executive Director	Overall bonus outcome (% of salary)	Overall bonus outcome (% of maximum)	Bonus for 2023	Cash-settled	Value of 2023 deferred bonus award
Andrew Williams	139%	69.7%	£1,253,955	£835,970	£417,985
Marc Ronchetti	125%	69.7%	£844,852	£563,235	£281,617
Steve Gunning (joined the Board on 16 January 2023)	31%	17.4%	£188,093	£125,395	£62,698
Jennifer Ward	125%	69.7%	£576,819	£384,546	£192,273

Deferred bonus awards will be granted under the ESP in June 2023. These awards will not be subject to any further performance conditions and will ordinarily vest in full on the second anniversary of the date of grant. Full details will be provided in next year's Annual Remuneration Report.

Executive Share Plan (ESP): 2020 Awards (vesting at the end of the year to 31 March 2023)

In July 2020, the Executive Directors received awards of performance shares under the ESP. The performance targets for these ESP awards were set to reflect the impact of the COVID pandemic on business forecasts at the time of grant and are set out below. The vesting criteria are 50% EPS-related and 50% ROTIC-related.

Performance conditions for these awards are as follows:

Metric		Below Threshold	Threshold	Maximum
Adjusted EPS growth ¹	Performance level:	<2%	2%	10% or more
	% of award vesting ³ :	0.0%	12.5%	50%
ROTIC ²	Performance level:	<9.5%	9.5%	15.5% or more
	% of award vesting ³ :	0.0%	12.5%	50%
Total vesting		0.0%	25%	100%

1 Adjusted earnings per share growth over the three-year performance period.

2 Average ROTIC over the performance period.

3 There is straight line vesting in between threshold and maximum vesting.

The three-year period over which these two performance metrics are measured ended on 31 March 2023. Average ROTIC was 14.67% (the average ROTIC for financial years 2021, 2022 and 2023) and adjusted EPS growth was 10.16% per annum for the period from 1 April 2020 to 31 March 2023, resulting in vesting of 94.79% of the awards.

The estimated vesting value included in the 2023 single figure of Total Remuneration for Directors is detailed in the table below:

Executive Director	Interest held	Face value at grant	Vesting %	Interest vesting	Three-month average price at year end	Estimated vesting value £000	of which value attributable to share price growth £000	and value attributable to corporate performance £000
Andrew Williams	59,083	1,335	94.79%	56,005	2156p	1,207	(58)	1,265
Marc Ronchetti	32,756	740		31,049		669	(33)	702
Jennifer Ward	22,411	506		21,243		458	(22)	480

Vested awards are net settled, with the appropriate reduction in shares made to cover the employee tax and social security liability at vesting. Awards normally lapse if they do not vest on the third anniversary of their award. These awards are subject to a two-year post-vesting holding period. Dividend equivalents accrue over the vesting period and are paid in cash at the end of the vesting period, and only on those shares that vest.

In line with regulations, the values disclosed above and in the single total figure of remuneration table on page 143 capture the number of interests vesting for performance to 31 March 2023. As the market price on the date of vesting is unknown at the time of reporting, the values are estimated using the average market value over the three-month period to 31 March 2023 of 2156p. The actual values at vesting will be trued-up in the next Annual Remuneration Report.

Incentive Awards granted during 2023 (audited)

Long-term incentive – Executive Share Plan: Performance Share Plan Awards (granted during the year to 31 March 2023)

On 29 June 2022, the Executive Directors, excluding Steve Gunning were granted awards and on 27 February 2023, Steve Gunning was granted an award under the ESP. All awards are subject to ROTIC and Adjusted EPS growth performance over a three-year period measured from 1 April 2022 to 31 March 2025. Specifically, the ROTIC element will be based on the average ROTIC for 2023, 2024 and 2025. The EPS element will be based on EPS growth from 1 April 2022 to 31 March 2025. These two elements are equally weighted at 50% each. The performance targets applying to these awards are as set out in the table below:

Metric		Below Threshold	Threshold	Maximum
Adjusted EPS growth ¹	Performance level:	<5%	5%	12% or more
	% of award vesting ³ :	0.0%	12.5%	50%
RODIC ²	Performance level:	<11%	11%	17% or more
	% of award vesting ³ :	0.0%	12.5%	50%
Total vesting		0.0%	25%	100%

1 Adjusted earnings per share growth over the three-year performance period.

2 Average ROTIC over the performance period.

3 There is straight line vesting in between threshold and maximum vesting.

The awards vest on the third anniversary of the dates of grant (27 February 2026 for Steve Gunning and 29 June 2025 – For all other Executive Directors) and are subject to a two-year post-vesting holding period.

Executive Director	% of salary	Awards made during the year	Five-day average market price at award date (p)	Face value at award date £000
Andrew Williams	300%	138,904	1941	2,696
Marc Ronchetti	250%	89,965	1941	1,746
Steve Gunning (joined the Board on 16 January 2023)	250%	68,181	2200	1,500
Jennifer Ward	200%	47,208	1941	916

Long-term incentive – Deferred Share Awards (granted during the year to 31 March 2023)

On 29 June 2022, the Executive Directors excluding Steve Gunning were granted deferred share awards under the ESP in respect of one third of the total bonus earned for the financial year ended 31 March 2022. Steve joined Halma in January 2023 and as such he was not entitled to a bonus or deferred share award in respect of the 2022 financial year. Awards are not subject to performance conditions as they are deferred awards relating to bonus earned for the year ended 31 March 2022. Awards vest in full on the second anniversary of the date of grant (29 June 2024).

Executive Director	Awards made during the year	Five-day average market price at award date	Face value at award date £000	Bonus to 31 March 2022 £000	Proportion awarded in shares
Andrew Williams	26,667	1941p	518	1,553	33.3%
Marc Ronchetti	15,237		296	887	33.3%
Jennifer Ward	12,208		237	711	33.3%

Annual Remuneration Report continued

Implementation of the Policy for the year to 31 March 2024

Base Salary, effective 1 June 2023

In line with our historically conservative approach to remuneration, salaries for our Group Chief Executive and Chief Financial Officer will remain unchanged through the 2024 financial year, with next salary reviews carried out with effect from 1 June 2024. A salary increase of 3% (lower than the wider workforce increase) has been awarded to our Group Talent, Culture and Communications Director.

Andrew Williams retires and steps down from the Board on 30 June 2023.

Remuneration arrangements for Marc Ronchetti

Marc Ronchetti began his role as CEO Designate on 16 June 2022 on a salary of £700,000 and prior to that he was on a salary of £574,000 as Chief Financial Officer. On 1 April 2023, he became Group Chief Executive on a salary of £900,000 and he will not be eligible for a salary increase until June 2024.

The Committee's decision on salary reflected the fact that Marc's total remuneration for the next few financial years will be substantially lower than Andrew Williams, had he remained in post, assuming the same level of performance. Marc's remuneration was discussed with shareholders as part of consultation. They agreed the package was not excessive and no concerns were raised.

Executive Director	Salary for 2024	Salary for 2023
Andrew Williams (until 30 June 2023)	£900,000	£900,000
Marc Ronchetti	£900,000	£673,750 ¹
Steve Gunning (joined the Board on 16 January 2023)	£600,000	£600,000
Jennifer Ward	£473,800	£460,000

¹ This is a prorated salary allowing for Marc's role as Chief Financial Officer for 2.5 months and as Chief Executive Designate for 9.5 months of the 2023 financial year.

Pension and benefits

The maximum employer pension contribution rate for UK employees is 10.5% of salary, along with a generous contribution structure, benefiting our lowest paid the most.

Pension cash supplements for Executive Directors will be 10.5% of salary in line with the maximum rate offered to UK employees.

Annual bonus

The maximum annual bonus opportunity for 2024 is 200% of salary for the Group Chief Executive and 180% of salary for the other Executive Directors. One third of the bonus earned will be deferred into a share award which vests in full after two years. Bonus payments will be subject to malus and clawback during a period of three years from the date of payment.

Bonuses for 2024 will be based on EVA performance against a weighted average target of EVA for the past three years. We will also continue to use the two non-financial targets on Diversity, Equity and Inclusion (DEI) and Climate Change. The weightings for EVA performance, DEI and Climate Change will be 90%, 5% and 5% respectively.

For DEI, we remain committed to our stretch target of achieving at least 40% gender balance on our company boards by March 2024 and you can find more details on this on pages 67.

The Climate Change target is based on achieving a stretching range of Energy Productivity improvement, linked to our published target of 4% straight line annual improvement from the 2022 financial year. The target requires progress to be made from the 2023 result. Further details can be found on pages 78 and 79 of the Sustainability section and page 87 of the TCFD Statement.

As financial targets are commercially sensitive, they are not disclosed at this time but will be in next year's Annual Report on Remuneration.

The Remuneration Committee must be satisfied that Halma's underlying performance over the financial year justifies the payout. When making this judgement the Committee has scope to consider such factors as it deems relevant. The Committee believes that this approach will ensure fairness to both shareholders and participants.

Long-term incentive – Executive Share Plan: Performance Share Awards (to be granted)

Under the ESP, performance share plan awards and deferred bonus awards will be made in June 2023, based on the Policy. The number of shares over which awards will be made is determined by the average share price for the five trading days prior to the date of award. The value of each performance share award is as follows:

Executive Director	Salary for 2024	Performance Share Award	Value of Award
Marc Ronchetti	£900,000	300%	£2,700,000
Steve Gunning	£600,000	250%	£1,500,000
Jennifer Ward	£473,800	200%	£947,600

The performance share awards will be subject to an Adjusted EPS growth performance target for 50% of the award and a ROTIC target for 50% of the award measured over the three financial years 2023, 2024 and 2025. In line with the current accounting treatment for Software as a Service (SaaS) investments under IAS 38, we will include the SaaS costs within the calculations as they fall.

The full performance conditions are set out in detail below.

Metric		Below Threshold	Threshold	Maximum
Adjusted EPS growth ¹	Performance level:	<5%	5%	12% or more
	% of award vesting ³ :	0.0%	12.5%	50%
RODIC ²	Performance level:	<9.5%	9.5%	15.5% or more
	% of award vesting ³ :	0.0%	12.5%	50%
Total vesting		0.0%	25%	100%

1 Adjusted earnings per share growth over the three-year performance period.

2 Average RODIC over the performance period.

3 There is straight line vesting in between threshold and maximum vesting.

Chair and non-executive Director fees

A review of the non-executive Directors' fees was carried out in January 2023 and the Board made a decision not to make any changes. A market review was carried out in respect of our Chair's fee, which was subsequently increased with effect from January 2023. Fees are subject to an annual review in January.

Fees	Annual fees for 2023	Annual fees for 2022
Chair	£419,000	£406,000
Base fee	£75,000	£75,000
Senior Independent Director	£20,000	£20,000
Audit Committee Chair	£20,000	£20,000
Remuneration Committee Chair	£20,000	£20,000
Committee Member	£nil ¹	£nil

Annual Remuneration Report continued

Single figure of total remuneration for non-executive Directors (audited)

The following table sets out the total remuneration for the Chair and the non-executive Directors for the year end 31 March 2023.

Non-executive Director ¹	2023 £000	2022 £000
Dame Louise Makin	409	297
Roy Twite	75	63
Tony Rice	95	75
Carole Cran	95	79
Jo Harlow	95	75
Dharmosh Mistry	75	63
Sharmila Nebhrajani OBE	75	24

¹ Fees have been rounded to the nearest £1,000

Group Chief Executive Pay ratio

The following table sets out our Group Chief Executive's pay ratios as at 31 March 2023. All figures are calculated using pay and benefits data for the year to 31 March 2023 and for part-time employees, the full-time equivalent salary and benefits are used.

Year	Method	25th Percentile: pay ratio, total pay and benefits, (salary)	50th Percentile: pay ratio, total pay and benefits, (salary)	75th Percentile: pay ratio, total pay and benefits, (salary)
2023	Option A	138:1	104:1	68:1
		£26,155	£34,781	£53,343
		(£23,360)	(£30,882)	(£46,789)

Historical Information

		25th Percentile: pay ratio	50th Percentile: pay ratio	75th Percentile: pay ratio
2022	Option A	145:1	110:1	70:1
2021	Option A	141:1	110:1	68:1
2020	Option A	183:1	139:1	86:1

Option A was chosen again this year as it is the most statistically accurate method, considered best practice by the Government, in line with shareholder expectations and is directly comparable to the Chief Executive's remuneration. This method requires calculation of pay and benefits for all UK employees using the same methodology that is used to calculate the Group Chief Executive's single figure per the table on page 143.

Commentary

We are satisfied that the median pay ratio reported this year is consistent with our wider pay, reward and progression policies for employees.

The Group Chief Executive is remunerated predominantly on performance-related elements (bonus and share awards), based on the delivery of strong returns. Compared to last year, the Chief Executive's single figure has increased as a result of the higher base salary and vesting percentage for the 2020 award, compared to the 2019 award. However, this increase has been partially offset by the lower bonus outturn. In contrast, there has been a higher increase of employee total pay at the 25th, 50th and 75th percentiles, resulting in lower Group Chief Executive pay ratio figures for the year, compared to last year.

Directors' pensions (audited)

Andrew Williams is the only UK Executive Director who is a deferred member of the defined benefit section of the Halma Group Pension Plan. This benefit is a funded final salary occupational pension plan registered with HMRC, providing a maximum pension of two thirds of final pensionable salary after 25 or more years' service at normal pension age (60).

Up to 5 April 2006, final pensionable salary was the greatest salary of the last three complete tax years immediately before retirement or leaving service. From 6 April 2011, final pensionable salary was capped at £139,185 and is increased annually thereafter by the increase in CPI (£174,586 for 2023).

Bonuses and other fluctuating emoluments and benefits-in-kind are not pensionable nor subject to any pension supplement. The Plan also provides a pension in the event of early retirement through ill-health and a dependant's pension of one-half of the member's prospective pension.

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

The Company closed the Defined Benefit section to future accrual with effect from 1 December 2014 and, in April 2014, Andrew Williams chose to cease future service accrual in the Plan in return for a pension supplement on his base salary. This supplement was equivalent to a 20% employer contribution plus an additional 6% compensatory payment, in line with the enhanced contribution rate offered to other members who were in the Defined Benefit section when future accrual was ceased.

Marc Ronchetti and Jennifer Ward were not members of the Defined Benefit section but are entitled to join the Defined Contribution section of the plan. However, until 31 December 2022, due to annual allowance and lifetime allowance restrictions, both Jennifer and Marc opted to receive a pension supplement of 18.7% of salary, in lieu of the 20% employer contribution that the Company would otherwise pay into their pension.

With effect from 1 January 2023, Executive Directors' voluntarily lowered their pension supplements to 10.5% of salary.

Steve Gunning, our new Chief Financial Officer is entitled to join the Defined Contribution section of the plan but due to lifetime allowance restrictions, he receives a cash-in-lieu pension contribution of 10.5% of salary.

Andrew Williams accrued benefits under the Company's defined benefit pension plan during the year as follows.

Executive Director	Age at 31 March 2023	Years of pensionable service at 31 March 2023	Increase in accrued benefits £000	Increase in accrued benefits net of inflation £000	Accrued benefits at 31 March 2023 £000
Andrew Williams	55	20	0.8	–	76

Annual Remuneration Report continued

Percentage change in Directors' remuneration versus employees

The table below shows the percentage change in the salary/fees, bonus outcomes and benefits of the Directors for 2023, 2022 and 2021. This is compared to the average percentage change in remuneration for other Halma plc employees over three financial years.

	Salary / fees (% change)			Benefits (% change)			Annual Bonus (% change)		
	2023	2022	2021	2023	2022	2021	2023	2022	2021
Other Halma plc Employees	7%	6%	0%	8%	3%	(2%)	(36)%	230%	(43%)
Executive Directors									
Andrew Williams	16%	19%	(5%)	3%	(13%)	(6%)	(19%)	218%	(40%)
Marc Ronchetti	38%	19%	(5%)	7%	(17%)	41%	(5%)	187%	(40%)
Steve Gunning (joined the Board on 16 January 2023)	-	-	-	-	-	-	-	-	-
Jennifer Ward	16%	19%	(5%)	(3%)	4%	0%	(19%)	187%	(40%)
Non-executive Directors									
Dame Louise Makin ¹	38%	3612%	-	-	-	-	-	-	-
Roy Twite	19%	13%	(5%)	-	-	-	-	-	-
Tony Rice	27%	15%	(16%)	-	-	-	-	-	-
Carole Cran	20%	13%	(5%)	-	-	-	-	-	-
Jo Harlow	27%	15%	10%	-	-	-	-	-	-
Dharmash Mistry	20%	-	-	-	-	-	-	-	-
Sharmila Nebhrajani OBE	217%	-	-	-	-	-	-	-	-

¹ Dame Louise Makin was appointed as non-executive Director on 9 February 2021 and became Chair at the AGM on 22 July 2021 as evidenced by the change in percentage in financial year 2022.

Relative importance of spend on pay

The table below shows the percentage change in total employee pay expenditure and shareholder distributions (i.e. dividends and share buybacks) from the financial year ended 31 March 2022 to the financial year ended 31 March 2023.

	2023 £m	2022 £m	% change
Distribution to shareholders	76.3	71.5	6.7%
Employee remuneration (gross)	536	430	24.7%

The Directors are proposing a final dividend for the year ended 31 March 2023 of 12.34p per share (2022: 11.53p).

Pay-for-performance

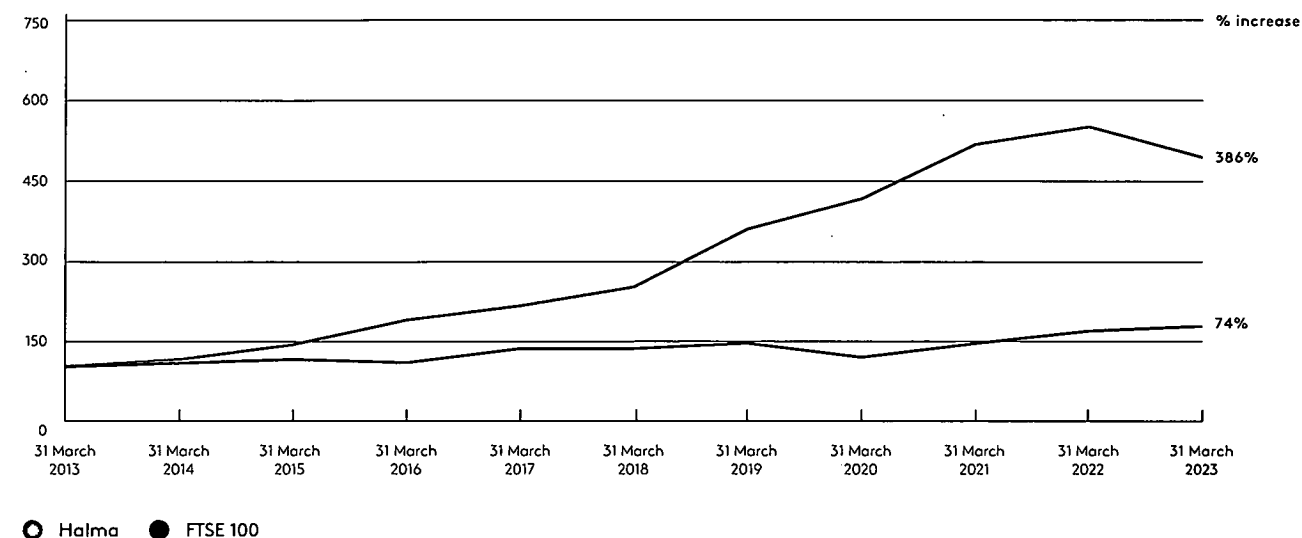
The 10-year graph on the next page shows the Company's Total Shareholder Return (TSR) performance over the 10 years to 31 March 2023 as compared to the FTSE 100 index. Over the period indicated, the Company's TSR was 386% compared with 74% for the FTSE 100. The table below the graph details the Group Chief Executive's single figure remuneration and actual variable pay outcomes over the same period.

The FTSE 100 has been selected because the Company believes that the constituent companies of this index are the most appropriate for this comparison as they are affected by similar commercial and economic factors to Halma.

Halma was a constituent of the FTSE 250 until December 2017 when it became a constituent of the FTSE 100.

Total Shareholder Return

Graph as rebased to 100



	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Andrew Williams' single figure remuneration (£000)	£1,543	£2,006	£2,423	£2,337	£3,429	£3,954	£3,912	3,258	£3,365	£3,604
Annual bonus outcome (% of maximum)	37%	53%	53%	34%	89%	100%	81%	48%	100%	70%¹
ESP vesting outcome (% of maximum)	74%	78%	95%	92%	90%	90%	91%	74%	61%	95%¹

¹ Rounded to whole percentage figures.

Directors' interests in Halma shares (audited)

The interests of the Directors in office through the year ended 31 March 2023 (and their connected family members) in the ordinary shares of the Company at the following dates were as follows:

	31 March 2023	31 March 2022
Current Directors		
Dame Louise Makin	10,000	10,000
Andrew Williams	763,286	736,199
Marc Ronchetti	67,225	51,621
Steve Gunning	15,731	-
Jennifer Ward	44,590	33,412
Roy Twite	4,000	4,000
Tony Rice	20,000	16,939
Carole Cran	2,000	2,000
Jo Harlow	2,000	2,000
Dharmash Mistry	2,563	2,000
Sharmila Nebhrajani OBE	-	-

Annual Remuneration Report continued

Directors' interests in Halma share plans (audited)

Details of Directors' outstanding deferred share awards (DSA), conditional share awards (ESP) and free shares under the SIP are outlined in the tables below:

Executive Share Plans		Date of grant	As at 1 April 2022	Granted/ (vested) in the year	Five-day average share price on grant (p)	As at 31 March 2023
Andrew Williams	ESP	01-Jul-19	65,264	(40,072)	2045.6	–
	ESP	28-Jul-20	59,083		2259.6	59,083
	DSA	28-Jul-20	11,925	(11,925)	2259.6	–
	ESP	28-Jun-21	49,156		2715.9	49,156
	DSA	28-Jun-21	5,943		2715.9	5,943
	ESP	23-Jul-21	35,542		2787.8	35,542
	DSA	27-Jun-22		26,667	1941.2	26,667
	ESP	27-Jun-22		138,904	1941.2	138,904
Marc Ronchetti	ESP	01-Jul-19	36,182	(22,215)	2045.6	–
	ESP	28-Jul-20	32,756		2259.6	32,756
	DSA	28-Jul-20	7,593	(7,593)	2259.6	–
	ESP	28-Jun-21	27,252		2715.9	27,252
	DSA	28-Jun-21	3,773		2715.9	3,773
	ESP	23-Jul-21	17,531		2787.8	17,531
	DSA	27-Jun-22		15,237	1941.2	15,237
	ESP	27-Jun-22		89,965	1941.2	89,965
Steve Gunning	ESP	27-Feb-23		68,181	2200.0	68,181
Jennifer Ward	ESP	01-Jul-19	24,755	(15,199)	2045.6	–
	ESP	28-Jul-20	22,411		2259.6	22,411
	DSA	28-Jul-20	6,057	(6,057)	2259.6	–
	ESP	28-Jun-21	18,645		2715.9	18,645
	DSA	28-Jun-21	3,018		2715.9	3,018
	ESP	23-Jul-21	10,043		2787.8	10,043
	DSA	27-Jun-22		12,208	1941.2	12,208
	ESP	27-Jun-22		47,208	1941.2	47,208

The balance of ESP awards that did not vest during the year have lapsed.

The DSAs do not have any attaching performance conditions. The performance conditions attached to the 2019, 2021 and 2022 ESP awards are described earlier in this Report, on page 147. The 2020 ESP awards have the different performance conditions as a result of the adjustment that was made (at the time of grant) to align targets with the changes to the business forecasts due to the COVID pandemic and these are set out on page 146 of this Report.

Share Incentive Plan	Date of grant	As at 1 April 2022	Granted in the year	Share price on award (p)	As at 31 March 2023
Andrew Williams	01-Oct-20	150		2397	150
	01-Oct-21	127		2820	127
	01-Oct-22		179	2011	179
Marc Ronchetti	01-Oct-20	150		2397	150
	01-Oct-21	127		2820	127
	01-Oct-22		179	2011	179
Jennifer Ward	01-Oct-20	150		2397	150
	01-Oct-21	127		2820	127
	01-Oct-22		179	2011	179

The SIP shares are held in trust and become the employee's, subject to the rules of the plan, after three years. There are tax benefits for retaining the shares in the trust for at least five years from award date. Steve Gunning joined Halma on 16 January 2023 and will be due SIP shares with effect from 1 October 2023.

There have been no variations to the terms and conditions for share awards during the financial year.

Share Ownership Guidelines

Executive Directors are expected to build a holding in the Company's shares to a minimum value broadly equivalent to their ESP award maximum opportunity: 300% for Group Chief Executive, 250% for Group Chief Financial Officer and 200% for other Executive Directors. In addition, Executive Directors are required to hold shares after cessation of employment. The requirement is to hold shares to the value of the share ownership guidelines or actual shareholding (if lower) for a period of two years post cessation of employment.

The Executive Directors, excluding Marc Ronchetti and Steve Gunning each meet the Share Ownership Guideline of holding Company shares to the value of their award sizes. Until such time as this threshold is achieved, Steve and Marc are required to retain no less than 50% of the net of tax value of any vested conditional share or deferred share awards. There are no other non-beneficial interests of Directors. There were no changes in Directors' interests from 1 April 2023 to 15 June 2023.

Consideration of conditions elsewhere in the Group

The Committee considers the remuneration and employment conditions elsewhere in the Group when determining remuneration for Executive Directors. In addition to the employee engagement detailed on page 66, we have established a mean gender pay gap figure for our UK and US companies and the CEO pay ratio is available to employees. As part of Committee/workforce engagement, our non-executive Directors held sessions with a cross-section of employees on site visits to our companies. A breakfast meeting was also held with selected employees at Accelerate Halma, our group-wide leadership conference, held in October 2022. At these sessions there were productive conversations on the role of Remuneration Committee, executive and employee remuneration and a range of other topics including job satisfaction and company culture.

Consideration of shareholder views

When determining remuneration, the Committee takes into account the views of our shareholders and 'best practice' guidelines set by shareholder representative bodies.

The Committee actively engaged with shareholders to understand the reasons behind our 2022 AGM voting outcomes. Letters were sent to our major shareholders, proxy agencies and shareholder organisations. Meetings were held with the shareholders representing circa 30% of share capital. A meeting was also held with Glass Lewis. See pages 138 and 139 for further details on these discussions.

The Remuneration Committee also seeks ongoing advice from its external advisers on wider shareholder views, to ensure that it is kept up to date with any changes in market practice and shareholder sentiment.

Jo Harlow

Committee Chair

For and on behalf of the Board

15 June 2023

Directors' Remuneration Policy

This section of the Report sets out our Policy in detail. The current Policy for Executive Directors came into effect from 22 July 2021, the date of the 2021 AGM and remains unchanged. The Committee intends that the Policy will operate for three years.

Principles underpinning our Policy

These principles are:

- A strong pay for performance culture, focusing on the long-term success of the organisation and the alignment to business strategy.
- A balance of focus on growth and returns ensuring the creation of shareholder value.
- A dedication to attracting, retaining and motivating the right quality of talent, acknowledging the Halma DNA.
- A focus on being a good corporate citizen in line with our culture, the 2018 Corporate Governance code and market best practice.

Policy Review Focus Areas

The areas which the Committee focused on in respect of the 2021 Policy review were:



Shareholder alignment

- Increase to shareholding guidelines aligned to the increase in incentive quantum.
- Introduction of a two-year post-cessation shareholding requirement and enhanced Malus and Clawback terms.



Pension

- Benefit improvement for UK employees.
- Alignment of Executive Director offering to the wider workforce.



Sustainability

- No immediate change in performance metrics.
- Flexibility incorporated into the Annual Bonus and ESP to introduce measures in the future.



Quantum reset

- Ensuring robust succession planning.
- Addressing compression and retention issues.

How the Policy addresses the factors set out in provision 40 of the 2018 UK Corporate Governance Code

The table below shows how the Policy addresses each of the factors set out in provision 40 of the 2018 UK Corporate Governance Code.

Clarity	We ensure pay for performance and our policy is designed to be logical and transparent. We believe this is clearly communicated to and understood by our stakeholders and participants.
Simplicity	Remuneration for Executive Directors is comprised of distinct elements: fixed pay, annual bonus award and the long-term incentive award.
Risk	A number of features within the Remuneration Policy exist to manage different kinds of risks; these include: • Malus and clawback provisions operating across all incentive plans. • The introduction of a post-cessation shareholding requirement. • Deferral of remuneration and holding periods. • Remuneration Committee discretion to override formulaic outturns to ensure incentive pay-outs reflect underlying business performance and shareholder experience. • Limits on awards specified within the policy and plan rules.
Predictability	Target ranges and potential maximum payments under each element of remuneration are disclosed. The Committee regularly reviews the performance of the inflight awards, so it understands the likely outcomes.
Proportionality	The Committee believes that poor performance should not be rewarded. Therefore, a significant portion of remuneration is performance based and requires achievement against challenging performance targets.
Alignment to Culture	Our business is performance orientated and our remuneration structure is appropriately aligned to our culture, with performance measures for variable awards being aligned to the Company's wider strategy.

The Remuneration Policy table

The table below summarises the key components of the Policy:

Fixed Pay: Salary	
Purpose and link to strategy	A fair, fixed remuneration reflecting the size and scope of the executive's responsibilities which attracts and retains high calibre talent necessary for the delivery of the Group's strategy.
Operation	Reviewed annually or following a material change in responsibilities. Salary is benchmarked to market median levels periodically against appropriate comparators of a similar size and operating in a similar sector and is linked to individual performance and contribution. Salary is the only element of remuneration that is pensionable.
Maximum Opportunity	Base salary increases will be applied in line with the outcome of annual reviews (normally with effect from 1 June). Salaries for the financial year under review (and the following year) are disclosed in the Annual Report on Remuneration. Salary increases for Executive Directors will not normally exceed the average of the wider employee population other than in exceptional circumstances. Where increases are awarded in excess of the wider employee population, for example where there is a material change in the responsibility, size or complexity of the role, the Committee will provide the rationale in the relevant year's Annual Report on Remuneration.
Performance metrics	Not Applicable.
Fixed Pay: Benefits	
Purpose and link to strategy	To provide benefits that are competitive within the relevant market.
Operation	Benefits are appropriate to the location of the Director and typically comprise (but are not limited to) a company car, life insurance, permanent disability insurance, private medical insurance, relocation and tax advice for international assignments.
Maximum Opportunity	Benefits may vary by role, and the level is determined to be appropriate for the role and circumstances of each individual Director. The maximum value will equate to the reasonable market cost of such benefits. The Committee retains the discretion to approve a higher cost of benefits in exceptional circumstances (eg. relocation expenses or an expatriation allowance on recruitment, etc) or in circumstances where factors outside the Company's control have changed materially (eg market increases in insurance costs). The rationale behind the exercise of such discretion will be provided in the relevant year's Annual Report on Remuneration.
Performance metrics	Not Applicable.
Fixed Pay: Pension	
Purpose and link to strategy	To provide competitive post-retirement benefits, or the cash allowance equivalent, to provide the opportunity for executives to save for their retirement.
Operation	Executive Directors participate in a Group Defined Contribution pension plan. Cash supplements in lieu of Company pension contributions may be made to some individuals at a level dependent upon seniority and length of service. Cash supplements may be reduced to reflect the additional employer social costs thereon. To the extent the pension contributions exceed the local tax allowance, the contributions may be paid to the executive, subject to taxes and social charges. Some executives are deferred members of the Group Defined Benefit pension plan, which closed to future accrual in December 2014
Maximum Opportunity	Defined Contribution: maximum contribution of 10.5%. Cash supplement: Halma contributes up to 10.5% of salary. Defined Contribution/Money Purchase members whose contributions exceed the local tax allowance are paid the excess contributions, on pensionable salary, as a cash supplement, net of employer social costs. Defined benefit: now closed to future accrual, but provides a maximum pension equivalent to two thirds of final pensionable salary, up to a CPI-indexed cap: £169,337 for 2022 and £174,586 for 2023.
Performance metrics	Not Applicable.

Directors' Remuneration Policy continued

Annual Bonus	
Purpose and link to strategy	To incentivise and focus management on the achievement of objective annual targets which are set to support the short to medium-term strategy of the Group.
Operation	The structure of the Annual Bonus is reviewed at the start of the year to ensure that the performance measures and their weightings remain appropriately aligned with the Group's strategy and are sufficiently challenging. Performance targets are calibrated and set at the start of the year, with reference to a range of relevant reference points including the annual budget agreed by the Board. At the end of the year, the Committee determines the extent to which these targets have been achieved. Payment of one third of any bonus is in the form of an award of shares that is deferred for two years. Dividend equivalents accrue over the vesting period. Dividend equivalents are paid in cash or shares at the end of the vesting period. Deferral into shares provides a link to the long-term strategy of the Group and enhances the retentiveness of the policy. A recovery and withholding provision enables the Company to recoup overpayments either through withholding future remuneration or requiring the executive to repay the requisite amount in the event of misstatement, error or misconduct; serious reputational damage to the business by the individual; and/or a breach of the company code of conduct.
Maximum Opportunity	Maximum opportunity: 200% of salary for Group CEO, 180% for other Executive Directors. Bonus payable at threshold: 0% of salary. The Committee can exercise discretion to override the formulaic bonus outcome within the limits of the scheme where it believes the outcome is not truly reflective of performance and to ensure fairness to both shareholders and participants.
Performance metrics	The bonus is based on the achievement of financial performance targets, including Economic Value Added (EVA). Other financial measures may supplement EVA at the discretion of the Committee. Such financial measures must comprise at least 80% of the overall bonus opportunity. The balance of 20% may be utilised, at the Committee's discretion, to support non-financial, but measurable, strategic growth priorities.
Long Term Incentive: Executive Share Plan (ESP)	
Purpose and link to strategy	To incentivise executives to achieve superior returns to shareholders over a three-year period rewarding them for sustained performance against challenging long-term targets; to retain key individuals and align interests with shareholders, reflecting the sustainability of the business model over the long term and the creation of shareholder value.
Operation	Executive Directors are granted annual awards over Halma plc shares or a cash equivalent where required by regulations as determined by the Committee; awards vest after a period of at least three years based on Group performance. Dividend equivalents accrue over the vesting period. Dividend equivalents are paid in cash or shares at the end of the vesting period, and only on those shares which vest. A recovery and withholding provision enables the Company to recoup overpayments either through withholding future remuneration or requiring the executive to repay the requisite amount in the event of misstatement, error or misconduct; serious reputational damage to the business by the individual; and/or a breach of the company code of conduct. A mandatory two-year holding period applies for awards granted after the 2018 AGM.
Maximum Opportunity	Maximum opportunity: Up to 300% of salary for Group CEO, 250% of salary for Group CFO and 200% of salary for other Executive Directors. The Committee can exercise discretion to override the formulaic ESP outcome within the limits of the scheme where it believes the outcome is not truly reflective of performance and to ensure fairness to both shareholders and participants and will ensure formulaic outturns do not result in windfall gains. Threshold performance will result in the vesting of 25% of the maximum award
Performance metrics	Vesting of performance share awards is subject to continued employment and the Company's performance over a three-year performance period. Financial measures must comprise at least 80% of the overall ESP opportunity. The balance of 20% may be utilised, at the Committee's discretion, to support non-financial, but measurable, strategic growth priorities.

Share Incentive Plan (SIP)

Purpose and link to strategy	To encourage share ownership across all UK-based employees using HMRC-approved schemes
Operation	The SIP is an HMRC-approved arrangement. It entitles all eligible UK-based employees to receive Halma shares in a potentially tax advantageous manner.
Maximum Opportunity	Participation limits are in line with those set by HMRC from time to time.
Performance metrics	Not applicable.

Share Ownership Guideline

Purpose and link to strategy	Align Executive Directors' interests with those of long-term interests of shareholders.
Operation	Executive Directors are expected to build a holding in the Company's shares to a minimum value broadly equivalent to their ESP award maximum opportunity: 300% for CEO, 250% for CFO and 200% for other Executive Directors. In addition, Executive Directors required to hold shares after cessation of employment. The requirement is to hold shares to the value of the share ownership guidelines or actual shareholding (if lower) for a period of two years post cessation of employment. Progress towards the share ownership guideline is monitored on an annual basis.
Maximum Opportunity	No maximum holding but requirement to build to minimum value.
Performance metrics	Not applicable.

Notes to the Policy Table

Differences in remuneration for employees

The remuneration policy for the Executive Directors is more heavily weighted towards variable and share-based pay than for other employees, to make a greater part of their pay conditional on the successful delivery of business strategy. This aims to create a clear link between the value created for shareholders and the remuneration received by the Executive Directors.

However, the pension arrangements for the current Executive Directors are currently in the process of being aligned on the same terms as those offered to eligible UK employees. All UK-based employees have the opportunity to participate in the Share Incentive Plan.

Payments from Existing Awards

The Committee will honour any commitment entered into, and Executive Directors will be eligible to receive payment from any award made, prior to the approval and implementation of the Policy. Details of these awards are disclosed in the Annual Report on Remuneration.

Selection of Performance Measures

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

In the annual bonus, the use of EVA, in summary, profit less a charge for capital employed (definition is provided on page 145) reinforces the Group's business objective to double every five years through a mix of acquisitions and organic growth. Profit is a function of the extent to which the Company has achieved both its organic growth target and its success in identifying appropriate acquisition targets in current and past years. Ensuring that the cost of funding acquisitions is reflected in the bonus model means that executives share the benefit of an acquisition that outperforms expectations, but equally bear the cost of overpaying for an acquisition. Good or poor management of working capital is also reflected in the calculation of EVA.

Positive impact is at the heart of our business model and this is why we include Diversity, Equity and Inclusion and Climate Change as non-financial metrics in our annual bonus. Following our success in increasing gender diversity at the Halma and Executive Boards, our current focus is on increasing gender diversity on our company boards. Action on climate change is an important part of us delivering on our purpose to grow a safer, cleaner, healthier future for everyone, every day and reducing our own emissions is a key priority for us, with year-on-year improvement in energy productivity as our target.

In the ESP, EPS provides a disciplined focus on increasing profitability and thereby provides close shareholder alignment through incentivising shareholder value creation, and ROTIC reinforces the focus on capital efficiency and delivery of strong returns, thereby further strengthening the alignment of remuneration with the Group strategy.

Directors' Remuneration Policy continued

Performance targets are set to be stretching yet achievable, considering the Company's strategic priorities and the economic environment in which it operates. Targets are calibrated considering a range of reference points but are based primarily on the Group's strategic plan.

Malus and Clawback

The Committee believes that it is appropriate for all variable pay awards to be subject to provisions that allow it to recover any value delivered (or which would otherwise be delivered) in connection with any variable award including annual incentive and ESP awards in exceptional circumstances, and where it believes that the value of those variable pay awards is no longer appropriate.

Malus provisions apply before payment and clawback provisions are in place following payment of the annual bonus (or vesting of any element of annual bonus deferred into an award over shares) or vesting of any ESP award.

The malus and clawback provisions can be used in certain scenarios. Such scenarios include but are not limited to:

- material misstatement of the Company's financial accounts;
- a material failure of risk management by the Company or any Group company;
- an error in calculation of any awards based on false or misleading information;
- gross misconduct by the relevant participant; and
- any action or omission on the part of a participant resulting in serious reputational damage to the Company, any member of the Group; a serious breach or non-observance of any code of conduct, policy or procedure operated by the Group.

Illustrations of the application of the Policy

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

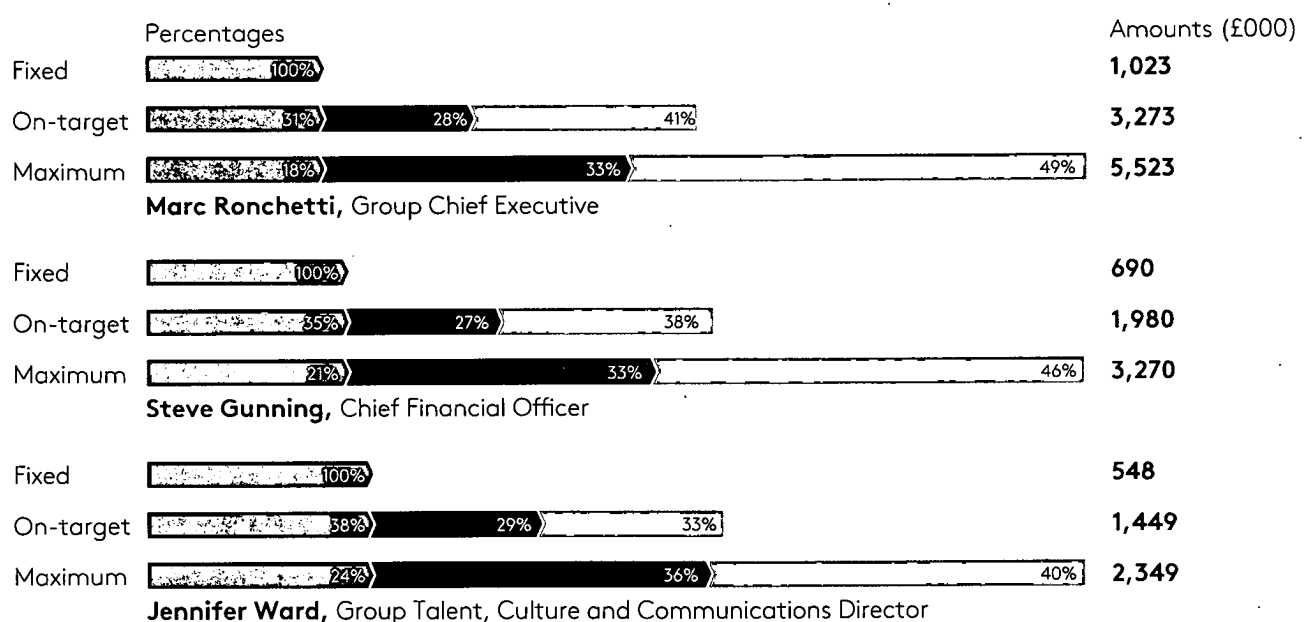
Andrew Williams retires and steps down from the Board on 30 June 2023 and as such his future rewards are not included in the charts below.

Potential reward opportunities are based on the Policy, applied to salaries as at 1 June 2023. The projected values exclude the impact of any share price movements and dividend equivalents.

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

The "On-target" scenario shows fixed remuneration as above, plus a target level of 50% of the maximum under the annual bonus and vesting of 50% of a single year's award under the ESP.

The "Maximum" scenario reflects fixed remuneration, plus maximum level of annual bonus and ESP awards.



■ Fixed Pay ■ Short-term incentive (Total incentive award) ■ Long-term incentive (Award vests)

Impact of share price

Long-term incentive awards in the ESP are granted in shares and as such the value can vary significantly depending on share price movement over the vesting and holding period. The table below shows how the maximum values above would change as a result of a 50% change in the share price over the vesting and holding period:

Executive Director	50% increase in share price
Marc Ronchetti	6,873
Steve Gunning	4,020
Jennifer Ward	2,823

External appointments

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

Component	Approach
Salary	The base salaries of new appointees will be determined by reference to relevant market data, experience and skills of the individual, internal relativities and the current salary of any incumbent in the same role. Where a new appointee has an initial base salary set below market, the Committee may make phased increases over a period of several years to achieve the desired position, subject to the individual's development and performance in the role.
Benefits	New appointees will be eligible to receive benefits in line with the current Policy, as well as expatriation allowances and any necessary expenses relating to an executive's relocation on appointment.
Pension	New appointees will be eligible to participate in the Company's defined contribution/money purchase arrangements, receive a cash supplement or local equivalent.
Annual bonus	The scheme as described in the Policy Table will apply to new appointees with the relevant maximum being pro-rated to reflect the proportion of the year employed.
ESP	New appointees will be granted performance awards under the ESP on the same terms as other executives, as described in the Policy Table.
SIP	New appointees in the UK will be eligible to participate on identical terms to other employees.

In addition to the elements of remuneration set out in the Policy Table, in exceptional circumstances the Committee may consider it appropriate to grant an incentive award under a different structure in order to facilitate the recruitment of an individual or to replace incentive arrangements forfeited on leaving a previous employer. In making such awards, the Committee will look to replicate the arrangements being forfeited as closely as possible and in doing so consider relevant factors including any performance conditions attached to these awards, the payment mechanism, expected value and the remaining vesting period of these awards.

Internal Appointments

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

Executive Director service contracts and exit payment policies

It is the Company's policy that Executive Directors should have contracts with an indefinite term providing for a maximum of one year's notice. The details of the Directors' contracts are summarised in the table below. Contracts will be available for inspection at the AGM and throughout the year at the Company's registered office.

Executive Director	Date of service contract	Notice period
Marc Ronchetti	July 2018	One year
Steve Gunning	January 2023	One year
Jennifer Ward	January 2014	One year

The Company's policy is to limit payments on cessation to pre-established contractual arrangements. In the event that the employment of an Executive Director is terminated, any amount payable will be determined in accordance with the terms of the service contract between the Company and the employee, as well as the rules of any incentive plans. No predetermined amount is provided for in the Directors' contracts. The UK Executive Director contracts enable the Company to pay up to one year's salary in lieu of notice, with no contractual entitlement to any other benefits, and, under the rules, the Remuneration Committee may determine the individual's leaving status for share plan vesting purposes.

If the financial year end has passed, any bonus earned is payable to the individual.

Directors' Remuneration Policy continued

When considering termination payments under incentive schemes, the Committee reviews all potential incentive outcomes to ensure they are fair to both shareholders and participants. The table below summarises how the awards under the annual bonus and share plans are treated in specific circumstances under the rules of the relevant plan and the extent to which the Committee has discretion:

	Reason for leaving	Timing of payment/vesting	Calculation of payment/vesting
Annual bonus	Death, injury or disability, redundancy, retirement, or any other reasons the Committee may determine	After the end of the financial year, although the Committee has discretion to accelerate (eg in relation to death)	Performance against targets will be assessed at the end of the year in the normal way and any resulting bonus normally will be pro-rated for time served during the year
	All other reasons	No bonus is payable	-
Deferred bonus	Death, injury or disability, redundancy, retirement, or any other reasons the Committee may determine	On the second anniversary of the Award	Awards vest in full
	All other reasons	On the second anniversary of the award (unless the Remuneration Committee determines otherwise)	Awards vest in full
Share Plans	Injury or disability, redundancy, or any other reason the Committee may, at its discretion, determine	On the third anniversary of the award	Awards will normally be pro-rated for time to the date of cessation of employment and performance metrics assessed as at the third anniversary
	Death	Immediately (unless otherwise determined by the Committee at its discretion)	Any outstanding awards normally will be pro-rated for time and performance up to the point of death
	All other reasons	Awards lapse	-

External directorships

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

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

Chair and non-executive Directors' remuneration policy

Chair and non-executive Director fees

Purpose and link to strategy	To attract and retain individuals with the requisite skills, experience and knowledge to contribute to the Board
Operation	Non-executive Director fees are determined by the Board and may comprise a base fee, committee chair fee and Senior Independent Director fee. The Chair's fee is determined by the Committee. Travel and other expenses incurred in the performance of non-executive duties for the Company may be reimbursed or paid for directly by the Company, as appropriate, including any tax due on the benefits.
Maximum Opportunity	Fees are normally reviewed annually. Increases are typically effective from 1 January. The fee paid to the Chair is determined by the Committee and fees to non-executive Directors are determined by the Board. The fees are calculated by reference to market levels and take account of the time commitment and the responsibilities of the non-executive Directors. These fees are the sole element of non-executive remuneration and they are not eligible for participation in Group incentive awards, nor do they receive any retirement benefits.
Performance metrics	Not applicable.

Non-executive Directors' letters of appointment

Unless otherwise indicated, all non-executive Directors have a specific three-year term of engagement, subject to annual re-election at the AGM, which may be renewed for up to two further three-year terms if both the Director and the Board agree. The remuneration of the Chair and the non-executive Directors is determined by the Committee and the Board respectively, in accordance with the remuneration policy approved by shareholders.

The contract in respect of the Chair's services provides for termination, by either party, by giving not less than six months' notice.

The non-executive Directors have contracts in respect of their services, which can be terminated without compensation, by either party, by giving not less than three months' notice. Contracts are available for inspection at the AGM and throughout the year at the Company's registered office. Summary details of terms and notice periods for non-executive Directors are included below.

Non-executive Director	Date of appointment	End of next term	Notice period
Dame Louise Makin	February 2021	No fixed term	6 months
Roy Twite	July 2014	July 2023	3 months
Tony Rice	August 2014	August 2023	3 months
Carole Cran	January 2016	January 2025	3 months
Jo Harlow	October 2016	October 2025	3 months
Dharmash Mistry	April 2021	April 2024	3 months
Sharmila Nebhrajani OBE	December 2021	December 2024	3 months

Non-executive Director recruitment

In recruiting a new Chair or non-executive Director, the Committee will use the policy as set out above.

Directors' Report

The Directors present their report on the affairs of the Company, together with the audited financial statements and Independent Auditors' Report, for the year ended 31 March 2023.

Activities

The Company's principal activity is to act as a holding company. The Company is incorporated and domiciled in England and Wales. A list of its subsidiary companies is set out on pages 245 to 250. Subsidiaries of the Company have established branches in a number of different countries in which they operate. As permitted under section 414C (11) of the Companies Act 2006, the information set out below, which forms part of this Directors' Report and is incorporated by reference, can be located in the Strategic Report on pages 2 to 102:

- Future developments in the Group's business.
- Activities of the Group in the field of research and development.
- Environmental matters, including greenhouse gas emissions.

Dividends

The Directors' recommend a final dividend of 12.34p per share and, if approved, the dividend will be paid on 18 August 2023 to ordinary shareholders on the register at the close of business on 14 July 2023. Together with the interim dividend of 7.86p per share already paid, this will make a total dividend of 20.20p (2022: 18.88p) per share for the financial year.

Political donations

In-line with our Group Anti-Bribery and Corruption Policy, the Group did not make any political donations or incur any political expenditure during the year.

Directors and Directors' interests

The Directors of the Company as at the date of this Report, together with their biographical details, are shown on pages 106 and 107. The Remuneration Report on page 153 provides details of the interests of each Director in the shares of the Company.

Liability insurance and indemnities

The Company has agreed to indemnify, to the extent permitted by law, each of the Company's Directors against any liability incurred in respect of acts or omissions arising in the course of their office. Each Director is covered by appropriate Directors' and Officers' liability insurance, at the Company's expense.

Financial risk management objectives and policies

Disclosures relating to financial risk management objectives and policies are set out in note 27 to the financial statements and along with exposures relating to price risk, credit risk, liquidity risk and cash flow risk.

Share capital and capital structure

Details of the share capital, together with details of the movements in the share capital during the year, are shown in note 23 to the accounts. The Company has one class of ordinary shares which carry no right to fixed income. Each share carries the right to one vote at general meetings of the Company.

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

Rights and obligations of ordinary shares

Holders of ordinary shares are entitled to attend and speak at general meetings of the Company and to appoint one or more proxies or, if the holder of shares is a corporation, one or more corporate representatives. On a show of hands, each holder of ordinary shares who (being an individual) is present in person or (being a corporation) is present by a duly appointed corporate representative, not themselves being a member, shall have one vote, as shall proxies (unless they are appointed by more than one holder, in which case they may vote both for and against the resolution in accordance with the holders' instructions). On a poll, every holder of ordinary shares present in person or by proxy shall have one vote for every share of which they are the holder.

Electronic and paper proxy appointments and voting instructions must be received not later than 48 hours before the meeting.

A holder of ordinary shares can lose the entitlement to vote at general meetings where that holder has been served with a disclosure notice and has failed to provide the Company with information concerning interests held in those shares. Except as set out above and as permitted under applicable statutes, there are no limitations on voting rights of holders of a given percentage, number of votes or deadlines for exercising voting rights.

The Company has established an Employee Benefit Trust and the trustee has waived its right to vote and its right to all dividends.

Restrictions on transfer of shares

The Directors may refuse to register a transfer of a certificated share that is not fully paid, provided that the refusal does not prevent dealings in shares in the Company from taking place on an open and proper basis or, where the Company has a lien over that share. The Directors may also refuse to register a transfer of a certificated share unless the instrument of transfer is: (i) lodged, duly stamped (if necessary), at the registered office of the Company or any other place as the Board may decide accompanied by the certificate for the share(s) to be transferred and/or such other evidence as the Directors may reasonably require to show the right

of the transferor to make the transfer; (ii) in respect of only one class of shares; (iii) in favour of a person who is not a minor, infant, bankrupt or a person of unsound mind; or (iv) in favour of not more than four persons jointly.

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

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

Employees

An overview of the Board's engagement with employees along with the mechanisms for sharing information and taking account of their views in decision making are included on page 56 of the Strategic Report and page 118 of the Governance Report. Aligning the interests of employees in the Company's performance is achieved through a variety of share and bonus schemes.

The Company gives full and fair consideration to applications of employment from disabled people. Training, career development and promotion opportunities are equally applied for all our employees, regardless of disability. In the event of an existing employee becoming disabled, every effort will be made to ensure that their employment with the Group continues and that appropriate support is provided.

Halma has a group-wide diversity and inclusion policy which sets out our commitment that all candidates are considered fairly, regardless of their gender, race, age, sexual orientation, professional or academic background and it is our practice to ensure that there is a diverse selection of candidates before we commence the assessment process. While appointments are ultimately based on merit – taking account of an individual's relevant skills and experience for the role – we recognise the strong benefits that a diverse workforce brings. Accordingly, we require recruiters to make diversity a priority in their selection of potential candidates, which ensures that we factor diversity and inclusion into our process at the outset.

The work that Halma is doing to improve diversity across the Group, along with our open and inclusive culture ensures that all candidates are fairly considered for each role. Last year, we included a DEI target within executive remuneration to further align our drive for a diverse and inclusive culture throughout the Group. Our Talent and

Culture Growth Enabler embodies the importance of DEI to Halma's sustainable growth strategy – see page 31 and page 66 for more information.

Stakeholder engagement

A description of how the Directors have had regard to the need to foster the Company's business relationships with suppliers, customers and others, and the effect of Director engagement with our stakeholders, is set out on pages 56 to 62. Examples of how the Directors had regard to stakeholder interests when making principal decisions during the year are set out on pages 64 to 65.

Appointment and removal of Directors

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

Powers of Directors

The powers of Directors are set out in the Articles of Association and a full list of the matters reserved for decision by the Board can be found on our website, www.halma.com.

Contracts of significance and change of control

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

There are two significant agreements, in terms of the likely impact on the business of the Group as a whole, containing such provisions:

- The £550m syndicated Revolving Credit Facility which, if after 30 days of a change of control notice to the loan agent, can result in 30 days' notice being given to the Company by any Lender, for all amounts outstanding to that Lender, to be immediately due and payable, at which time the commitment of that Lender will be cancelled. If all of the Lenders give this notice the whole facility would be cancelled.
- The US\$430m US Private Placement Note Purchase Agreement under which, in the event of a change of control, the Company is required (within 10 days of a change of control) to make an offer to the holders of the US Private Placement notes to prepay the principal amount of the notes together with interest accrued.

Director's Report continued

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

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

There are no agreements between the Company, its Directors or employees that provide for compensation for loss of office or employment that occurs because of a takeover bid.

Allotment authority

Under the Companies Act 2006 the Directors may only allot shares if authorised by shareholders to do so. At the AGM an ordinary resolution will be proposed which, if passed, will authorise the Directors to allot and issue shares up to an aggregate nominal value of £12,500,000 (up to 125,000,000 for ordinary shares of 10p each), being just less than one third of the issued share capital of the Company (excluding treasury shares) as at 15 June 2023 (the latest practicable date prior to the publication of the Notice of Meeting).

In accordance with the Directors' stated intention to seek annual renewal, the authority will expire at the earlier of the conclusion of the AGM of the Company in 2024 and 30 September 2024.

Passing this resolution will give the Directors flexibility to act in the best interests of shareholders, when opportunities arise, by issuing new shares. As at 15 June 2023, the Company had 379,645,332 ordinary shares of 10p each in issue.

The Companies Act 2006 also requires that, if the Company issues new shares for cash or sells any treasury shares, it must first offer them to existing shareholders in proportion to their current holdings. At the AGM a special resolution will be proposed which, if passed, will authorise the Directors to issue a limited number of shares for cash and/or sell treasury shares without offering them to shareholders first.

The authority is for an aggregate nominal amount of up to 10% of the aggregate nominal value of the issued share capital of the Company as at 15 June 2023 of £3,780,000. The resolution will also modify statutory pre-emption rights to deal with legal, regulatory or practical problems that may arise on a rights issue or other pre-emptive offer or issue. The authority will expire at the same time as the resolution conferring authority on the Directors to allot shares. The Directors consider this authority necessary in order to give them flexibility to deal with opportunities as they arise, subject to the restrictions contained in the resolution. There are no present plans to issue shares.

Substantial shareholdings

As at 31 March 2023, the Company had been notified, in accordance with DTR 5 of the Disclosure Guidance and Transparency Rules, of the following interests in voting rights in its shares.

Year ended 31 March 2023			
	No. of ordinary shares	Percentage of voting rights and issued share capital	No of holdings
The Capital Group Companies, Inc.	37,851,729	9.97	Indirect
BlackRock, Inc.	23,932,882	6.30	Indirect

During the period between 31 March 2023 and 15 June 2023 (the latest practicable date prior to the publication), no changes to substantial shareholdings were disclosed to the Company.

Purchase of the Company's own shares

The Company was authorised at the 2022 AGM to purchase up to 37,900,000 of its own 10p ordinary shares in the market. This authority expires at the earlier of the conclusion of the AGM of the Company in 2023 and 30 September 2023. The Company did not purchase any of its own shares under this authority during the year. In accordance with the Directors' stated intention to seek annual renewal a special resolution will be proposed at the AGM to renew this authority until the earlier of the end of the Company's 2024 AGM and 30 September 2024, in respect of up to 37,900,000 ordinary shares, which is approximately 10% of the Company's issued share capital as at 15 June 2023.

Annual General Meeting

The Company's AGM will be held on 20 July 2023.

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

Independent auditors

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

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

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

PricewaterhouseCoopers LLP (PwC) has expressed its willingness to continue in office as Independent Auditor and a resolution to appoint PwC will be proposed at the forthcoming AGM.

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 as at 31 March 2023, its cash flows, liquidity position and borrowing facilities are set out in the Strategic Report. In addition, note 27 contains further information concerning the security, currency, interest rates and maturity of the Group's borrowings.

The financial statements have been prepared on a going concern basis. In adopting the going concern basis the Directors have considered all of the above factors, including potential scenarios and its principal risks set out on page 91 to 97. Under the potential scenarios considered, which includes a severe but plausible downside scenario, the Group remains within its debt facilities and the attached financial covenants for the foreseeable future and the Directors therefore believe, at the time of approving the financial statements, that the Company is well placed to manage its business risks successfully and remains a going concern. The key facts and assumptions in reaching this determination are summarised below.

The base case scenario has been prepared using forecasts from each operating company as well as cash outflows on acquisitions in line with pre COVID pandemic levels. In addition, a severe but plausible downside scenario has been modelled showing a decline in trading for the year ending 31 March 2024. This reduction in trading could be caused by events such as a significant resurgence in the COVID pandemic lockdowns beyond China or continued macroeconomic volatility leading to further inflation and interest rate increases. In mitigating the impacts of the downside scenario there are actions that can be taken which are entirely discretionary to the business such as reducing acquisition spend and dividend growth rates. In addition, the Group has demonstrated strong resilience and flexibility to manage its overheads and adapt its supply chains during the COVID pandemic and more recent global economic uncertainty.

Neither the base case nor severe but plausible downside scenarios result in a breach of the Group's available debt facilities or the attached covenants and, accordingly, the Directors believe there is no material uncertainty in the use of the going concern assumption and, therefore, deem it appropriate to continue to adopt the going concern basis of accounting for at least the next 12-month period.

Our financial position remains robust with committed facilities at the balance sheet date totalling approximately £931m which includes a £550m Revolving Credit Facility (RCF). The undrawn committed facilities as at 31st March 2023 amounted to £255.7m. In May 2022, the RCF was refinanced and now matures in May 2028, the first of two one-year extension options having been exercised post year-end. During May 2022, the Group also entered into a new Note Purchase Agreement which provided access to loan notes totalling £330m, which were drawn in various currencies in July 2022. The financial covenants across the facilities are for leverage (net debt/adjusted EBITDA) of not more than three and a half times and for adjusted interest cover of not less than four times

Post-balance sheet events

Events subsequent to the year-end are reported in note 32 to the Accounts on page 237.

Disclosure required under the Listing Rules and the Disclosure Guidance and Transparency Rules

For the purposes of compliance with DTR 4.1.5 R(2), the required content of the management report can be found in this Directors' Report and the Strategic Report, including the sections of the Annual Report and Accounts incorporated by reference.

Relevant disclosures required by LR 9.8.4 R can be located as follows:

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Details of long-term incentives	136
Contracts of significance	165
Shareholder waiver of dividends	164
Shareholder waiver of future dividends	164

Corporate Governance Statement

The Company's statement on corporate governance can be found in the Corporate Governance Report on page 104. The Corporate Governance Report forms part of this Directors' Report and is incorporated into it by cross-reference.

Mark Jenkins

Company Secretary

By order of the Board
15 June 2023

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group financial statements in accordance with UK-adopted international accounting standards and the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and company and of the profit or loss of the Group for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101 have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and company will continue in business.

The directors are responsible for safeguarding the assets of the Group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

The directors consider that the Annual Report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's and company's position and performance, business model and strategy.

Each of the directors, whose names and functions are listed on pages 106 and 107 confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Group;
- the company financial statements, which have been prepared in accordance with United Kingdom Accounting Standards, comprising FRS 101, give a true and fair view of the assets, liabilities and financial position of the company; and
- the Strategic Report and the Directors' Report includes a fair review of the development and performance of the business and the position of the Group and company, together with a description of the principal risks and uncertainties that it faces.

In the case of each director in office at the date the directors' report is approved:

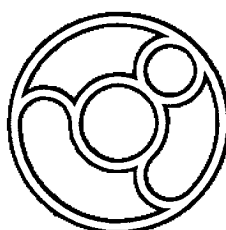
- so far as the director is aware, there is no relevant audit information of which the Group's and company's auditors are unaware;
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Group's and company's auditors are aware of that information; and
- the financial statements on pages 169 to 255 were approved by the Board of Directors on 15 June 2023 and signed on its behalf by Marc Ronchetti and Steve Gunning.

On behalf of the Board

Marc Ronchetti
Group Chief Executive

Steve Gunning
Chief Financial Officer

15 June 2023



Financial Statements

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Independent auditors' report to the members of Halma plc

Report on the audit of the financial statements

Opinion

In our opinion:

- Halma plc's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 March 2023 and of the group's profit and the group's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the Consolidated and Company Balance Sheets as at 31 March 2023; the Consolidated Income Statement and Consolidated Statement of Comprehensive Income and Expenditure, the Consolidated Cash Flow Statement, and the Consolidated and Company Statement of Changes in Equity for the year then ended; the accounting policies; and the notes to the financial statements.

Our opinion is consistent with our reporting to the Audit Committee.

Our audit approach

Overview

Audit Scope

- There were no individually significant components within the Group;
 - We performed full scope audit procedures over 31 components;
 - We performed specified procedures over all material balances for 14 components; and
 - We performed risk based procedures over specific financial statement line items for 16 components.
- This provided coverage of 69% revenue, 72% profit before tax, and 87% net assets.

Key audit matters

- Acquisition accounting – valuation of acquired intangibles (group)
- Assessment of impairment of goodwill and other intangible assets (group)
- Impairment of investments and recoverability of intercompany receivables (parent)

Materiality

- Overall group materiality: £18,060,000 (FY22: £15,800,000) based on 5% of profit before tax and before adjustments.
- Overall company materiality: £16,200,000 (FY22: £13,400,000) based on 1% of total assets.
- Performance materiality: £13,540,000 (FY22: £11,850,000) (group) and £12,100,000 (FY22: £10,050,000) (company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors,

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in note 6 to the financial statements, we have provided no non-audit services to the company or its controlled undertakings in the period under audit.

including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

The key audit matters below are consistent with last year.

Key audit matter**Acquisition accounting – valuation of acquired intangibles (group)**

Refer to Accounting Policies and note 25 for management disclosures of the relevant judgements and estimates.

During the year ended 31 March 2023, the Group completed seven business acquisitions with a combined total consideration of £328.8m. Acquired intangibles recognised in these transactions totalled £192.2m, with goodwill totalling £180.0m also being recognised. There is a risk of material misstatement to the financial statements from the application of IFRS 3 'Business combinations', and the related valuation of the assets acquired, the liabilities assumed, and the consideration paid, including contingent consideration. The risk of material misstatement is inherently higher for the acquired intangible assets as a result of the methodology and assumptions used in the valuation.

Management engaged third party valuation experts to assist them in the valuation of acquired intangible assets for the five largest acquisitions during the year. The total estimated consideration including contingent consideration for the remaining two acquisitions was £4.8m in aggregate and therefore does not present a material valuation risk.

The key estimates and assumptions assessed were: the completeness of the identified intangible assets which have been recognised in the business combinations; the methodology and assumptions used in the valuation; and management's estimate of the future forecast cash flows at the respective acquisition date.

How our audit addressed the key audit matter

We focused our audit procedures on the five largest acquisitions which in aggregate led to the recognition of acquired intangible assets totalling £190.9m and goodwill of £178.0m. In respect of these five acquisitions we:

- Obtained and read key documentation and agreements relating to these acquisitions together with the acquisition models, internal management due diligence reports and the final purchase price allocations performed by management's experts.
- Agreed the appropriateness of the trade names, customer relationships and technology recognised as separately identified intangible assets in each of these acquisitions where relevant.
- Performed detailed testing of the opening balance sheet and the related fair value adjustments for each acquisition based on individually assigned materiality levels, which ranged from £1.0m to £2.0m.
- Used our internal valuation experts to evaluate the methodology used by management's experts and confirmed that appropriate income approach techniques had been utilised in valuing the identified intangible assets. Our internal valuations experts also evaluated the assumptions used by management's experts, including assessing discount rates, royalty rates and attrition rates.
- Challenged the key assumptions used in these areas and performed sensitivity or where rates differed from those we might typically use.
- Examined the detailed acquisition cash flow forecasts and confirmed that they reflect the nature of the businesses acquired and management's planned actions as at the acquisition date, and that these actions align with those which could foreseeably be achieved by another market participant. These were compared to historic growth rates and margins and industry reports where available.
- Reviewed the disclosures in the Annual Report, including in note 25, and checked that these are consistent with our audit work performed and the disclosure requirements of IFRS 3.

Based on the work performed, as summarised above, we concluded the Group's acquisition accounting is materially appropriate and the recognised intangible assets have been appropriately valued and disclosed.

Independent auditors' report to the members of Halma plc continued

Key audit matter

Assessment of impairment of goodwill and other intangible assets (group)

Refer to Accounting Policies for the disclosure of critical accounting judgements and estimates around Goodwill and acquired intangibles impairment future cash flows, Note 11 – Goodwill and Note 12 – Other Intangible Assets of the financial statements.

The Group holds significant goodwill and other intangible assets balances totalling £1,120.5m (2022: £908.7m) and £472.3m (2022: £325.2m) respectively as at 31 March 2023. The valuation of these assets is judgemental and there is a risk they may be impaired. Under IAS 36 'Impairment of Assets', goodwill must be tested for impairment at least annually and finite life intangible assets tested to the extent there is any indication that an asset may be impaired.

Management has performed an annual impairment review for each of the 11 CGU groups, which is the lowest level at which goodwill is monitored by the Group. The impairment reviews performed by management contain a number of judgements and estimates such as the forecast cash flows, growth rates and discount rates.

They also include climate change related adjustments, such as additional capital expenditure and specific reductions in the growth rates where specific industries have been identified which have the potential to be adversely impacted by climate change.

A change in the assumptions applied by management across the assessment, could result in a material change in the valuation of these assets, and as a result there is a risk that goodwill and other intangible assets balances are no longer deemed to be recoverable and hence should be impaired.

As per management's impairment model, there is substantial headroom in all CGU Groups. The CGU Group with the lowest headroom percentage is the Healthcare Assessment CGU group, where the assumptions used are more sensitive. We believe there is a higher risk of an impairment in this CGU group and hence we performed additional procedures to address this risk. For other CGU Groups the impairment of goodwill has been assessed as a normal audit risk.

Management also assessed whether there are any indications that other intangible assets may be impaired. Where such indications are identified, management has performed value in use calculations to value the recoverable amount of these assets and compares them to the carrying amounts. No material impairment losses have been recognised as a result of this assessment, however some impairment charges have been booked for acquired intangibles held in relation to companies where future cash flows estimated for the remaining useful economic lives of the assets do not support the carrying value of the assets at 31 March 2023.

How our audit addressed the key audit matter

The audit procedures we performed to address the risk around the impairment of goodwill and other intangible assets were:

- Assessed the methodology and approach applied by management in performing its impairment reviews, including the identification of CGU groups and the allocation of businesses and assets into the relevant CGU groups particularly for acquisitions within the period, and ensured this is consistent with the requirements of IAS 36 'Impairment of Assets';
- Obtained management's goodwill annual impairment assessment for all 11 CGU groups and ensured the calculations were mathematically accurate and the methodology used was in line with the requirements of IAS 36 'Impairment of Assets';
- Tested the underlying data on which the impairment assessment is based. We evaluated the year one cash flows and assessed the short and long-term growth rates applied to them to determine the value in use. In doing so, we compared the cash flow forecasts to the latest Board approved budgets and compared prior years budgets to actual results, in order to assess the accuracy of the forecasting process;
- Tested management's climate change assumptions through comparison to the strategic report and the TCFD analysis including current year baselining of scope 3 emissions;
- Tested the growth rate assumptions by comparing them to management's strategic plans and previous sector growth rates and industry reports where available;
- Performed sensitivity analysis of key assumptions and applied our own independent sensitivities by replacing key assumptions with alternative scenarios to ascertain the extent of change in those assumptions that, either individually or collectively, would be required for the assets to be impaired;
- For the Healthcare Assessment CGU group, we also used our valuation experts to calculate an independent WACC rate and long-term growth rate;
- Tested management's other intangible assets impairment assessment. We evaluated management's approach and ensured that the underlying cash flows within the trigger assessment were appropriate and consistent with the goodwill models;
- Where triggers were identified, reviewed management's value in use calculations in line with the useful economic lives of those assets and performed our own sensitivities based on discussions of performance with sector and group management, along with external expectations for the markets and industries to which other intangibles relate; and
- Reviewed the adequacy of disclosures made in the financial statements and assessed compliance with IAS 36.

Based on our work summarised above, we concluded that the goodwill and other intangible assets balances are materially appropriately stated at 31 March 2023 and that appropriate disclosures have been made in the financial statements.

Key audit matter**Impairment of investments and recoverability of intercompany receivables (parent)**

Refer to Statement of Accounting Policies and Note C5 - Shares in Group Companies.

At 31 March 2023, the Company held investments in subsidiaries with a carrying value of £576.8m (2022: £453.5m) and intercompany receivables of £1,025.6m (2022: £801.2m). There is a risk that the recoverable amount of investments held at 31 March 2023 falls below their current carrying value. There is also a risk that the intercompany receivables balance is not recoverable.

The investment amount consists of the direct ownership of all UK subsidiaries in addition to investments in intermediary holding companies which then hold direct investments in the Group's foreign subsidiaries.

The realisation of the carrying value of the investment is dependent on the future performance of the trading entities within the Group. The assessment therefore involves judgement, particularly in accurately forecasting future cash flows.

Management initially prepared a trigger assessment to identify those with impairment indicators, before preparing a Value in Use (VIU) model reflecting the current year profit after tax into perpetuity using a group discount rate, and assumptions over the long term growth.

The key areas of audit focus were the key assumptions in the VIU model including investment specific operating assumptions, discount rates and growth rates used to extrapolate risk adjusted cash flows beyond the forecast period. Through this assessment management concluded that no impairment was required, and similarly that no impairment was required in relation to intercompany receivables.

How our audit addressed the key audit matter

The audit procedures we performed to address the risk around the carrying value of investments in subsidiaries and recoverability of intercompany receivables were:

- Discussed with management the basis of their impairment review and, where triggers were identified, the cash flow forecasts and terminal value determination;
- Tested all current year acquisitions and disposals back to the supporting documentation and reconciled the closing positions from management's detailed schedules to the financial statements at 31 March 2023;
- Supported by PwC valuations experts, reviewed management's independent discount rate calculation for appropriateness;
- Evaluated the appropriateness of management's initial trigger assessment and challenged management on the key assumptions in the VIU model where this was required;
- Sensitised management's assumptions in the VIU model in particular around the forecast cash flow growth rates;
- Compared the total market capitalisation of the Group to the carrying value of investments which did not identify any impairment triggers; and
- In respect of intercompany receivables, we compared the net assets and future cash flows of the companies to the total intercompany receivables to ensure that the total balance was recoverable.

Based on the work done, as summarised above, we did not identify any material impairments in relation to investment balances and intercompany receivables held by the Company at 31 March 2023.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

The Group is split into three sectors being Safety, Environmental & Analysis and Healthcare. Each sector consists of a number of businesses spread globally across more than 20 countries. The businesses are further disaggregated into 290 reporting components within the consolidation.

We did not identify any individually significant components within the Group, with no single component providing more than 15% of the Group's external revenue or profit before taxation and before adjustments. We determined the most efficient approach to scoping was to perform full scope procedures over 30 reporting components where statutory audits are already required in the UK, Germany, Belgium, Australia, Switzerland, Singapore, China, France and Italy. Full scope procedures were also performed in relation to the component holding all consolidation adjustments. In addition, specified audit procedures were performed over all material balances for a further 14 components in the United States. Additional audit procedures were performed on specific financial statement line items for a further 16 components in China, the UK, the United States, Canada, Germany and Australia. This approach ensured that appropriate audit coverage has been obtained across all financial statement line items.

Where work was performed by component auditors, we determined the appropriate level of involvement we needed to have in that audit work to ensure we could conclude that sufficient appropriate audit evidence had been obtained for the Group financial statements as a whole. We issued written instructions to all component auditors and had regular communications with them throughout the audit cycle. We have held remote meetings with members of each component team during the planning phase of our work and reviewed all significant matters reported. In addition, the Group Engagement Leader visited a number of international and UK based reporting components, as well as a senior member of the Group engagement team visiting the US during the execution phase of the audit to provide additional oversight to the US component teams. Working paper reviews have also been performed for all components which are individually material to the Group; that is exceeding 5% of the Group's profit before taxation or 3% of the Group's revenue.

Based on the detailed audit work performed across the Group, we have gained coverage of 69% of total revenue, 72% of profit before tax, and 87% of net assets.

Independent auditors' report to the members of Halma plc continued

The impact of climate risk on our audit

As part of our audit we have made enquiries of management to understand the process they adopted to assess the extent of the potential impact of climate risk on the financial statements and support the disclosures made in relation to climate risk within the Strategic report, TCFD Report and Sustainability report.

In addition to enquiries with management, we also read management's experts screening report for scope 3 baselining.

We assessed the completeness of management's climate risk assessment by:

- reading external reporting made by management including the Carbon Disclosure Project submissions to ensure consistency with climate reporting; and
- challenging management's climate impact assessment including scope 3 baselining assessments with management's information and analysis.

The Board has made commitments to get to net zero carbon emissions on Scope 1 and Scope 2 by 2040.

Management has assessed that there is no material impact on the financial reporting judgements and estimates arising from their considerations, consistent with previous assessments made by the business.

Using our knowledge of the business, we evaluated management's risk assessment, its estimates as set out in Statement of Accounting Policies and resulting disclosures where significant. In particular we have considered how climate risk would impact the assumptions made in the forecasts prepared by management used in their impairment analyses, as referenced in the key audit matter in relation to the impairment of goodwill and other intangible assets above.

We also considered the consistency of the disclosures in relation to climate change within the Strategic report, TCFD Report and the Sustainability report with the financial statements and our knowledge obtained from the audit.

Our procedures did not identify any material impact in the context of our audit of the financial statements as a whole, or our key audit matters, for the year ended 31 March 2023.

We have involved climate change specialists in reading the disclosures made in relation to climate change in the other information within the Annual Report, and consider these to be materially consistent with the financial statements and our knowledge from our audit.

Our responsibility over other information is further described in the "Reporting on other information" section of our report. We have not been engaged to provide assurance over the accuracy of these disclosures.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements – group	Financial statements – company
Overall materiality	£18,060,000 (FY22: £15,800,000).	£16,200,000 (FY22: £13,400,000).
How we determined it	5% of profit before tax and before adjustments	1% of total assets
Rationale for benchmark applied	Based on the benchmarks used in the Annual Report, profit before tax and before adjustments is considered as the primary measure used by the shareholders in assessing the underlying performance of the Group. This benchmark excludes the impact of adjustments in respect of amortisation and impairment of acquired intangible assets, acquisition items, significant restructuring costs and profit or loss on disposal of operations.	We believe that a total asset benchmark is appropriate given that the Company does not generate revenues of its own.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was £0.1m to £16.2m. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (FY22: 75%) of overall materiality, amounting to £13,540,000 (FY22: £11,850,000) for the group financial statements and £12,100,000 (FY22: £10,050,000) for the company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £903,000 (group audit) (FY22: £790,000) and £903,000 (company audit) (FY22: £790,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the group's and the company's ability to continue to adopt the going concern basis of accounting included:

- Testing the appropriateness of the underlying cash flow forecasts and performing a retrospective review of actual performance to the prior year model;
- Reviewing the debt agreements to confirm the terms and conditions, including covenants. The covenants were consistent with those used in management's going concern assessment;
- Agreeing borrowings as at 31 March 2023 to third-party confirmations and considered the Group's available financing and maturity profile. This supported the Directors' conclusion that sufficient liquidity headroom remained throughout the assessment period;
- Testing the mathematical accuracy of the covenant calculations, including confirming that the adjustments recorded to determine proforma EBITDA;
- Reviewing management's base case and severe but plausible downside scenario, ensuring the directors have considered all appropriate factors, including the cash flows, the liquidity position of the Group, available borrowing facilities, the timing of contractual debt repayments and the relevant financial and non-financial covenants; and
- Performing sensitivity analysis to assess the impact of movements in significant assumptions on the overall liquidity headroom and the banking covenants.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 March 2023 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Directors' Remuneration

In our opinion, the part of the Annual Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Independent auditors' report to the members of Halma plc continued

Corporate governance statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the group's and company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the group's and company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the group and company was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the group and company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the group's and company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to Employment regulation, Health and safety regulation, Data Protection regulations, Task Force on Climate-Related Financial Disclosures and Streamlined Energy and Carbon Reporting (SECR), and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as The Listing Rules, applicable tax legislation, Pensions legislation, The UK Corporate Governance Code 2018, and Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries, either in the underlying books and records or as part of the consolidation process, and management bias in accounting estimates. The group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the group engagement team and/or component auditors included:

- Discussions with management and the Group's legal team, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Review of selected component auditors' working papers;
- Challenging assumptions and judgements made by management in their significant accounting judgements and estimates that involve considering future events that are inherently uncertain or that may be subject to management bias. In particular, we focused our work on impairment of goodwill and other intangible assets, valuation of acquired intangible assets, defined benefit pension liabilities and the valuation of contingent consideration;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations or those posted by unexpected users; and
- Testing all material consolidation adjustments to ensure these were appropriate in nature and magnitude.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements and the part of the Annual Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the members on 20 July 2017 to audit the financial statements for the year ended 31 March 2018 and subsequent financial periods. The period of total uninterrupted engagement is 6 years, covering the years ended 31 March 2018 to 31 March 2023.

Other matter

In due course, as required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these financial statements will form part of the ESEF-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditors' report provides no assurance over whether the annual financial report will be prepared using the single electronic format specified in the ESEF RTS.

Christopher Richmond (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

15 June 2023

Consolidated Income Statement

	Notes	Year ended 31 March 2023			Year ended 31 March 2022		
		Adjusted* £m	Adjustments* (note 1) £m	Total £m	Adjusted* £m	Adjustments* (note 1) £m	Total £m
Continuing operations							
Revenue	1	1,852.8	-	1,852.8	1,525.3	-	1,525.3
Operating profit		378.2	(69.8)	308.4	324.7	(45.8)	278.9
Share of loss of associate	14	-	-	-	(0.1)	-	(0.1)
Profit on disposal of operations	30	-	-	-	-	34.0	34.0
Finance income	4	1.8	-	1.8	0.6	-	0.6
Finance expense	5	(18.7)	-	(18.7)	(9.0)	-	(9.0)
Profit before taxation	6	361.3	(69.8)	291.5	316.2	(11.8)	304.4
Taxation	9	(72.9)	15.7	(57.2)	(68.3)	8.1	(60.2)
Profit for the year	1	288.4	(54.1)	234.3	247.9	(3.7)	244.2
Attributable to:							
Owners of the parent				234.5			244.4
Non-controlling interests				(0.2)			(0.2)
Earnings per share	2						
From continuing operations							
Basic		76.34p		62.04p	65.48p		64.54p
Diluted				61.86p			64.42p
Dividends in respect of the year	10						
Paid and proposed (£m)				76.3			71.5
Paid and proposed per share				20.20p			18.88p

* Adjustments include the amortisation and impairment of acquired intangible assets; acquisition items; significant restructuring costs, and profit or loss on disposal of operations; and the associated taxation thereon. Note 3 provides more information on alternative performance measures.

Consolidated Statement of Comprehensive Income and Expenditure

	Notes	Year ended 31 March 2023 £m	Year ended 31 March 2022 £m
Profit for the year		234.3	244.2
Items that will not be reclassified subsequently to the Consolidated Income Statement:			
Actuarial (losses)/gains on defined benefit pension plans	29	(8.8)	41.6
Tax relating to components of other comprehensive income that will not be reclassified	9	1.2	(9.6)
Unrealised changes in the fair value of equity investments at fair value through other comprehensive income	14	6.1	(1.7)
Items that may be reclassified subsequently to the Consolidated Income Statement:			
Effective portion of changes in fair value of cash flow hedges	27	1.3	(1.5)
Deferred tax in respect of cash flow hedges accounted for in the hedging reserve	9	(0.3)	0.4
Exchange gains on translation of foreign operations and net investment hedge		45.1	43.9
Other comprehensive income for the year		44.6	73.1
Total comprehensive income for the year		278.9	317.3
Attributable to			
Owners of the parent		279.2	317.5
Non-controlling interests		(0.3)	(0.2)

The exchange gains of £45.1m (2022: gains of £43.9m) includes losses of £7.4m (2022: losses of £8.6m) which relate to net investment hedges as described in note 27.

Consolidated Balance Sheet

	Notes	31 March 2023 £m	31 March 2022 £m
Non-current assets			
Goodwill	11	1,120.5	908.7
Other intangible assets	12	472.3	325.2
Property, plant and equipment	13	222.9	194.0
Interest in associates and other investments	14	21.0	8.2
Retirement benefit asset	29	38.4	31.1
Tax receivable	31	14.7	14.7
Deferred tax asset	22	3.0	2.4
		1,892.8	1,484.3
Current assets			
Inventories	15	312.4	228.8
Trade and other receivables	16	410.7	325.1
Tax receivable		1.5	0.7
Cash and bank balances		169.5	157.4
Derivative financial instruments	27	1.5	0.7
		895.6	712.7
Total assets		2,788.4	2,197.0
Current liabilities			
Trade and other payables	17	280.7	242.7
Borrowings	19	1.0	72.5
Lease liabilities	28	19.2	15.5
Provisions	20	21.0	20.7
Tax liabilities		18.4	11.6
Derivative financial instruments	27	0.9	0.9
		341.2	363.9
Net current assets		554.4	348.8
Non-current liabilities			
Borrowings	19	677.3	287.6
Lease liabilities	28	68.7	56.6
Retirement benefit obligations	29	0.5	0.6
Trade and other payables	21	21.9	19.0
Provisions	20	9.7	7.7
Deferred tax liabilities	22	70.2	58.5
		848.3	430.0
Total liabilities		1,189.5	793.9
Net assets		1,598.9	1,403.1
Equity			
Share capital	23	38.0	38.0
Share premium account		23.6	23.6
Own shares		(46.1)	(30.7)
Capital redemption reserve		0.2	0.2
Hedging reserve		0.6	(0.4)
Translation reserve		162.3	117.1
Other reserves*		4.4	(1.7)
Retained earnings*		1,415.8	1,256.6
Equity attributable to owners of the parent		1,598.8	1,402.7
Non-controlling interests		0.1	0.4
Total equity		1,598.9	1,403.1

*See footnote to the Consolidated Statement of Changes in Equity on page 181.

The financial statements of Halma plc on pages 239 to 253, company number 00040932, were approved by the Board of Directors on 15 June 2023.



Marc Ronchetti
Director



Steve Gunning
Director

Consolidated Statement of Changes in Equity

	Share capital £m	Share premium account £m	Own shares £m	Capital redemption reserve £m	Hedging reserve £m	Translation reserve £m	Other reserves £m	Retained earnings £m	Non- controlling interest £m	Total £m
At 1 April 2022	38.0	23.6	(30.7)	0.2	(0.4)	117.1	(1.7)	1,256.6	0.4	1,403.1
Profit for the year	-	-	-	-	-	-	-	234.5	(0.2)	234.3
Other comprehensive income and expense	-	-	-	-	1.0	45.2	6.1	(7.6)	(0.1)	44.6
Total comprehensive income and expense	-	-	-	-	1.0	45.2	6.1	226.9	(0.3)	278.9
Dividends paid	-	-	-	-	-	-	-	(73.3)	-	(73.3)
Share-based payment charge	-	-	-	-	-	-	-	17.7	-	17.7
Deferred tax on share-based payment transactions	-	-	-	-	-	-	-	(0.7)	-	(0.7)
Excess tax deductions related to share-based payments on vested awards	-	-	-	-	-	-	-	-	-	-
Purchase of own shares	-	-	(22.3)	-	-	-	-	-	-	(22.3)
Performance share plan awards vested	-	-	6.9	-	-	-	-	(11.4)	-	(4.5)
At 31 March 2023	38.0	23.6	(46.1)	0.2	0.6	162.3	4.4	1,415.8	0.1	1,598.9

	Share capital £m	Share premium account £m	Own shares £m	Capital redemption reserve £m	Hedging reserve £m	Translation reserve £m	Other reserves £m	Retained earnings £m	Non- controlling interest £m	Total £m
At 1 April 2021	38.0	23.6	(20.9)	0.2	0.7	73.2	(13.6)	1,065.8	0.6	1,167.6
Transfer between reserves*	-	-	-	-	-	-	13.6	(13.6)	-	-
Restated at 1 April 2021	38.0	23.6	(20.9)	0.2	0.7	73.2	-	1,052.2	0.6	1,167.6
Profit for the year	-	-	-	-	-	-	-	244.4	(0.2)	244.2
Other comprehensive income and expense	-	-	-	-	(1.1)	43.9	(1.7)	32.0	-	73.1
Total comprehensive income and expense	-	-	-	-	(1.1)	43.9	(1.7)	276.4	(0.2)	317.3
Dividends paid	-	-	-	-	-	-	-	(68.7)	-	(68.7)
Share-based payment charge	-	-	-	-	-	-	-	12.2	-	12.2
Deferred tax on share-based payment transactions	-	-	-	-	-	-	-	(0.2)	-	(0.2)
Excess tax deductions related to share-based payments on vested awards	-	-	-	-	-	-	-	1.3	-	1.3
Purchase of own shares	-	-	(19.3)	-	-	-	-	-	-	(19.3)
Performance share plan awards vested	-	-	9.5	-	-	-	-	(16.6)	-	(7.1)
At 31 March 2022	38.0	23.6	(30.7)	0.2	(0.4)	117.1	(1.7)	1,256.6	0.4	1,403.1

Own shares are ordinary shares in Halma plc purchased by the Company and held to fulfil the Company's obligations under the Group's share plans.

The market value of own shares was £42.4m (2022: £29.5m).

The Capital redemption reserve was created on repurchase and cancellation of the Company's own shares. The Hedging reserve is used to record the portion of the cumulative net change in fair value of cash flow hedging instruments that are deemed to be an effective hedge.

The Translation reserve is used to record the difference arising from the retranslation of the financial statements of foreign operations, offset by net investment hedges with a carrying value of £33.9m (2022: £26.5m). The Other reserves represent the cumulative fair value adjustments on equity instruments held at fair value through other comprehensive income.

* Effective for the year ended 31 March 2022, the share-based payment reserve, which was previously presented in Other reserves has been amalgamated with Retained earnings, in the Consolidated Statement of Changes in Equity and the Consolidated Balance Sheet as permitted by IFRS 2. This resulted in the £13.6m debit in brought forward Other reserves at 1 April 2021 being transferred to Retained earnings. There is no change in Total equity from this change, nor the amounts charged or credited to the reserves during the period, which represents a change in presentational accounting policy only.

Consolidated Cash Flow Statement

	Notes	Year ended 31 March 2023 £m	Year ended 31 March 2022 £m
Net cash inflow from operating activities	26	258.0	237.4
Cash flows from investing activities			
Purchase of property, plant and equipment – owned assets	13	(29.0)	(25.2)
Purchase of computer software	12	(0.8)	(0.9)
Purchase of other intangibles	12	(0.3)	(0.5)
Proceeds from sale of property, plant and equipment and capitalised development costs		3.1	1.1
Development costs capitalised	12	(15.8)	(13.4)
Interest received		0.7	0.2
Acquisition of businesses, net of cash acquired	25	(320.1)	(152.8)
Disposal of business, net of cash disposed	30	–	57.5
Purchase of equity investments	14	(6.7)	(0.7)
Net cash used in investing activities		(368.9)	(134.7)
Cash flows from financing activities			
Dividends paid		(73.3)	(68.7)
Purchase of own shares		(22.3)	(19.3)
Interest paid		(17.5)	(8.2)
Loan arrangement fees		(4.1)	–
Proceeds from bank borrowings	26	451.8	161.4
Repayment of bank borrowings	26	(394.2)	(132.5)
Repayment of acquired debt on acquisition	26	(65.1)	–
Drawdown of loan notes	26	338.1	–
Repayment of loan notes	26	(74.4)	–
Repayment of lease liabilities, net of interest		(18.0)	(14.6)
Net cash from/(used in) financing activities		121.0	(81.9)
Increase in cash and cash equivalents	26	10.1	20.8
Cash and cash equivalents brought forward		156.7	131.1
Exchange adjustments		1.7	4.8
Cash and cash equivalents carried forward	26	168.5	156.7
	Notes	Year ended 31 March 2023 £m	Year ended 31 March 2022 £m
Reconciliation of net cash flow to movement in net debt			
Increase in cash and cash equivalents		10.1	20.8
Net cash inflow from bank borrowings and loan notes	26	(256.1)	(28.9)
Net debt acquired	26	(65.1)	–
Lease liabilities additions and accretion of interest		(24.9)	(19.0)
Lease liabilities acquired		(9.3)	(4.6)
Lease liabilities disposed of		–	2.1
Lease liabilities and interest repaid	28	20.9	16.8
Exchange adjustments		2.5	(5.8)
Increase in net debt		(321.9)	(18.6)
Net debt brought forward		(274.8)	(256.2)
Net debt carried forward		(596.7)	(274.8)

Accounting Policies

Basis of presentation

The consolidated financial statements of Halma are prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

The principal Group accounting policies are explained below and have been applied consistently throughout the years ended 31 March 2023 and 31 March 2022, other than those noted below.

The Group accounts have been prepared under the historical cost convention, except as described below under the headings 'Derivative financial instruments and hedge accounting', 'Financial assets at fair value through other comprehensive income (FVOCI)', 'Pensions' and 'Business combinations and goodwill'.

New Standards and Interpretations applied for the first time in the year ended 31 March 2023

The following Standards with an effective date of 1 January 2022, have been adopted without any significant impact on the amounts reported in these financial statements:

- Reference to the Conceptual Framework – Amendments to IFRS 3
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
- Annual Improvements to IFRS 2018–2020

New Standards and Interpretations not yet applied

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

- IFRS 17 Insurance Contracts
- Classification of Liabilities as Current or Non-current – Amendments to IAS 1 – Not yet endorsed by the UK
- Definition of Accounting Estimates – Amendments to IAS 8
- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12
- Lease Liability in a Sale and Leaseback – Amendments to IFRS 16
- Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants – Amendments to IAS 1 – Not yet endorsed by the UK
- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures – Not yet endorsed by the UK
- Amendments to IAS 12 International Tax Reform Pillar Two Model Rule – Not yet endorsed by the UK

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group.

Use of Alternative performance measures (APMs)

In the reporting of the financial information, the Group uses certain measures that are not required under IFRS, the Generally Accepted Accounting Principles (GAAP) under which the Group reports. The Directors believe that Return on Total Invested Capital (ROTIC), Return on Capital Employed (ROCE), Organic growth at constant currency, Adjusted profit and earnings per share measures, net debt, cash conversion and Adjusted operating cash flow provide additional and more consistent measures of underlying performance to shareholders by removing items that are not closely related to the Group's trading or operating cash flows. These and other alternative performance measures are used by the Directors for internal performance analysis and incentive compensation arrangements for employees. The terms ROTIC, ROCE, organic growth at constant currency and 'adjusted' are not defined terms under IFRS and may therefore not be comparable with similarly titled measures reported by other companies. They are not intended to be a substitute for, or superior to, GAAP measures.

The principal items which are included in adjusting items are set out below in the Group's accounting policy and in note 1. The term 'adjusted' refers to the relevant measure being reported for continuing operations excluding adjusting items.

Definitions of the Group's material alternative performance measures along with reconciliation to their IFRS equivalent measure are included in note 3.

Key accounting policies

Below we set out our key accounting policies, with a list of all other accounting policies thereafter.

Going concern

The Group's business activities, together with the main trends and factors likely to affect its future development, performance and position, and the financial position of the Group as at 31 March 2023, its cash flows, liquidity position and borrowing facilities are set out in the Strategic Report. In addition, note 27 contains further information concerning the security, currency, interest rates and maturity of the Group's borrowings.

The financial statements have been prepared on a going concern basis. In adopting the going concern basis the Directors have considered all of the above factors, including potential scenarios and its principal risks set out on pages 91 to 97. Under the potential scenarios considered, which includes a severe but plausible downside scenario, the Group remains within its debt facilities and the attached financial covenants for the foreseeable future and the Directors therefore believe, at the time of approving the financial statements, that the Company is well placed to manage its business risks successfully and remains a going concern. The key facts and assumptions in reaching this determination are summarised below.

The base case scenario has been prepared using forecasts from each Operating Company as well as cash outflows on acquisitions in line with pre COVID pandemic levels. In addition, a severe but plausible downside scenario has been modelled showing a decline in trading for the year ending 31 March 2024.

Accounting Policies continued

Key accounting policies continued

This reduction in trading could be caused by events such as a significant resurgence in the COVID pandemic lockdowns beyond China or continued macroeconomic volatility leading to further inflation and interest rate increases. In mitigating the impacts of the downside scenario there are actions that can be taken which are entirely discretionary to the business such as reducing acquisition spend and dividend growth rates. In addition, the Group has demonstrated strong resilience and flexibility to manage its overheads and adapt its supply chains during the COVID pandemic and more recent global economic uncertainty.

Neither the base case nor severe but plausible downside scenarios result in a breach of the Group's available debt facilities or the attached covenants and, accordingly, the Directors believe there is no material uncertainty in the use of the going concern assumption and, therefore, deem it appropriate to continue to adopt the going concern basis of accounting for at least the next 12-month period.

Our financial position remains robust with committed facilities at the balance sheet date totalling approximately £931m which includes a £550m Revolving Credit Facility (RCF). The undrawn committed facilities as at 31 March 2023 amounted to £255.7m. In May 2022, the RCF was refinanced and now matures in May 2028, the first of two one-year extension options having been exercised post year-end. During May 2022, the Group also entered into a new Note Purchase Agreement which provided access to loan notes totalling £330m, which were drawn in various currencies in July 2022. The financial covenants across the facilities are for leverage (net debt/adjusted EBITDA) of not more than three and a half times and for adjusted interest cover of not less than four times.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. The Group measures goodwill at the acquisition date as:

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

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred. Any contingent consideration payable may be accounted for as either:

- a) Consideration transferred, which is recognised at fair value at the acquisition date. If the contingent purchase consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent purchase consideration are recognised in the Consolidated Income Statement; or
- b) Remuneration, which is expensed in the Consolidated Income Statement over the associated period of service. An indicator of such treatment includes when payments to employees of the acquired company are contingent on a post-acquisition event, but may be automatically forfeited on termination of employment.

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

Goodwill is recognised as an intangible asset in the Consolidated Balance Sheet. Goodwill therefore includes non-identified intangible assets including business processes, buyer-specific synergies, know-how and workforce-related industry-specific knowledge and technical skills. Negative goodwill arising on acquisitions would be recognised directly in the Consolidated Income Statement.

On closure or disposal of an acquired business, goodwill would be taken into account in determining the profit or loss on closure or disposal.

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

Payments for contingent consideration are classified as investing activities within the Consolidated Cash Flow Statement, except for amounts paid in excess of that estimated in the acquisition balance sheets which are recognised in the net cash inflow from operating activities in the year together with movements in contingent consideration provisions charged/credited to the Consolidated Income Statement which is included as a reconciling item between operating profit and cash inflow from operating activities.

Intangible assets

(a) Acquired intangible assets

An intangible resource acquired with a subsidiary undertaking is recognised as an intangible asset if it is separable from the acquired business or arises from contractual or legal rights, is expected to generate future economic benefits and its fair value can be measured reliably. Acquired intangible assets, comprising trademarks, technology and know-how and customer relationships, are amortised through the Consolidated Income Statement on a straight-line basis over their estimated economic lives of between three and 20 years. The carrying value of intangible assets is reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

(b) Product development costs

Research expenditure is charged to the Consolidated Income Statement in the financial year in which it is incurred.

Development expenditure is expensed in the financial year in which it is incurred, unless it relates to the development of a new or substantially improved product, is incurred after the technical feasibility and economic viability of the product has been proven and the decision to complete the development has been taken, and can be measured reliably. Such expenditure, meeting the recognition criteria of IAS 38 'Intangible Assets', is capitalised as an intangible asset in the Consolidated Balance Sheet at cost and is amortised through the Consolidated Income Statement on a straight-line basis over its estimated economic life of three years.

Key accounting policies continued**Pensions**

The Group makes contributions to various pension plans.

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

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

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

Contributions to defined contribution plans are charged to the Consolidated Income Statement in the period the expense relates to.

Impairment of trade and other receivables

The Group assesses on a forward-looking basis the expected credit losses associated with its trade and other receivables carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. In order to estimate the expected lifetime losses, the Group categorises its customers into groups with similar risk profiles and determines the historic rates of impairment for each of those categories of customer. The Group then adjusts the risk profile for each group of customers by using forward looking information, such as the government risk of default for the country in which those customers are located, and determines an overall probability of impairment for the total trade and other receivables at the balance sheet date.

Critical accounting judgements and key sources of estimation uncertainty

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

In preparing the Consolidated Financial Statements management has considered the impact of climate change, particularly in the context of the disclosures included in the Strategic Report and the stated Net Zero ambitions. These considerations did not have a material impact on the financial reporting judgements and estimates in the current year. Climate change is not expected to have a significant impact on the Group's going concern assessment as at March 2023 nor the viability of the Group over the next three years.

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

Critical accounting judgements**Goodwill impairment CGU groups**

Determining whether goodwill is impaired requires management's judgement in assessing cash generating unit (CGU) groups to which goodwill should be allocated. Management allocates a new acquisition to a CGU group based on which one is expected to benefit most from that business combination. The allocation of goodwill to existing CGU groups is generally straightforward and factual, however over time as new businesses are acquired and management reporting structures change, management reviews the CGU groups to ensure they are still appropriate. Further details are provided in note 11. There have been no changes to the CGU groups in the current year.

Recoverability of non-current taxation assets

In the current year, determining the recoverability of tax assets requires management's judgement in assessing the amounts paid in relation to group financing partial exemption applicable to UK controlled foreign companies as a result of the decision by the European Commission that this constitutes state aid. Management's assessment is that this represents a contingent liability and that the £14.7m paid to HM Revenue & Customs (HMRC) in previous years, included within non-current assets on the Consolidated Balance Sheet, will ultimately be recovered. Further details are provided in note 31.

Key sources of estimation uncertainty**Contingent consideration changes in estimates**

Determining the value of contingent consideration recognised as part of the acquisition of a business requires management to estimate the expected performance of the acquired business and the amount of contingent consideration that will therefore become payable. Initial estimates of expected performance are made by the management responsible for completing the acquisition and form a key component of the financial due diligence that takes place prior to completion. Subsequent measurement of contingent consideration is based on the Directors' appraisal of the acquired business's performance in the post-acquisition period and the agreement of final payments. See notes 20 and 27 for details of the changes in estimates made in the year and the sensitivity of contingent consideration payables to further changes.

Intangible assets

Intangible assets IFRS 3 (revised) 'Business Combinations' requires that goodwill arising on the acquisition of subsidiaries is capitalised and included in intangible assets. IFRS 3 (revised) also requires the identification and valuation of other separable intangible assets at acquisition. The assumptions involved in valuing these intangible assets require the use of management estimates.

IAS 38 'Intangible Assets' requires that development costs, arising from the application of research findings or other technical knowledge to a plan or design of a new or substantially improved product, are capitalised, subject to certain criteria being met. Determining the technical feasibility and estimating the future cash flows generated by the products in development requires the use of management estimates.

Accounting Policies continued

Critical accounting judgements and key sources of estimation uncertainty continued

The estimates made in relation to both acquired intangible assets and capitalised development costs include identification of relevant assets, future growth rates, expected inflation rates and the discount rate used. Management also make estimates of the useful economic lives of the intangible assets. Management engages third party specialists to assist with the valuation of acquired intangible assets for significant acquisitions. Depending on the nature of the assets the Group uses different valuation methodologies to arrive at the fair value including the excess earnings method, the relief from royalty method and the cost savings method. Financial projections are based on market participants' expectations and are discounted to their present value using rates of return which reflects the risk of the investment and the time value of money. Further details on intangible assets are disclosed in note 12.

Goodwill and acquired intangibles impairment future cash flows

The 'value in use' calculation used to test for impairment of goodwill and acquired intangibles involves an estimation of the present value of future cash flows. For annual impairment testing of goodwill, the future cash flows of the CGU Group are based on annual budgets and forecasts of each relevant CGU, as approved by the Board, to which management's expectation of market-share and long-term growth rates are applied. The present value is then calculated based on management's estimate of future discount and growth rates. The Board reviews these key assumptions (operating assumptions, long-term growth rates, and discount rates) and the sensitivity analysis around these. Management believes that there is no reasonably possible change in any of the key assumptions that would cause the carrying value of any CGU group to exceed its recoverable amount. Further details are provided in note 11.

Acquired intangibles are assessed each reporting period for any indicators of impairment, both qualitative and quantitative, including as a result of our assessments of climate-related risks. If there are deemed to be any indicators of impairment a 'value in use' calculation is performed over the remaining useful life of the asset to identify if any impairment is needed. Where required, in calculating the 'value in use', future cash flows are based on annual budgets and forecasts for the relevant business. The present value is then calculated based on management's estimate of future discount and growth rates. The Board and management reviews these key assumptions (operating assumptions, growth rates, and discount rates) and the sensitivity analysis around these.

Defined benefit pension plan liabilities

Determining the value of the future defined benefit asset/obligation requires estimation in respect of the assumptions used to calculate present values of plan liabilities. The significant assumptions utilised in the calculations are future mortality, discount rate and inflation. Management determines these assumptions in consultation with an independent actuary. Details of the estimates made in calculating the defined benefit asset/obligation, including sensitivity analysis, are disclosed in note 29.

Other accounting policies

Basis of consolidation

The Group accounts include the accounts of Halma plc and all of its subsidiary companies made up to 31 March 2023, adjusted to eliminate intra-Group transactions, balances, income and expenses. The results of subsidiary companies acquired or disposed are included from the month of their acquisition or to the month of their disposal.

Segmental reporting

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

Reportable segments are operating segments that either meet the thresholds and conditions set out in IFRS 8 or are considered by the Board to be appropriately designated as reportable segments. Segment result represents operating profits and includes an allocation of Head Office expenses. Segment result excludes tax and financing items. Segment assets comprise goodwill, other intangible assets, property, plant and equipment and Right-of-Use assets (excluding land and buildings), inventories, trade and other receivables.

Segment liabilities comprise trade and other payables, provisions and other payables. Unallocated items represent land and buildings (including Right-of-Use assets), corporate and deferred taxation balances, defined benefit plan asset/obligation, contingent purchase consideration, all components of net cash/borrowings, lease liabilities and derivative financial instruments.

From 1 April 2022, the Group aligned its organisational structure and financial reporting with its purpose and focus on safety, environmental and health markets. The Group now has three main operating and reportable segments (Safety, Environmental & Analysis and Healthcare), which are defined by markets rather than product type. Each segment includes businesses with similar operating and market characteristics and are consistent with the internal reporting as reviewed by the Group Chief Executive.

Revenue

The Group's revenue streams are the sale of goods and services in the specialist safety, environmental technologies and health markets. The revenue streams are disaggregated into three sectors, that serve like markets. Those sectors are Safety, Environmental & Analysis and Healthcare.

Revenue is recognised at the point of the transfer of control over promised goods or services to customers in an amount that reflects the amount of consideration specified in a contract with a customer, to which the Group expects to be entitled in exchange for those goods or services.

It is the Group's judgement that in the majority of sales there is no contract until such time as the Operating Company satisfies its performance obligation, at which point the contract becomes the Operating Company's terms and conditions resulting from the supplier's purchase order. Where there are Master Supply Arrangements, these are typically framework agreements and do not contain clauses that would result in a contract forming under IFRS 15 until a Purchase Order is issued by the customer.

Revenue represents sales, net of estimates for variable consideration, including rights to returns, and discounts, and excluding value added tax and other sales related taxes. The amount of variable consideration is not considered to be material to the Group as a whole. The transaction price is allocated to each performance obligation on a relative standalone selling price basis.

Other accounting policies continued

Performance obligations are unbundled in each contractual arrangement if they are distinct from one another. There is judgement in identifying distinct performance obligations where the product could be determined to be a system, or where a combination of products and services are provided together. For the majority of the Group's activities the performance obligation is judged to be the component product or service rather than the system or combined products and services. The contract price is allocated to the distinct performance obligations based on the relative standalone selling prices of the goods or services.

The way in which the Group satisfies its performance obligations varies by business and may be on shipment, delivery, as services are rendered or on completion of services depending on the nature of product and service and terms of the contract which govern how control passes to the customer. Revenue is recognised at a point in time or over time as appropriate.

Where the Group offers warranties that are of a service nature, revenue is recognised in relation to these performance obligations over time as the services are rendered. In our judgement we believe the associated performance obligations accrue evenly across the contractual term and therefore revenue is recognised on a pro-rated basis over the length of the service period.

In a small number of instances across the Group, products have been determined to be bespoke in nature, with no alternative use. Where there is also an enforceable right to payment for work completed, the criteria for recognising revenue over time have been deemed to have been met. Revenue is recognised on an input basis as work progresses. Progress is measured with reference to the actual cost incurred as a proportion of the total costs expected to be incurred under the contract. This is not a significant part of the Group's business as for the most part, where goods are bespoke in nature, it is the Group's judgement that the product can be broken down to standard component parts with little additional cost and therefore has an alternate use, or there is no enforceable right to payment for work performed. In these cases, the judgement is made that the requirements for recognising revenue over time are not met and revenue is recognised when control of the finished product passes to the customer.

The Group applies the practical expedient in IFRS 15 (paragraph 63) and does not adjust the promised amount of consideration for the effects of a significant financing component if the Group expects, at contract inception, that the period between the transfer of a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

Operating profit

Operating profit is presented net of direct production costs, production overheads, selling costs, distribution costs and administrative expenditure (see note 6). Operating profit is stated after charging restructuring costs but before the share of results of associates, profit or loss on disposal of operations, finance income and finance costs.

Adjusting items

When items of income or expense are material and they are relevant to an understanding of the entity's financial performance, they are disclosed separately within the financial statements. This provides additional and more consistent measures of underlying performance to shareholders by removing items that are not closely related to the Group's trading or operating cash flows. Such adjusting items include costs or reversals arising from acquisitions or disposals of businesses, including acquisition costs, creation or reversals of provisions related to changes in estimates for contingent consideration on acquisition, amortisation and impairment of acquired intangible assets, and other significant one-off items that may arise.

Deferred government grant income

Government grant income that is linked to capital expenditure is deferred to the Consolidated Balance Sheet and credited to the Consolidated Income Statement over the life of the related asset. In addition, the Group claims research and development expenditure credits arising on qualifying expenditure and shows these 'above the line' in operating profit. Where the credits arise on expenditure that is capitalised as part of internally generated capitalised development costs, the income is deferred to the Consolidated Balance Sheet and credited to the Consolidated Income Statement over the life of the related asset in line with the policy stated above.

Finance income and expenses

The Group recognises interest income or expense using the effective interest rate method. Finance income and finance costs include:

- Interest payable on loans, borrowings and lease obligations.
- Net interest charge on pension plan liabilities.
- Amortisation of finance costs.
- Interest receivable in respect of cash and cash equivalents.
- Unwinding of the discount on provisions.
- Fair value movements on derivative financial instruments.

The Group has classified interest income and expenses within financing activities in the Consolidated Cash Flow Statement.

Taxation

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

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

Accounting Policies continued

Other accounting policies continued

Foreign currencies

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

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

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

Other intangible assets

(a) Computer software

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

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets where the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

Where the Group enters into a SaaS cloud computing arrangement to access software, there are limited cases for capitalisation of attributable implementation costs. If the arrangement contains a lease as defined by IFRS 16, lease accounting rules apply including capitalisation of directly attributable costs. Alternatively, directly attributable software costs can create an intangible asset if the software can be controlled by the entity, either through the option to be run on the entity's or a third-party's infrastructure or where the development of the software creates customised software that the entity has exclusive rights to.

(b) Other intangibles

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

Property, plant and equipment

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

Freehold property	2%
Leasehold buildings and improvements	Shorter of 2% or period of lease
Plant, equipment and vehicles	8% to 33.3%

Investments in associates

An associate is an entity over which the Group is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee. Significant influence is the power to participate in the financial and operating policy decisions of the investee but without control or joint control over those policies.

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

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

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

Other accounting policies continued

Where the Group disposes of its entire interest in an associate a gain or loss is recognised in the income statement on the difference between the amount received on the sale of the associate less the carrying value and costs of disposal.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income (FVOCI) comprise equity securities which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognise as FVOCI. The Group considers this classification relevant as these are strategic investments.

Financial assets at FVOCI are adjusted to the fair value of the asset at the balance sheet date with any gain or loss being recognised in other comprehensive income and held as part of other reserves. On disposal any gain or loss is recognised in other comprehensive income and the cumulative gains or losses are transferred from other reserves to retained earnings.

Impairment of non-current assets

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

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

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

Inventories

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

Cash and cash equivalents

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

Contract assets and liabilities

A contract asset is recognised when the Group's right to consideration is conditional on something other than the passage of time, for example the completion of future performance obligations under the terms of the contract with the customer.

In some instances, the Group receives payments from customers based on a billing schedule, as established in the contract, which may not match with the pattern of performance under the contract. A contract liability is only recognised on non-cancellable contracts that provide unconditional rights to payment from the customer for products and services that the Group has not yet completed providing or that it will provide in the near future. Where performance obligations are satisfied ahead of billing then a contract asset will be recognised.

Contract assets are recognised within Trade and other receivables and are assessed for impairment on a forward-looking basis using the expected lifetime losses approach, as required by IFRS 9 ('Financial Instruments').

Costs to obtain or fulfil a contract

The incremental costs of obtaining a contract with a customer are capitalised as an asset if the Group expects to recover them. Costs such as sales commissions may be incurred when the Group enters into a new contract. Costs to obtain or fulfil a contract are presented in the Consolidated Balance Sheet as assets until the performance obligation to which they relate has been met. These assets are amortised on a consistent basis with how the related revenue is recognised.

The Group applies the practical expedient in IFRS 15 (paragraph 94) and recognises incremental costs of obtaining a contract as an expense when incurred if the amortisation period of the asset that the Group would otherwise have recognised is one year or less.

Trade payables

Trade payables are non-interest bearing and are stated at amortised cost.

Interest bearing loans and borrowings

Interest bearing loans and borrowings are initially recognised in the Consolidated Balance Sheet at fair value less directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest rate method.

Provisions and contingent liabilities

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

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

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

Accounting Policies continued

Other accounting policies continued

Contingent liabilities are disclosed where a possible obligation dependent on uncertain future events exists as at the end of the reporting period or a present obligation for which payment either cannot be measured or is not considered to be probable is noted. Contingent liabilities are not accrued for and no contingent liability is disclosed where the possibility of payment is considered to be remote.

Derivative financial instruments and hedge accounting

The Group enters into derivative financial instruments to manage its exposure to foreign exchange rate risk using forward exchange contracts. Further details of derivative financial instruments are disclosed in note 27. The Group continues to apply the requirements of IAS 39 for hedge accounting.

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

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

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

Cash flow hedge accounting

The Group designates certain hedging instruments as cash flow hedges.

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

Note 27 sets out details of the fair values of the derivative instruments used for hedging purposes and the movements in the Hedging reserve in equity.

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

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

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

Net investment hedge accounting

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

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Where the Group determines the contract is, or contains a lease, a right-of-use asset and a lease liability is recognised at the lease commencement date.

The lease term is determined from the commencement date of the lease and covers the non-cancellable term. If the Group has an extension option, which it considers reasonably certain to exercise, then the lease term will be considered to extend beyond that non-cancellable period. If the Group has a termination option, which it considers reasonably certain to exercise, then the lease term will be considered to be until the point the termination option will take effect. The Group deems that it is not reasonably certain to exercise an extension option or a termination option with an exercise date past the planning horizon of five years.

The right-of-use asset is initially measured at cost, comprising the initial amount of the lease liability plus any initial direct costs incurred and an estimate of costs to restore the underlying asset, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term unless the right-of-use asset is deemed to have a useful life shorter than the lease term. The Group has taken the practical expedient to not separate lease and non-lease components and so account for both as a single lease component.

The right-of-use assets are also subject to impairment testing under IAS 36. Refer to the previous section on Impairment of non-current assets for further details.

Other accounting policies continued

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the incremental borrowing rate. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. Variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees are not material to the Group. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs. The lease liability is measured at amortised cost using the effective interest method by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made. The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or a rate or a change in the Group's assessment of whether it will exercise an extension or termination option. When the lease liability is remeasured, a corresponding adjustment is made to the right-of-use asset.

Payments associated with short-term leases or low-value assets are recognised on a straight-line basis as an expense in the Consolidated Income Statement. Short-term leases are leases with a lease term of 12 months or less. Low-value assets mostly comprise of IT equipment and small items of office furniture. Lease payments for short-term leases, low-value assets and variable lease payments not included in the measurement of the lease liability are classified as cash flows from operating activities within the Consolidated Cash Flow Statement. The Group has classified the principal and interest portions of lease payments within financing activities.

Employee share plans

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

(a) Share incentive plan

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

(b) Executive share plan

Under the Executive share plan, awards of shares are made to Executive Directors and certain senior employees. Grants under this plan are in the form of Performance Awards or Deferred Share Awards.

Performance Awards are subject to non-market-based vesting criteria, and Deferred Share Awards are subject only to continuing service of the employee. Share awards are equity-settled. The fair value of the awards at the date of grant, which is estimated to be equal to the market value, is charged to the Consolidated Income Statement on a straight-line basis over the vesting period, with appropriate adjustments being made during this period to reflect expected and actual forfeitures. The corresponding credit is to Retained earnings within Total equity. Effective for the year ended 31 March 2022, the share-based payment reserve, which was previously presented as Other reserves has been amalgamated with Retained earnings, in the Consolidated Statement of Changes in Equity and the Consolidated Balance Sheet as permitted by IFRS 2. This resulted in the £13.6m debit in brought forward Other reserves at 1 April 2021 being transferred to Retained earnings. There is no change in Total equity from this change, nor the amounts charged or credited to the reserves during the period, which represents a change in presentational accounting policy only.

(c) Cash-settled

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

Dividends

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

Notes to the Accounts

1 Segmental analysis and revenue from contracts with customers

Sector analysis and disaggregation of revenue

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

Nature of goods and services

The following is a description of the principal activities – separated by reportable segments, which are defined by markets rather than product type – from which the Group generates its revenue.

Further disaggregation of sector revenue by geography and by the pattern of revenue recognition depicts how economic factors affect the timing and uncertainty of the Group's revenues.

Safety sector generates revenue by providing products that protect people, assets and infrastructure, enabling safe movement and enhancing efficiency. The technologies are used in public and commercial spaces and in industrial and logistics operations. Markets include: Fire Safety Technologies that protect people and assets from fire; Power Safety Technologies that increase the integrity and safety of electrical systems in a range of industries; Industrial Safety Technologies that protect people and assets in industrial environments; and Urban Safety Technologies that protect people and assets in urban environments. Products are generally sold separately, with contracts typically less than one year in length. Warranties are typically of an assurance nature. Revenue is recognised as control passes on delivery or despatch.

Payment is typically due within 60 days of invoice, except where a retention is held for documentation.

Environmental & Analysis generates revenue by providing products and technologies that monitor the environment, that ensure the quality and availability of life-critical resources, and analyse materials in a wide range of applications. Markets include: Optical Analysis Technologies that provide world-class optical, optoelectronic and spectral imaging systems that use light to analyse materials in a wide range of applications; Water Analysis and Treatment Systems to sustainably improve water quality and availability; and Environmental Monitoring Technologies that detect hazardous gases and analyse air quality, gases and water to monitor the quality of our environment. Products and services are generally sold separately. Warranties are typically of an assurance nature, but some companies within the Group offer extended warranties. Depending on the nature of the performance obligation, revenue may be recognised as control passes on delivery, despatch or as the service is delivered. Contracts are typically less than one year in length, but some companies have contracts where certain service-related performance obligations are delivered over a number of years; this can result in contract liabilities where those performance obligations are invoiced ahead of performance.

Payment is typically due within 60 days of invoice.

Healthcare sector generates revenue by providing products and services that help providers improve the care they deliver and enhance the quality of patients' lives. Markets include: Life Sciences technologies and solutions to enable in-vitro diagnostic systems and accelerate life-science discoveries and development; Healthcare Assessment & Analytics components, devices and systems that provide valuable information and analytics so providers can better understand patient health and make decisions across the continuum of care; and Therapeutic Solutions Technologies, materials and solutions that enable treatment across key clinical specialties. Products are generally sold separately, and warranties are typically of an assurance nature. Depending on the nature of the performance obligation, revenue is recognised as control passes on delivery or despatch or as the service is delivered. Contracts are typically less than one year in length, but a limited number of companies have contracts where certain service-related performance obligations are delivered over a number of years; this can result in contract liabilities where those performance obligations are invoiced ahead of performance.

Payment is typically due within 60 days of invoice.

1 Segmental analysis and revenue from contracts with customers continued

Year ended 31 March 2023							
Revenue by sector and destination (all continuing operations)							
	United States of America £m	Mainland Europe £m	United Kingdom £m	Asia Pacific £m	Africa, Near and Middle East £m	Other countries £m	Total £m
Safety	205.1	217.1	151.4	112.7	33.2	26.1	745.6
Environmental & Analysis	277.0	67.3	79.5	96.7	15.5	16.1	552.1
Healthcare	298.8	92.0	49.2	73.0	14.9	28.5	556.4
Inter-segmental sales	(0.1)	–	(1.2)	–	–	–	(1.3)
Revenue for the year	780.8	376.4	278.9	282.4	63.6	70.7	1,852.8

Year ended 31 March 2022							
Revenue by sector and destination (all continuing operations)							
	United States of America £m	Mainland Europe £m	United Kingdom £m	Asia Pacific £m	Africa, Near and Middle East £m	Other countries £m	Total £m
Safety	164.6	180.0	147.0	101.8	29.4	18.6	641.4
Environmental & Analysis	209.6	56.7	77.6	78.4	12.3	8.3	442.9
Healthcare	224.3	71.4	42.4	70.6	11.9	21.7	442.3
Inter-segmental sales	(1.3)	–	–	–	–	–	(1.3)
Revenue for the year	597.2	308.1	267.0	250.8	53.6	48.6	1,525.3

Inter-segmental sales are charged at prevailing market prices and have not been disclosed separately by segment as they are not considered material. Revenue derived from the rendering of services was £105.4m (2022 re-presented: £81.1m). The 2022 comparative has been re-presented to reflect £11.2m of service revenue previously classified as product revenue. All revenue was otherwise derived from the sale of products.

Year ended 31 March 2023			
	Revenue recognised over time £m	Revenue recognised at a point in time £m	Total Revenue £m
Safety	7.1	738.5	745.6
Environmental & Analysis	121.5	430.6	552.1
Healthcare	67.1	489.3	556.4
Inter-segmental sales	–	(1.3)	(1.3)
Revenue for the year	195.7	1,657.1	1,852.8

Year ended 31 March 2022			
	Revenue recognised over time £m	Revenue recognised at a point in time £m	Total Revenue £m
Safety	8.2	633.2	641.4
Environmental & Analysis	99.8	343.1	442.9
Healthcare	49.6	392.7	442.3
Inter-segmental sales	–	(1.3)	(1.3)
Revenue for the year	157.6	1,367.7	1,525.3

Notes to the Accounts continued

1 Segmental analysis and revenue from contracts with customers continued Segment revenue disaggregation continued

Year ended 31 March 2023				
	Revenue from performance obligations entered into and satisfied in the year £m	Revenue previously included as contract liabilities £m	Revenue from performance obligations satisfied in previous periods £m	Total Revenue £m
Safety	741.7	3.9	–	745.6
Environmental & Analysis	545.0	7.1	–	552.1
Healthcare	542.8	13.4	0.2	556.4
Inter-segmental sales	(1.3)	–	–	(1.3)
Revenue for the year	1,828.2	24.4	0.2	1,852.8

Year ended 31 March 2022				
	Revenue from performance obligations entered into and satisfied in the year £m	Revenue previously included as contract liabilities £m	Revenue from performance obligations satisfied in previous periods £m	Total Revenue £m
Safety	638.1	3.3	–	641.4
Environmental & Analysis	436.3	6.6	–	442.9
Healthcare	432.8	5.6	3.9	442.3
Inter-segmental sales	(1.3)	–	–	(1.3)
Revenue for the year	1,505.9	15.5	3.9	1,525.3

The Group has unsatisfied (or partially satisfied) performance obligations at the balance sheet date with an aggregate amount of transaction price as follows. The time bands represented present the expected timing of when the remaining transaction price will be recognised as revenue.

Aggregate transaction price allocated to unsatisfied performance obligations				
	31 March 2023 Total £m	Recognised < 1 year £m	Recognised 1-2 years £m	Recognised > 2 years £m
Safety	19.7	9.6	2.8	7.3
Environmental & Analysis	16.9	8.5	3.5	4.9
Healthcare	21.6	20.8	0.8	–
Inter-segmental sales	–	–	–	–
Total	58.2	38.9	7.1	12.2

Aggregate transaction price allocated to unsatisfied performance obligations				
	31 March 2022 Total £m	Recognised < 1 year £m	Recognised 1-2 years £m	Recognised > 2 years £m
Safety	27.0	15.2	4.5	7.3
Environmental & Analysis	15.3	7.0	3.4	4.9
Healthcare	14.4	12.9	1.5	–
Inter-segmental sales	–	–	–	–
Total	56.7	35.1	9.4	12.2

1 Segmental analysis and revenue from contracts with customers continued

Segment results

	Profit (all continuing operations)	
	Year ended 31 March 2023 £m	Year ended 31 March 2022 £m
Segment profit before allocation of adjustments*		
Safety	152.5	146.2
Environmental & Analysis	134.2	109.8
Healthcare	130.1	99.5
	416.8	355.5
Segment profit after allocation of adjustments*		
Safety	123.9	163.5
Environmental & Analysis	121.5	96.9
Healthcare	101.6	83.3
Segment profit	347.0	343.7
Central administration costs	(38.6)	(30.9)
Net finance expense	(16.9)	(8.4)
Group profit before taxation	291.5	304.4
Taxation	(57.2)	(60.2)
Profit for the year	234.3	244.2

* Adjustments include the amortisation and impairment of acquired intangible assets; acquisition items; significant restructuring costs; profit or loss on disposal of operations. Note 3 provides more information on alternative performance measures.

Notes to the Accounts continued

1 Segmental analysis and revenue from contracts with customers continued

Segment results continued

Acquisition transaction costs, adjustments to contingent consideration and release of fair value adjustments to inventory (collectively 'acquisition items'), amortisation and impairment of acquired intangible assets and profit on disposal of operations are recognised in the Consolidated Income Statement. Segment profit, before these acquisition items and the other adjustments, is disclosed separately on the previous page as this is the measure reported to the Group Chief Executive for the purpose of allocation of resources and assessment of segment performance. These adjustments are analysed as follows:

Year ended 31 March 2023						
	Acquisition items				Disposal of operations and restructuring (note 30) £m	Total £m
	Amortisation and impairment of acquired intangible assets £m	Transaction costs £m	Adjustments to contingent consideration £m	Release of fair value adjustments to inventory £m		
Safety	(25.1)	(3.1)	–	(0.4)	–	(28.6)
Environmental & Analysis	(11.4)	(0.9)	0.2	(0.6)	–	(12.7)
Healthcare	(20.0)	(1.9)	(3.9)	(2.7)	–	(28.5)
Total Segment & Group	(56.5)	(5.9)	(3.7)	(3.7)	–	(69.8)

The transaction costs arose mainly on the acquisitions during the year. In Safety, they related to the acquisition of FirePro (£1.6m), WEETECH (£1.0m), Thermocable (£0.4m) and Zonegreen (£0.1m). In Environmental & Analysis, they related to the acquisition of Deep Trekker (£0.5m) in the current year and Sewertronics (£0.4m) that was acquired in May 2023. In Healthcare, they related to the acquisition of IZI (£1.6m) in the current year, and the acquisition of Visiometrics in a previous year (£0.3m).

The £3.7m adjustment to contingent consideration comprised of a credit of £0.2m in Environmental & Analysis arising from a decrease in the estimate of the payables for Orca (£0.2m) and a debit of £3.9m in Healthcare arising from an increase in estimates of the payables for Infinite Leap (£2.7m), IZI (£1.4m) and Meditech (£0.3m), partially offset by a decrease in the estimate of the payable for Clayborn Lab (£0.3m) and Spreo (£0.2m).

The £3.7m release of fair value adjustments to inventory related to WEETECH (£0.3m) and Thermocable (£0.1m) in Safety; Deep Trekker (£0.3m) and International Light Technologies (£0.3m) in Environmental & Analysis; and IZI (£2.7m) in Healthcare. All amounts have been released in relation to International Light Technologies and Deep Trekker.

Year ended 31 March 2022						
	Acquisition items				Disposal of operations and restructuring (note 30) £m	Total £m
	Amortisation of acquired intangible assets £m	Transaction costs £m	Adjustments to contingent consideration £m	Release of fair value adjustments to inventory £m		
Safety	(14.9)	(0.5)	–	(1.3)	34.0	17.3
Environmental & Analysis	(10.3)	(1.6)	0.1	(1.1)	–	(12.9)
Healthcare	(17.5)	(2.1)	4.4	(1.0)	–	(16.2)
Total Segment & Group	(42.7)	(4.2)	4.5	(3.4)	34.0	(11.8)

The transaction costs arose on the acquisitions made in the prior year. In Safety, they related to the acquisition of Ramtech (£0.4m) and IBIT (£0.1m). In Environmental & Analysis, they related to the acquisition of Dancutter (£0.3m), Sensitron (£0.4m), Orca (£0.1m), Anton (£0.1m), International Light Technologies (£0.2m) in the year and Deep Trekker (£0.5m) that was acquired in April 2022. In Healthcare, they related to the acquisition of PeriGen (£1.4m), Infinite Leap (£0.3m), Clayborn Lab (£0.1m), Meditech (£0.1m) and RNK (£0.1m) in the year, and the acquisition of Visiometrics in a previous year (£0.1m).

The £4.5m adjustment to contingent consideration comprised of a credit of £0.1m in Environmental & Analysis arising from a decrease in the estimate of the payables for Invenio (£0.3m) offset by an increase in the estimate of the payable for Orca (£0.2m) and a credit of £4.4m in Healthcare arising from a decrease in estimates of the payables for NovaBone (£1.3m), NeoMedix (£3.0m) and Spreo (£0.1m) partially offset by an increase in the estimate of the payable for Infowave (£0.3m) and a credit of £0.3m arising from exchange differences on balances denominated in Euros.

The £3.4m release of fair value adjustments to inventory related to Ramtech (£1.3m) in Safety; Dancutter (£0.1m), Orca (£0.6m), Sensitron (£0.2m) and International Light Technologies (£0.2m) in Environmental & Analysis; and Meditech (£1.0m) in Healthcare. All amounts have been released in relation to Dancutter, Ramtech, Orca and Sensitron.

1 Segmental analysis and revenue from contracts with customers continued

	Assets		Liabilities	
	31 March 2023 £m	31 March 2022 £m	31 March 2023 £m	31 March 2022 £m
Before goodwill, interest in associates and other investments and acquired intangible assets are allocated to specific segment assets/liabilities				
Safety	378.1	295.9	122.8	101.1
Environmental & Analysis	225.8	176.6	85.5	74.0
Healthcare	258.6	196.1	91.1	73.0
Total segment assets/liabilities excluding goodwill, interest in associates and other investments and acquired intangible assets	862.5	668.6	299.4	248.1
Goodwill	1,120.5	908.7	-	-
Interest in associate and other investments	21.0	8.2	-	-
Acquired intangible assets	416.1	275.7	-	-
Total segment assets/liabilities including goodwill, interest in associates and other investments and acquired intangible assets	2,420.1	1,861.2	299.4	248.1

	Assets		Liabilities	
	31 March 2023 £m	31 March 2022 £m	31 March 2023 £m	31 March 2022 £m
After goodwill, interest in associates and other investments and acquired intangible assets are allocated to specific segment assets/liabilities				
Safety	971.3	684.5	122.8	101.1
Environmental & Analysis	527.3	440.5	85.5	74.0
Healthcare	921.5	736.2	91.1	73.0
Total segment assets/liabilities including goodwill, interest in associates and other investments and acquired intangible assets	2,420.1	1,861.2	299.4	248.1
Cash and bank balances/borrowings	169.5	157.4	678.3	360.1
Derivative financial instruments	1.5	0.7	0.9	0.9
Other unallocated assets/liabilities	197.3	177.7	210.9	184.8
Total Group	2,788.4	2,197.0	1,189.5	793.9

Segment assets and liabilities, excluding the allocation of goodwill, interest in associate and other investments and acquired intangible assets, have been disclosed separately above as this is the measure reported to the Group Chief Executive for the purpose of monitoring segment performance and allocating resources between segments. Other unallocated assets include land and buildings, right-of-use assets, retirement benefit assets, deferred tax assets and other central administration assets. Unallocated liabilities include contingent purchase consideration, retirement benefit obligations, deferred tax liabilities, lease liabilities and other central administration liabilities.

Other segment information

	Additions to non-current assets		Depreciation, amortisation and impairment	
	31 March 2023 £m	31 March 2022 £m	31 March 2023 £m	31 March 2022 £m
Safety	225.3	30.1	39.6	29.0
Environmental & Analysis	48.1	70.3	19.3	19.3
Healthcare	144.0	82.6	28.2	24.7
Total segment additions/depreciation, amortisation and impairment	417.4	183.0	87.1	73.0
Unallocated	34.4	31.5	22.8	18.8
Total Group	451.8	214.5	109.9	91.8

Non-current asset additions comprise acquired and purchased goodwill, other intangible assets, property, plant and equipment, interests in associates and other investments.

During the year impairment losses of £8.4m were recognised on Property, plant and equipment and other intangible assets, of which £8.0m was recognised in Safety, £0.1m was recognised in Environmental & Analysis and £0.3m was recognised in Healthcare (2022: £3.2m comprising £1.0m in Safety, £1.7m in Environmental & Analysis, £0.5m in Healthcare). Impairment losses mainly related to acquired intangible assets, due to changes in expected future cash flows, and to capitalised development costs recorded as a result of changes in the expected outcome of projects.

Notes to the Accounts continued

1 Segmental analysis and revenue from contracts with customers continued

Geographic information

The Group's non-current assets by geographic location are detailed below:

	Non-current assets	
	31 March 2023 £m	31 March 2022 £m
United States of America	893.5	758.9
Mainland Europe	489.1	290.1
United Kingdom	290.7	255.7
Asia Pacific	119.3	122.6
Other countries	44.1	8.8
	1,836.7	1,436.1

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

Information about major customers

No single customer accounts for more than 10% (2022: 10%) of the Group's revenue.

2 Earnings per share

Basic earnings per share amounts are calculated by dividing the net profit for the year attributable to the equity shareholders of the parent by the weighted average number of shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to the equity shareholders of the parent by the weighted average number of shares outstanding during the year plus the weighted average number of shares that would be in issue on the conversion of all the dilutive potential shares.

The weighted average number of shares used to calculate both basic and diluted earnings per share exclude shares held in the employee benefit trust.

Adjusted earnings are calculated as earnings from continuing operations excluding the amortisation and impairment of acquired intangible assets; acquisition items; significant restructuring costs, profit or loss on disposal of operations and the associated taxation thereon and in the prior year the increase in the UK's corporation tax rate from 19% to 25%. The Directors consider that adjusted earnings, which constitute an alternative performance measure, represent a more consistent measure of underlying performance as it excludes amounts not directly linked with trading. A reconciliation of earnings and the effect on basic and diluted earnings per share figures is as follows:

Basic earnings per share

	Year ended 31 March 2023 £m	Year ended 31 March 2022 £m	Per share	
			Year ended 31 March 2023 pence	Year ended 31 March 2022 pence
Earnings from continuing operations attributable to owners of the parent	234.5	244.4	62.04	64.54
Amortisation and impairment of acquired intangible assets (after tax)	42.3	33.1	11.19	8.73
Acquisition transaction costs (after tax)	5.3	3.8	1.41	0.99
Adjustments to contingent consideration (after tax)	3.8	(4.5)	1.00	(1.19)
Release of fair value adjustments to inventory (after tax)	2.7	2.6	0.70	0.70
Disposal of operations and restructuring (after tax)	–	(34.0)	–	(8.98)
Impact of UK tax rate change	–	2.6	–	0.69
Adjusted earnings attributable to owners of the parent	288.6	248.0	76.34	65.48
Weighted average number of shares in issue for basic earnings per share, million	378.0	378.7		

Diluted earnings per share

	Year ended 31 March 2023 £m	Year ended 31 March 2022 £m	Per share	
			Year ended 31 March 2023 pence	Year ended 31 March 2022 pence
Earnings from continuing operations attributable to owners of the parent	234.5	244.4	61.86	64.42
Adjusted earnings attributable to owners of the parent	288.6	248.0		
Weighted average number of shares in issue for basic earnings per share, million	378.0	378.7		
Dilutive potential shares – share awards, million	1.1	0.7		
Weighted average number of shares in issue for diluted earnings per share, million	379.1	379.4		

3 Alternative performance measures

The Board uses certain alternative performance measures to help it effectively monitor the performance of the Group. The Directors consider that these represent a more consistent measure of underlying performance by removing items that are not closely related to the Group's trading or operating cash flows. These measures include Return on Total Invested Capital (ROTIC), Return on Capital Employed (ROCE), Organic growth at constant currency, net debt, Adjusted operating profit, cash conversion and Adjusted operating cash flow.

Note 1 provides further analysis of the adjusting items in reaching adjusted profit measures. Net debt is defined as Borrowings plus Lease liabilities net of Cash and bank balances, note 26 provides an analysis of net debt for the year.

Return on Total Invested Capital

	31 March 2023 £m	31 March 2022 £m
Profit after tax	234.3	244.2
Adjustments ¹	54.1	3.7
Adjusted profit after tax¹	288.4	247.9
Total equity	1,598.9	1,403.1
Less net retirement benefit assets	(37.9)	(30.5)
Deferred tax liabilities on retirement benefits	9.6	7.7
Cumulative fair value adjustments on equity investments through other comprehensive income	(4.4)	1.7
Cumulative amortisation and impairment of acquired intangible assets	418.1	345.7
Historical adjustments to goodwill ²	89.5	89.5
Total Invested Capital	2,073.8	1,817.2
Average Total Invested Capital³	1,945.5	1,695.0
Return on Total Invested Capital (ROTIC)⁴	14.8%	14.6%

Return on Capital Employed

	31 March 2023 £m	31 March 2022 £m
Profit before tax	291.5	304.4
Adjustments ¹	69.8	11.8
Net finance costs	16.9	8.4
Lease interest	(2.9)	(2.3)
Adjusted operating profit¹ after share of results of associates and lease interest	375.3	322.3
Computer software costs within other intangible assets	3.2	4.2
Capitalised development costs within other intangible assets	49.6	41.7
Other intangibles within other intangible assets	3.4	3.6
Property, plant and equipment	222.9	194.0
Inventories	312.4	228.8
Trade and other receivables	410.7	325.1
Current trade and other payables	(280.7)	(242.7)
Current lease liabilities	(19.2)	(15.5)
Current provisions	(21.0)	(20.7)
Net tax (payable)/receivable	(2.2)	3.8
Non-current trade and other payables	(21.9)	(19.0)
Non-current provisions	(9.7)	(7.7)
Non-current lease liabilities	(68.7)	(56.6)
Add back contingent purchase consideration	16.4	15.2
Capital Employed	595.2	454.2
Average Capital Employed³	524.7	421.9
Return on Capital Employed (ROCE)⁴	71.5%	76.4%

1 Adjustments include the amortisation and impairment of acquired intangible assets; acquisition items; and significant restructuring costs and profit or loss on disposal of operations. Where after-tax measures, these also include the associated taxation on adjusting items. Note 1 provides more information on these items.

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

3 The ROTIC and ROCE measures are expressed as a percentage of the average of the current and prior year's Total Invested Capital and Capital Employed respectively. Using an average as the denominator is considered to be more representative. The 1 April 2021 Total Invested Capital and Capital Employed balances were £1,572.8m and £389.5m respectively.

4 The ROTIC and ROCE measures are calculated as Adjusted profit after tax divided by Average Total Invested Capital and Adjusted operating profit after share of results of associates and lease interest divided by Average Capital Employed, respectively.

Notes to the Accounts continued

3 Alternative performance measures continued

Organic growth at constant currency

Organic growth measures the change in revenue and profit from continuing Group operations. This measure equalises the effect of acquisitions by:

- removing from the year of acquisition their entire revenue and profit before taxation;
- in the following year, removing the revenue and profit for the number of months equivalent to the pre-acquisition period in the prior year; and
- removing from the year prior to acquisition, any revenue generated by sales to the acquired company which would have been eliminated on consolidation had the acquired company been owned for that period.

The results of disposals are removed from the prior period reported revenue and profit before taxation.

Constant currency measures the change in revenue and profit excluding the effects of currency movements. The measure restates the current year's revenue and profit at last year's exchange rates.

Organic growth at constant currency has been calculated for the Group as follows:

Group

	Revenue			Adjusted* profit before taxation		
	Year ended 31 March 2023 £m	Year ended 31 March 2022 £m	% growth	Year ended 31 March 2023 £m	Year ended 31 March 2022 £m	% growth
Continuing operations	1,852.8	1,525.3	21.5%	361.3	316.2	14.2%
Acquired and disposed revenue/profit	(65.6)	(14.9)		(9.0)	(2.0)	
Organic growth	1,787.2	1,510.4	18.3%	352.3	314.2	12.1%
Constant currency adjustment	(122.9)			(28.3)		
Organic growth at constant currency	1,664.3	1,510.4	10.2%	324.0	314.2	3.1%

Sector Organic growth at constant currency

Organic growth at constant currency is calculated for each segment using the same method as described above.

Safety

	Revenue			Adjusted* segment profit		
	Year ended 31 March 2023 £m	Year ended 31 March 2022 £m	% growth	Year ended 31 March 2023 £m	Year ended 31 March 2022 £m	% growth
Continuing operations	745.6	641.4	16.2%	152.5	146.2	4.3%
Acquisition and currency adjustments	(48.6)	(14.6)		(9.9)	(2.0)	
Organic growth at constant currency	697.0	626.8	11.2%	142.6	144.2	(1.1)%

Environmental & Analysis

	Revenue			Adjusted* segment profit		
	Year ended 31 March 2023 £m	Year ended 31 March 2022 £m	% growth	Year ended 31 March 2023 £m	Year ended 31 March 2022 £m	% growth
Continuing operations	552.1	442.9	24.7%	134.2	109.8	22.2%
Acquisition and currency adjustments	(69.3)	(0.4)		(16.6)	-	
Organic growth at constant currency	482.8	442.5	9.1%	117.6	109.8	7.1%

Healthcare

	Revenue			Adjusted* segment profit		
	Year ended 31 March 2023 £m	Year ended 31 March 2022 £m	% growth	Year ended 31 March 2023 £m	Year ended 31 March 2022 £m	% growth
Continuing operations	556.4	442.3	25.8%	130.1	99.5	30.8%
Acquisition and currency adjustments	(70.7)	-		(16.7)	-	
Organic growth at constant currency	485.7	442.3	9.8%	113.4	99.5	14.0%

* Adjustments include in the current and prior year the amortisation and impairment of acquired intangible assets; acquisition items; significant restructuring costs and profit or loss on disposal of operations.

3 Alternative performance measures continued**Adjusted operating profit**

	Year ended 31 March 2023 £m	Year ended 31 March 2022 £m
Operating profit	308.4	278.9
Add back:		
Acquisition items (note 1)	13.3	3.1
Amortisation and impairment of acquired intangible assets (note 1)	56.5	42.7
Adjusted operating profit	378.2	324.7

Adjusted operating cash flow

	Year ended 31 March 2023 £m	Year ended 31 March 2022 £m
Net cash from operating activities (note 26)	258.0	237.4
Add:		
Net acquisition costs paid	4.6	4.1
Taxes paid	67.2	56.0
Proceeds from sale of property, plant and equipment and capitalised development costs	3.1	1.1
Share awards vested not settled by own shares (note 24)	4.5	7.1
Deferred consideration paid in excess of payable estimated on acquisition	1.7	7.5
Less:		
Purchase of property, plant and equipment (excluding Right of use assets)	(29.0)	(25.2)
Purchase of computer software and other intangibles	(1.1)	(1.4)
Development costs capitalised	(15.8)	(13.4)
Adjusted operating cash flow	293.2	273.2
Cash conversion % (adjusted operating cash flow/adjusted operating profit)	78%	84%

4 Finance income

	Year ended 31 March 2023 £m	Year ended 31 March 2022 £m
Interest receivable	0.7	0.2
Net interest credit on pension plan assets	1.1	–
Fair value movement on derivative financial instruments	–	0.4
	1.8	0.6

5 Finance expense

	Year ended 31 March 2023 £m	Year ended 31 March 2022 £m
Interest payable on borrowings	14.5	5.6
Interest payable on lease obligations	2.9	2.3
Amortisation of finance costs	0.8	0.7
Net interest charge on pension plan liabilities	–	0.3
Other interest payable	0.1	0.1
Fair value movement on derivative financial instruments	0.4	–
	18.7	9.0

Notes to the Accounts continued

6 Profit before taxation

Profit before taxation comprises:

	Year ended 31 March 2023 £m	Year ended 31 March 2022 £m
Revenue	1,852.8	1,525.3
Direct materials/direct labour	(784.3)	(640.3)
Production overhead	(145.6)	(121.4)
Selling costs	(174.5)	(137.4)
Distribution costs	(35.6)	(30.6)
Administrative expenses	(404.4)	(316.7)
Operating profit	308.4	278.9
Share of loss of associate	–	(0.1)
Profit on disposal of operations	–	34.0
Net finance expense	(16.9)	(8.4)
Profit before taxation	291.5	304.4

Included within administrative expenses are the amortisation and impairment of acquired intangible assets, transaction costs, and adjustments to contingent consideration. Included within direct materials/direct labour is the release of fair value adjustments to inventory.

	Year ended 31 March 2023 £m	Year ended 31 March 2022 £m
Profit before taxation is stated after charging/ (crediting):		
Depreciation	41.4	35.8
Amortisation	60.1	52.8
Impairment of other intangible assets	8.3	2.9
Impairment of property, plant and equipment	0.1	0.3
Net impairment loss on trade receivables (reversed)/recognised (note 16)	(0.4)	(4.1)
Research costs*	87.0	72.0
Foreign exchange gain	(0.4)	(1.2)
Profit on disposal of operations (note 30)	–	(34.0)
(Profit)/loss on sale of property, plant and equipment and computer software	(0.8)	0.8
Cost of inventories recognised as an expense	929.9	761.7
Staff costs (note 7)	535.5	429.7
Auditors' remuneration		
Audit services to the Company	0.6	0.5
Audit of the Company's subsidiaries	1.9	1.6
Total audit fees	2.5	2.1
Audit related fees – interim review	0.1	0.1
Other services**	–	–
Total non-audit fees	0.1	0.1
Total fees	2.6	2.2

* A further £15.8m (2022: £13.4m) of development costs has been capitalised in the year. See note 12.

** Refer to the Audit Committee Report on pages 128 - 135 for further details.

7 Employee information

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

	Year ended 31 March 2023 Number	Year ended 31 March 2022 Number
United States of America	2,754	2,418
Mainland Europe	1,475	1,283
United Kingdom	2,478	2,425
Asia Pacific	1,219	1,284
Other countries	215	112
	8,141	7,522

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

	Year ended 31 March 2023 Number	Year ended 31 March 2022 Number
United States of America	2,702	2,368
Mainland Europe	1,518	1,310
United Kingdom	2,409	2,427
Asia Pacific	1,232	1,249
Other countries	280	168
	8,141	7,522

Group employee costs comprise:

	Year ended 31 March 2023 £m	Year ended 31 March 2022 £m
Wages and salaries	438.5	350.6
Social security costs	59.2	50.3
Pension costs (note 29)	18.2	14.2
Share-based payment charge (note 24)	19.6	14.6
	535.5	429.7

8 Directors' remuneration

The remuneration of the Directors is set out on pages 136 to 163 within the audited sections of the Annual Remuneration Report, which forms part of these financial statements.

Directors' remuneration comprises:

	Year ended 31 March 2023 £m	Year ended 31 March 2022 £m
Wages, salaries and fees	5.8	5.7
Pension costs	—	0.1
Share-based payment charge	3.8	3.0
	9.6	8.8

Notes to the Accounts continued

9 Taxation

Recognised in the Consolidated Income Statement

	Year ended 31 March 2023 £m	Year ended 31 March 2022 £m
Current tax		
UK corporation tax at 19% (2022: 19%)	14.8	16.7
Overseas taxation	61.9	46.0
Adjustments in respect of prior years	(3.0)	0.5
Total current tax charge	73.7	63.2
Deferred tax		
Origination and reversal of timing differences	(17.5)	(5.7)
Adjustments in respect of prior years	1.0	0.1
Changes in tax rates – UK	–	2.6
Total deferred tax credit	(16.5)	(3.0)
Total tax charge recognised in the Consolidated Income Statement	57.2	60.2
Reconciliation of the effective tax rate:		
Profit before tax	291.5	304.4
Tax at the UK corporation tax rate of 19% (2022: 19%)	55.4	57.8
Profit on disposal of business	–	(6.5)
Overseas tax rate differences	9.0	6.2
Tax incentives, exemptions and credits (including patent box, R&D and High-Tech status)	(6.8)	(4.2)
Changes in tax rates – UK	–	2.6
Permanent differences	1.6	3.7
Adjustments in respect of prior years	(2.0)	0.6
Total tax charge recognised in the Consolidated Income Statement	57.2	60.2
Effective tax rate	19.6%	19.8%

	Year ended 31 March 2023 £m	Year ended 31 March 2022 £m
Adjusted* profit before tax	361.3	316.2
Total tax charge on adjusted* profit	72.9	68.3
Effective tax rate	20.2%	21.6%

* Adjustments include the amortisation and impairment of acquired intangible assets, acquisition items, significant restructuring costs and profit or loss on disposal of operations. Note 3 provides more information on alternative performance measures.

The Group's future Effective Tax Rate (ETR) will mainly depend on the geographic mix of profits and whether there are any changes to tax legislation in the Group's most significant countries of operations. The Finance Bill 2021 received Royal Assent on 10 June 2021 and included the increase in the UK corporation tax rate from 19% to 25% from 1 April 2023.

On 23 March 2023, the UK Government issued further draft legislation applicable to large multinational groups in relation to a new tax framework (part of the Organisation for Economic Co-operation and Development (OECD) BEPS initiative), which introduces a global minimum effective tax rate of 15% effective for accounting periods beginning on or after 31 December 2023. The Group monitors income tax developments in the territories in which it operates, as well as the applicable accounting standards, to understand their potential future impacts.

9 Taxation continued**Recognised in the Consolidated Statement of Comprehensive Income and Expenditure**

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

	Year ended 31 March 2023 £m	Year ended 31 March 2022 £m
Current tax		
Retirement benefit obligations	(1.8)	(2.3)
Deferred tax (note 22)		
Retirement benefit obligations	0.6	11.9
Effective portion of changes in fair value of cash flow hedges	0.3	(0.4)
	(0.9)	9.2

Recognised directly in equity

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

	Year ended 31 March 2023 £m	Year ended 31 March 2022 £m
Current tax		
Excess tax deductions related to share-based payments on vested awards	–	(1.3)
Deferred tax (note 22)		
Change in estimated excess tax deductions related to share-based payments	0.7	0.2
	0.7	(1.1)

10 Dividends

	Per ordinary share		Year ended 31 March 2023 £m	Year ended 31 March 2022 £m
	Year ended 31 March 2023 pence	Year ended 31 March 2022 pence		
Amounts recognised as distributions to shareholders in the year				
Final dividend for the year ended 31 March 2022 (31 March 2021)	11.53	10.78	43.6	40.8
Interim dividend for the year ended 31 March 2023 (31 March 2022)	7.86	7.35	29.7	27.9
	19.39	18.13	73.3	68.7
Dividends declared in respect of the year				
Interim dividend for the year ended 31 March 2023 (31 March 2022)	7.86	7.35	29.7	27.9
Proposed final dividend for the year ended 31 March 2023 (31 March 2022)	12.34	11.53	46.6	43.6
	20.20	18.88	76.3	71.5

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 20 July 2023 and has not been included as a liability in these financial statements.

Notes to the Accounts continued

11 Goodwill

	31 March 2023 £m	31 March 2022 £m
Cost		
At beginning of year	908.7	808.5
Additions (note 25)	180.0	80.2
Adjustments to prior years (note 25)	10.3	-
Disposals (note 30)	-	(9.0)
Exchange adjustments	31.5	29.0
At end of year	1,120.5	908.7
Provision for impairment		
At beginning and end of year	-	-
Carrying amounts	1,120.5	908.7

The Group identifies cash generating units (CGUs) at the operating company level as this represents the lowest level at which cash inflows are largely independent of other cash inflows. However, often the goodwill which arises as a result of a business acquisition, will benefit more than one CGU and so at acquisition, goodwill is allocated to the groups of CGUs that are expected to benefit from that business combination.

Where goodwill has been allocated to a cash-generating unit (CGU) group and part of the operation within that group is disposed of, the goodwill associated with the disposed operation must be included in the carrying amount when determining the gain or loss on disposal. The amount included is measured on the basis of the relative values of the operation disposed of and the portion of the CGU group that is retained.

Before recognition of any impairment losses, the carrying amount of goodwill has been allocated to CGU groups as follows:

	31 March 2023 £m	31 March 2022 £m
Safety		
Fire	187.6	126.8
Doors, Security and Elevators	107.3	104.0
Safety Interlocks and Corrosion Monitoring	95.4	58.5
Bursting Discs	9.4	8.8
	399.7	298.1
Environmental & Analysis		
Water	107.6	85.2
Analysis	82.1	76.6
Environmental Monitoring	14.1	13.3
Gas Detection	26.2	24.9
	230.0	200.0
Healthcare		
Life Sciences	41.1	39.9
Healthcare Assessment	243.3	231.5
Therapeutic Solutions	206.4	139.2
	490.8	410.6
Total Group	1,120.5	908.7

11 Goodwill continued

Impairment testing

Goodwill values have been tested for impairment by comparing them against the 'value in use' in perpetuity of the relevant CGU group. The 'value in use' calculations were based on projected cash flows, derived from the latest budgets prepared by management and strategic plans approved by the Board, discounted at CGU group specific, risk adjusted, discount rates to calculate their net present value.

Key assumptions used in 'value in use' calculations

The calculation of 'value in use' is most sensitive to the following assumptions:

- CGU specific operating assumptions that are reflected in the budget period for the financial year to March 2024;
- Discount rates; and
- Growth rates used to extrapolate risk adjusted cash flows beyond the forecast period.

CGU specific operating assumptions applicable to the forecasted cash flows for the year to March 2024 relate to revenue forecasts, expected project outcomes, forecast operating margins and fixed asset and working capital requirements. The relative value ascribed to each assumption will vary between CGUs as the forecasts are built up from the underlying operating companies within each CGU group. Consideration has been given to inflation and future cash flows reflect expectations for cost and price increases.

A short-term growth rate is applied to the March 2024 budget to derive the cash flows arising in the years to March 2025 and March 2026 based on the average growth rate calculated in the relevant sector strategic plan. A long-term rate is applied to these values for the year to March 2027 and onwards capped at the weighted average GDP growth rates of the markets into which that CGU group sells. Each year the results of ongoing climate and emerging risk reviews are considered and any potential impact of climate change is included in the long-term growth rates where relevant. For example, since April 2021, where any CGU group has exposure to customers in the oil and gas industry a reduction to the long-term growth rate has been applied. In the year to 31 March 2023, no additional changes were made to the long-term growth rates as a result of these reviews. Immaterial additional capital expenditure to meet the Group's emission targets and physical risks have also been factored into future cash flow estimates. No further significant adjustments to future cash flows from climate change are expected and therefore have not been recognised in the calculations.

Discount rates are based on estimations of the assumptions that market participants operating in similar sectors to Halma would make, using the Group's economic profile as a starting point and adjusting appropriately. The methodology for calculating the discount rate has not changed year on year and the market economic data sources are consistent with prior years. The Group has calculated the discount rate to be 11.43% (2022: 9.22%). Consistent with previous years this is a notional discount rate, calculated using externally published global market assumptions. The discount rate, which is pre-tax and based on short-term variables, may differ from the Weighted Average Cost of Capital (WACC). Discount rates are adjusted for economic risks that are not already captured in the specific operating assumptions for each CGU group. This results in the impairment testing using discount rates ranging from 10.58% to 13.96% (2022: 8.33% to 11.85%) across the CGU groups.

Significant CGU groups

CGU groups to which 10% or more of the total goodwill balance is allocated are deemed to be significant. In addition to the operating assumptions, the assumptions used to determine 'value in use' for these CGU groups are:

	Risk adjusted discount rate		Short-term growth rates		Long-term growth rates	
	31 March 2023	31 March 2022	31 March 2023	31 March 2022	31 March 2023	31 March 2022
Fire	13.96%	11.73%	11.68%	10.06%	3.61%	2.49%
Healthcare Assessment	13.94%	11.92%	8.17%	9.96%	3.79%	2.18%
Therapeutic Solutions	12.98%	10.77%	8.17%	9.96%	3.23%	2.59%

Sensitivity to changes in assumptions

The Directors believe that no reasonably possible change in any of the above key assumptions would cause the carrying value of any CGU group to exceed its recoverable amount.

Notes to the Accounts continued

12 Other intangible assets

	Acquired intangible assets				Internally generated capitalised development costs ⁴ £m	Computer software £m	Other intangibles ⁵ £m	Total £m
	Customer and supplier relationship ¹ £m	Technical know-how ² £m	Trademarks, brands and patents ³ £m	Total £m				
Cost								
At 1 April 2021	319.9	141.1	78.0	539.0	113.3	24.2	5.2	681.7
Assets of businesses acquired	36.3	25.3	6.1	67.7	–	0.1	–	67.8
Assets of business sold	(5.6)	(1.4)	–	(7.0)	(2.9)	(0.5)	–	(10.4)
Additions at cost	–	–	–	–	13.4	0.9	0.5	14.8
Disposals and retirements	–	–	–	–	(2.2)	(2.4)	(0.1)	(4.7)
Exchange adjustments	12.8	5.9	3.0	21.7	2.4	0.4	0.3	24.8
At 31 March 2022	363.4	170.9	87.1	621.4	124.0	22.7	5.9	774.0
Assets of businesses acquired (note 25)	87.6	87.3	17.3	192.2	–	0.2	–	192.4
Additions at cost	–	–	–	–	15.8	0.8	0.3	16.9
Disposals and retirements	–	–	–	–	(2.8)	(1.7)	–	(4.5)
Transfers	–	–	–	–	–	(0.4)	–	(0.4)
Exchange adjustments	14.1	3.3	3.2	20.6	3.4	0.9	0.2	25.1
At 31 March 2023	465.1	261.5	107.6	834.2	140.4	22.5	6.4	1,003.5
Accumulated amortisation & impairment								
At 1 April 2021	202.1	50.3	44.9	297.3	74.4	18.2	1.8	391.7
Charge for the year	23.5	13.7	5.5	42.7	7.0	2.5	0.6	52.8
Assets of business sold	(5.6)	(1.4)	–	(7.0)	(2.1)	(0.5)	–	(9.6)
Impairment	–	–	–	–	2.9	–	–	2.9
Disposals and retirements	–	–	–	–	(1.0)	(2.1)	(0.2)	(3.3)
Exchange adjustments	8.5	2.4	1.8	12.7	1.1	0.4	0.1	14.3
At 31 March 2022	228.5	65.0	52.2	345.7	82.3	18.5	2.3	448.8
Charge for the year	24.5	18.2	6.0	48.7	8.5	2.2	0.7	60.1
Impairment	5.4	2.1	0.3	7.8	0.5	–	–	8.3
Disposals and retirements	–	–	–	–	(2.7)	(1.6)	–	(4.3)
Transfers	–	–	–	–	–	(0.4)	–	(0.4)
Exchange adjustments	10.8	2.7	2.4	15.9	2.2	0.6	–	18.7
At 31 March 2023	269.2	88.0	60.9	418.1	90.8	19.3	3.0	531.2
Carrying amounts								
At 31 March 2023	195.9	173.5	46.7	416.1	49.6	3.2	3.4	472.3
At 31 March 2022	134.9	105.9	34.9	275.7	41.7	4.2	3.6	325.2

1 Customer and supplier relationship assets are amortised over their useful economic lives estimated to be between 3 and 20 years. Within this balance individually significant balances relate to: CenTrak: £12.0m (2022: £12.7m); IZI: £17.2m; WEETECH: £10.4m; Ampac: £11.0m (2022: £12.7m); and FirePro £44.8m. The remaining amortisation periods for these assets are 8 years, 14 years, 10 years, 10 years and 15 years respectively.

2 Technical know-how assets are amortised over their useful economic lives, estimated to be between 3 and 18 years. Within this balance individually material balances relate to: IZI £36.2m; FirePro £28.9m; and NovaBone £19.8m (2022: £20.2m).

The remaining amortisation periods for these assets are 14 years, 18 years and 12 years respectively.

3 Trademarks, brands and patents (which include protected intellectual property) are amortised over their useful economic lives estimated to be between 3 and 20 years. There are no individually material items within this balance.

4 Internally generated capitalised development costs are amortised over their useful economic lives estimated to be three years from the date of product launch. There are no individually material items within this balance, which comprises capitalised costs arising from the development phase of the R&D projects undertaken by the Group.

5 Other intangibles comprise licence and product registration costs, and customer lists, amortised over their useful economic lives, estimated to be between 3 and 5 years.

None of the intangible assets have been pledged as security.

13 Property, plant and equipment

		Owned assets			
	Right-of-use assets (Note 28) £m	Freehold land and buildings £m	Leasehold buildings and improvements £m	Plant, equipment and vehicles £m	Total £m
Cost					
At 1 April 2021	106.9	63.6	21.1	205.0	396.6
Transfer between category	(0.1)	0.1	-	(0.6)	(0.6)
Assets of businesses acquired	4.6	2.6	-	1.0	8.2
Assets of business sold	(3.9)	-	(0.6)	(9.1)	(13.6)
Additions at cost	18.4	1.8	2.5	20.9	43.6
Disposals and retirements	(1.8)	-	(0.2)	(14.8)	(16.8)
Exchange adjustments	4.2	1.2	0.8	4.5	10.7
At 31 March 2022	128.3	69.3	23.6	206.9	428.1
Transfer between category	-	(0.1)	(0.2)	0.3	-
Assets of businesses acquired (note 25)	9.3	0.9	0.1	4.1	14.4
Additions at cost	18.7	1.1	3.2	24.7	47.4
Remeasurements	4.2	-	-	-	4.2
Disposals and retirements	(3.6)	(1.2)	(1.3)	(14.3)	(20.4)
Exchange adjustments	3.8	2.3	0.7	6.2	13.0
At 31 March 2023	160.7	72.3	26.1	227.9	487.0
Accumulated depreciation					
At 1 April 2021	47.3	16.4	13.0	139.1	215.8
Transfer between category	(0.1)	-	-	(0.5)	(0.6)
Charge for the year	14.6	1.2	2.0	18.0	35.8
Impairment	-	-	-	0.3	0.3
Assets of business sold	(1.6)	-	(0.5)	(5.2)	(7.3)
Disposals and retirements	(0.8)	-	(0.2)	(14.1)	(15.1)
Exchange adjustments	1.9	0.3	0.4	2.6	5.2
At 31 March 2022	61.3	17.9	14.7	140.2	234.1
Transfer between category	-	(0.1)	(0.2)	0.3	-
Charge for the year	18.4	1.4	2.4	19.2	41.4
Impairment	-	-	-	0.1	0.1
Assets of business sold	-	-	-	-	-
Disposals and retirements	(3.6)	(0.5)	(1.3)	(12.9)	(18.3)
Exchange adjustments	1.6	0.6	0.6	4.0	6.8
At 31 March 2023	77.7	19.3	16.2	150.9	264.1
Carrying amounts					
At 31 March 2023	83.0	53.0	9.9	77.0	222.9
At 31 March 2022	67.0	51.4	8.9	66.7	194.0

Note 28 Leases contains further details of the Group's right-of-use assets. None of the property, plant and equipment has been pledged as security.

Notes to the Accounts continued

14 Interest in associate and other investments

	31 March 2023 £m	31 March 2022 £m
Interest in associate	2.1	1.3
Financial assets at fair value through other comprehensive income		
– Equity instruments	18.9	6.9
	21.0	8.2

Interest in associate

	31 March 2023 £m	31 March 2022 £m
At beginning of the year	1.3	1.4
Additions in the year	0.8	–
Group's share of loss of associate	–	(0.1)
At end of year	2.1	1.3

In the prior year, OneThird B.V., issued further new shares to external investors that reduced the Group's ownership from 35.3% to 30.0%. There was a gain of £0.0m on disposal. During the year, One Third B.V. issued a £1.6m (US\$2.0m) convertible loan note, and the Group took up 50% of the issue at £0.8m (US\$1.0m). In February 2023, following a further funding round, the loan notes were converted increasing the Group's equity in the associate with ownership increasing to 31%. The Group have committed to participating in a future funding round subject to the company meeting certain performance criteria, this will result in the dilution of the investment to 29%.

One Third B.V has its registered office at Almlosestraat 19, 7495 TG Ambt Delden, Netherlands. The Group owns 20,921 preferred A3 shares which represents 37% of the total preferred A3 shares issued. The Group also owns 30,000 ordinary shares which is 60% of the ordinary shares issued. The company has A2 preference shares in issue of which the Group do not have a holding.

	31 March 2023 £m	31 March 2022 £m
Aggregated amounts relating to associate		
Non-current assets	1.9	–
Current assets	2.0	1.6
Current liabilities	(0.1)	(0.1)
Net assets	3.8	1.5
Group's share of net assets of associate	1.2	0.5
Revenue	0.2	–
Loss	(0.1)	(0.3)
Group's share of loss of associate	–	(0.1)

Financial assets at fair value through other comprehensive income (FVOCI)

Movements in equity investments at FVOCI comprise the following:

	31 March 2023 £m	31 March 2022 £m
Unlisted securities		
At beginning of the year	6.9	7.9
Additions in the year	5.9	0.7
Changes in fair value recognised in other comprehensive income	6.1	(1.7)
At end of year	18.9	6.9

Unlisted securities comprise of investments in Owlytics Healthcare Limited, Valencell Inc., Oxbotica Limited and VAPAR Innovation PTY Ltd. Further information on methods and assumptions used in determining fair value is provided in note 27.

15 Inventories

	31 March 2023 £m	31 March 2022 £m
Raw materials and consumables	185.8	131.8
Work in progress	31.5	21.5
Finished goods and goods for resale	95.1	75.5
	312.4	228.8

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

	31 March 2023 £m	31 March 2022 £m
At beginning of the year	36.1	30.5
Write downs of inventories recognised as an expense	6.0	4.7
Recognition of provisions for businesses acquired	5.0	1.2
Derecognition of provisions for businesses disposed	–	(0.7)
Utilisation and amounts reversed against inventories previously impaired	(3.5)	(0.7)
Exchange adjustments	0.9	1.1
At end of the year	44.5	36.1

In the year ended 31 March 2023, previous write-downs against inventory were reversed as a result of increased sales in certain markets or where previously written down inventories have been disposed.

There is no material difference between the original cost of inventories and their cost of replacement. None of the inventory has been pledged as security.

16 Trade and other receivables

	31 March 2023 £m	31 March 2022 £m
Trade receivables	330.2	259.8
Allowance for doubtful debts	(6.9)	(6.6)
	323.3	253.2
Other receivables	18.7	16.6
Prepayments	30.0	23.9
Contract assets (note 18)	38.7	31.4
	410.7	325.1

Other receivables comprise various assets across the Group, including sales tax receivables and other non-trade balances.

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

	31 March 2023 £m	31 March 2022 £m
At beginning of the year	6.6	11.2
Net impairment loss reversed	(0.4)	(4.1)
Amounts recovered against trade receivables previously written down/amounts utilised	(0.4)	(0.8)
Recognition of provisions for businesses acquired	0.8	0.2
Exchange adjustments	0.3	0.1
At end of the year	6.9	6.6

The Group assesses on a forward-looking basis the expected credit losses associated with its trade and other receivables carried at amortised cost.

The Group assessed that no provisions or impairments were required in relation to contract assets (2022: £nil).

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

Notes to the Accounts continued

16 Trade and other receivables continued

The ageing of trade receivables was as follows:

	Gross trade receivables		Trade receivables net of doubtful debts	
	31 March 2023 £m	31 March 2022 £m	31 March 2023 £m	31 March 2022 £m
Not yet due	250.8	196.5	250.3	196.1
Up to one month overdue	45.4	35.4	45.4	35.3
Between one and two months overdue	14.3	10.3	14.2	10.0
Between two and three months overdue	5.0	4.7	4.8	4.5
Over three months overdue	14.7	12.9	8.6	7.3
	330.2	259.8	323.3	253.2

17 Trade and other payables: falling due within one year

	31 March 2023 £m	31 March 2022 £m
Trade payables	116.9	102.5
Other taxation and social security	12.7	10.2
Other payables	7.7	6.5
Accruals	107.3	97.5
Contract liabilities (note 18)	35.9	25.5
Deferred government grant income	0.2	0.5
	280.7	242.7

Other payables comprise various balances across the Group including share-based payments related amounts of £0.9m (2022: £1.1m), deferred R&D expenditure tax credits and other non-trade payables. These comprise £6.8m of financial liabilities and £0.9m of non-financial liabilities.

18 Contract balances

	31 March 2023 £m	31 March 2022 £m
Contract costs	1.8	0.6
Contract assets (note 16)	38.7	31.4
Contract liabilities current (note 17)	35.9	25.5
Contract liabilities non-current (note 21)	17.1	14.6
Total contract liabilities	53.0	40.1

Contract costs represent an asset the Group has recognised in relation to costs to fulfil long-term contracts. This is presented within other receivables in the balance sheet.

	Contract assets		Contract liabilities	
	31 March 2023 £m	31 March 2022 £m	31 March 2023 £m	31 March 2022 £m
Amounts included in contract balances at the beginning of the year	31.4	14.3	(40.1)	(27.0)
Transfers to receivables during the year	(32.3)	(14.1)	-	-
Performance obligations arising in the current reporting year				
Increases as a result of billing ahead of performance	-	-	(36.1)	(28.2)
Decreases as a result of revenue recognised in the year	-	-	24.4	16.2
Increases as a result of performance in advance of billing	37.9	30.6	-	-
Amounts arising through business combinations	-	-	(0.5)	(0.8)
Exchange movements	1.7	0.6	(0.7)	(0.3)
Amounts included in contract balances at the end of the year	38.7	31.4	(53.0)	(40.1)

In some cases, the Group receives payments from customers based on a billing schedule, as established in our contracts. The contract assets relate to revenue recognised for performance in advance of scheduled billing and has increased as the Group has provided more services ahead of the agreed payment schedules for certain contracts. The contract liability relates to payments received in advance of performance under contract and varies based on performance under these contracts.

19 Borrowings

	31 March 2023 £m	31 March 2022 £m
Loan notes falling due within one year	–	71.2
Overdrafts	1.0	0.7
Unsecured bank loans falling due within one year	–	0.6
Total borrowings falling due within one year	1.0	72.5
Unsecured loan notes falling due after more than one year	376.9	35.0
Unsecured bank loans falling due after more than one year	300.4	252.6
Total borrowings falling due after more than one year	677.3	287.6
Total borrowings	678.3	360.1

The loan notes falling due within one year at 31 March 2022, related to the second repayment under the United States Private Placement completed in November 2015, these were settled in January 2023.

In the current year, the loan notes falling due after more than one year relate to United States Private Placement completed in May 2022 and the remainder of the United States Private Placement completed in November 2015.

Information concerning the security, currency, interest rates and maturity of the Group's borrowings is given in note 27.

20 Provisions

Provisions are presented as:

	31 March 2023 £m	31 March 2022 £m
Current	21.0	20.7
Non-current	9.7	7.7
	30.7	28.4

	Contingent purchase consideration £m	Dilapidations £m	Product warranty £m	Legal, contractual and other £m	Total £m
At 31 March 2022	15.2	2.8	7.6	2.8	28.4
Additional provision in the year	4.4	0.9	3.8	1.7	10.8
Arising on acquisition (note 25)	1.5	–	0.4	–	1.9
Utilised during the year	(4.6)	–	(0.7)	(1.0)	(6.3)
Released during the year	(0.7)	(0.3)	(3.5)	(0.4)	(4.9)
Exchange adjustments	0.6	–	0.1	0.1	0.8
At 31 March 2023	16.4	3.4	7.7	3.2	30.7

Notes to the Accounts continued

20 Provisions continued

Contingent purchase consideration

The provision at the beginning of the year comprised £15.2m, of which £13.2m was payable within one year, included amounts based on actual results for the final earnout period for Infowave and Invenio. It also included estimates for the final earnout period for Visiometrics, for the year ended 31 December 2018, which is subject to final agreement.

The £4.4m additional provision in the year related to revisions to the estimate of Infinite Leap (£2.7m increase), IZI (£1.4m increase) and Meditech (£0.3m increase).

The £4.6m utilised during the year related to the third and final earnout period for Infowave (£1.7m) and Invenio (£0.1m), the first and final earnout period for Meditech (£0.4m), the first earnout period for Orca (£0.4m) and the second earnout period for Spreo (£0.2m). In addition, retention payment amounts were settled for NovaBone (£0.8m), Dancutter (£0.4m), Anton (£0.2m) and Clayborn Lab (£0.4m).

The £0.7m released during the year related to the revisions to the estimate of Orca (£0.2m reduction), Clayborn Lab (£0.3m reduction) and Spreo (£0.2m reduction).

The closing total provision of £16.4m, of which £13.2m is payable within one year, includes amounts based on actual results for the final earnout period for IZI, Spreo and for the second earnout period for Infinite Leap. It also includes estimates for the final earnout period for Visiometrics, for the year ended 31 December 2018, which is subject to final agreement.

The balance due after more than one year of £3.2m comprises the estimated future earnout for Infinite Leap.

The total contingent purchase consideration payable in future for the existing acquisitions is a minimum of £2.8m with a maximum possible payable of £57.6m.

Contingent consideration amounts paid in excess of that estimated in the acquisition balance sheet is included in cash flows from operating activities.

The basis for the calculation of each contingent consideration arrangement is set out on page 229 in note 27, including sensitivity of the estimation of the liabilities to changes in the assumptions.

Dilapidations

The dilapidations provisions are for the continuing obligations under leases in respect of property dilapidation and reinstatement provisions. The provisions comprise the Directors' best estimates of future payments to restore the fabric of buildings to their original condition where it is a condition of the leases, prior to return of the properties.

These commitments cover the period from 2023 to 2036 though they predominantly fall due within five years.

Product warranty

Product warranty provisions reflect commitments made to customers on the sale of goods in the ordinary course of business and included within the Group companies' standard terms and conditions. The warranties represent assurance type warranties within the definition of IFRS 15. Warranty commitments cover a period of between one and five years and typically apply for a 12-month period. The provision represents the Directors' best estimate of the Group's liability based on past experience.

Legal, contractual and other

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

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

Management's assessment of the potential impacts of climate change, as well as the Group's climate strategy as laid out on pages 72 to 87, has not resulted in the recognition of any additional provisions or disclosure of any contingent liabilities.

21 Trade and other payables: falling due after one year

	31 March 2023 £m	31 March 2022 £m
Other payables	3.0	2.4
Other taxation and social security	–	–
Accruals	0.6	0.9
Contract liabilities (note 18)	17.1	14.6
Deferred government grant income	1.2	1.1
	21.9	19.0

22 Deferred tax

	Retirement benefit obligations £m	Acquired intangible assets £m	Accelerated tax depreciation £m	Short-term timing differences £m	Share-based payment £m	Goodwill timing differences £m	Capitalised R&D £m	Total £m
At 1 April 2022	(7.7)	(71.8)	(6.7)	7.8	5.2	17.1	–	(56.1)
Credit/(charge) to Consolidated Income Statement	(1.3)	14.6	(0.1)	(0.4)	1.2	(8.1)	10.6	16.5
Credit/(charge) to Consolidated Statement of Comprehensive Income and Expense	(0.6)	–	–	(0.3)	–	–	–	(0.9)
Charge to equity	–	–	–	–	(0.7)	–	–	(0.7)
Arising on acquisition (note 25)	–	(39.4)	(0.2)	–	–	15.3	–	(24.3)
Exchange adjustments	–	(1.2)	(0.4)	0.5	–	(0.3)	(0.3)	(1.7)
At 31 March 2023	(9.6)	(97.8)	(7.4)	7.6	5.7	24.0	10.3	(67.2)

	Retirement benefit obligations £m	Acquired intangible assets £m	Accelerated tax depreciation £m	Short-term timing differences £m	Share-based payment £m	Goodwill timing differences £m	Capitalised R&D £m	Total £m
At 1 April 2021	4.0	(58.7)	(6.0)	2.8	5.2	13.4	–	(39.3)
Credit/(charge) to Consolidated Income Statement	0.2	6.6	(0.3)	1.1	0.2	(4.8)	–	3.0
Credit/(charge) to Consolidated Statement of Comprehensive Income and Expense	(11.9)	–	–	0.4	–	–	–	(11.5)
Charge to equity	–	–	–	–	(0.2)	–	–	(0.2)
Arising on acquisition	–	(17.5)	–	3.0	–	7.5	–	(7.0)
Deferred tax of business sold	–	–	(0.1)	0.1	–	–	–	–
Exchange adjustments	–	(2.2)	(0.3)	0.4	–	1.0	–	(1.1)
At 31 March 2022	(7.7)	(71.8)	(6.7)	7.8	5.2	17.1	–	(56.1)

Deferred taxes in the prior year were restated following the increase in the UK corporation tax rate from 19% to 25%, resulting in a £2.6m charge to profit and loss, included as an adjusting item.

Certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	31 March 2023 £m	31 March 2022 £m
Deferred tax liability	(70.2)	(58.5)
Deferred tax asset	3.0	2.4
Net deferred tax liability	(67.2)	(56.1)

Deferred tax balances expected to unwind in less than one year are insignificant.

Movement in net deferred tax liability:

	31 March 2023 £m	31 March 2022 £m
At beginning of year	(56.1)	(39.3)
(Charge)/credit to Consolidated Income Statement:		
UK	(2.7)	(0.2)
Overseas	19.2	3.2
Charge to Consolidated Statement of Comprehensive Income	(0.9)	(11.5)
Charge to equity	(0.7)	(0.2)
Arising on acquisition (note 25)	(24.3)	(6.8)
Deferred tax of business sold (note 30)	–	–
Exchange adjustments	(1.7)	(1.3)
At end of year	(67.2)	(56.1)

It is likely that the unremitted earnings of overseas subsidiaries would qualify for the UK dividend exemption such that no UK tax would be due upon remitting those earnings to the UK. However, £123.7m (2022: £112.6m) of those earnings may still result in a tax liability, principally as a result of the dividend withholding taxes levied by the overseas jurisdictions in which those subsidiaries operate.

Notes to the Accounts continued

22 Deferred tax continued

These deferred tax liabilities of £8.5m (2022: £7.9m) have not been recognised as the Group is able to control the timing of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future. Temporary differences in connection with the interest in associate are insignificant.

At 31 March 2023, deferred tax assets of £0.4m and £4.9m (2022: £0.4m and £2.5m) in respect of unused capital tax losses and other tax losses have not been recognised.

23 Share capital

	Issued and fully paid	
	31 March 2023 £m	31 March 2022 £m
Ordinary shares of 10p each	38.0	38.0

The number of ordinary shares in issue at 31 March 2023 was 379,645,332 (2022: 379,645,332), including shares held by the Employee Benefit Trust of 1,901,415 (2022: 1,175,080); this represents 0.5% of called up share capital (2022: 0.3%). The number of own shares purchased during the year was 1,000,000 (2022: 682,000) with a nominal value of £0.0m (2022: £0.0m).

24 Share-based payments

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

	Year ended 31 March 2023			Year ended 31 March 2022		
	Equity-settled £m	Cash-settled £m	Total £m	Equity-settled £m	Cash-settled £m	Total £m
Share incentive plan	1.3	–	1.3	1.1	–	1.1
Executive share plan	18.0	0.3	18.3	12.5	1.0	13.5
	19.3	0.3	19.6	13.6	1.0	14.6

Share incentive plan

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

Executive share plan (ESP)

Under the ESP, in which Executive Directors and certain senior employees participate, deferred share awards are made as either performance awards or deferred awards. Performance awards vest after three years based on Earnings Per Share and Return on Total Invested Capital (ROTIC) targets, and after two or three years for deferred share awards based on continuing service of the employee only. Awards which do not vest lapse on the second or third anniversary of their grant. Shares awarded under this Plan are purchased in the market by the Plan's trustees and are held as own shares until their transfer to qualifying employees. Under the terms of the trust deed, Halma is required to provide the trust with the necessary funds to purchase the shares ahead of vesting. Dividends accrue on unvested awards and are settled in cash on vesting.

The following table shows the number of deferred shares granted and outstanding at the beginning and end of the reporting period for the ESP:

	2023 Number of shares awarded	2022 Number of shares awarded
Outstanding at beginning of year	1,722,706	1,806,330
Granted during the year	1,554,197	759,832
Vested during the year (pro-rated for 'good leavers')	(487,593)	(660,019)
Lapsed during the year	(127,210)	(183,437)
Outstanding at end of year	2,662,100	1,722,706
Exercisable at end of year	–	–

Included in Retained earnings are accumulated credits of £26.9m (2022: £19.2m) representing the provision for the value of unvested awards under the Group's equity settled share plans.

The performance shares outstanding at 31 March 2023 had a weighted average remaining contractual life of 18 months (2022: 16 months). The weighted average share price at the date of exercise of vested shares during the year was 2,265p (2022: 2,705p).

The fair value of the awards was calculated using an appropriate simulation method, with the inputs below:

	2023	2022	2021
Expected life (years)	2 or 3	2 or 3	2 or 3
Share price on date of grant (p)	2,060.0	2,732.0	2,260.0
Option price (p)	Nil	Nil	Nil
Fair value per option (%)	100%	100%	100%
Fair value per option (p)	2,060.0	2,732.0	2,260.0

24 Share-based payments continued

Cash-settled

Awards under the above plans are normally settled in shares but may be settled in cash at the Board's discretion or where required by local regulations. Cash-settled awards follow the same vesting conditions as the plans under which they are awarded.

Net settlement feature for withholding tax obligations

On vesting, a debit is recognised to Retained earnings at a weighted average cost of the shares purchased and held for this purpose. Shares are transferred from own shares to the qualifying employee. The deferred shares granted under the ESP include a net settlement feature under which shares are withheld in order to settle the employee's tax obligations. The Group withholds an amount for an employee's tax obligation associated with a share-based payment and transfers that amount in cash to the relevant tax authority on the employee's behalf.

Where permitted by local regulations, the Group is settling the deferred share grant on a net basis by withholding the number of shares with a fair value equal to the monetary value of the employee's tax obligation and only issuing the remaining shares on completion of the vesting period. An amount of £4.5m was withheld and paid to the taxation authority in relation to the deferred shares that vested during the year (2022: £7.1m).

25 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. Other previously unrecognised assets and liabilities at acquisition are included and accounting policies are aligned with those of the Group where appropriate.

During the year ended 31 March 2023, the Group made seven acquisitions namely:

- Deep Trekker Inc.;
- IZI Healthcare Products, LLC;
- WEETECH Holdings GmbH;
- Certain trade and assets of Rigaku Corporation;
- Thermocable (Flexible Elements) Limited;
- Zonegreen 2013 Ltd; and
- FirePro Group.

Set out on the following pages are summaries of the assets acquired and liabilities assumed and the purchase consideration of:

- a) the total of acquisitions;
- b) Deep Trekker Inc.;
- c) IZI Healthcare Products, LLC;
- d) WEETECH Holding GmbH;
- e) Thermocable (Flexible Elements) Limited;
- f) FirePro Group;
- g) Other acquisitions; and
- h) adjustments arising on prior year acquisitions.

Due to their contractual dates, the fair value of receivables acquired 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). The acquisitions contributed £41.0m of revenue and £7.9m of profit after tax for year ended 31 March 2023.

If these acquisitions 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 £51.6m and £14.9m higher respectively.

As at the date of approval of the financial statements, with the exception of Deep Trekker, the accounting for all other current year acquisitions is provisional; relating to the finalisation of the valuation of acquired intangible assets, the initial consideration, which is subject to agreement of certain contractual adjustments, and certain other provisional balances.

Notes to the Accounts continued

25 Acquisitions continued

a) Total of acquisitions

	Total £m
Non-current assets	
Intangible assets	192.4
Property, plant and equipment	14.4
Deferred tax	1.1
Current assets	
Inventories	23.1
Trade and other receivables	19.9
Cash and cash equivalents	10.1
Total assets	261.0
Current liabilities	
Payables	(10.4)
Borrowings	(65.1)
Lease liabilities	(1.5)
Tax liabilities	(1.9)
Non-current liabilities	
Lease liabilities	(7.8)
Provisions	(0.4)
Deferred tax liabilities	(25.4)
Total liabilities	(112.5)
Net assets of businesses acquired	148.5
Initial cash consideration paid	321.0
Other adjustments to consideration	6.3
Contingent purchase consideration including retentions estimated to be paid	1.5
Total consideration	328.8
Total goodwill	180.3

Total goodwill of £180.3m comprises £180.0m relating to current year acquisitions and £0.3m relating to the prior year acquisition of International Light Technologies Inc..

Analysis of cash outflow in the Consolidated Cash Flow Statement

	Year ended 31 March 2023 £m	Year ended 31 March 2022 £m
Initial cash consideration paid	321.0	151.2
Cash acquired on acquisitions	(10.1)	(18.2)
Initial cash consideration adjustments on current year acquisitions	6.3	13.1
Contingent consideration paid	4.6	14.2
Net cash outflow relating to acquisitions	321.8	160.3
Included in cash flows from operating activities	1.7	7.5
Included in cash flows from investing activities	320.1	152.8

Other adjustments are primarily adjustments for acquired working capital once balances are fully reconciled, forming part of the contractual payment mechanisms.

Contingent consideration included in cash flows from operating activities reflect amounts paid in excess of that estimated in the acquisition balance sheets.

25 Acquisitions continued
b) Deep Trekker Inc.

	£m
Non-current assets	
Intangible assets	14.9
Property, plant and equipment	2.2
Deferred tax	0.6
Current assets	
Inventories	3.3
Trade and other receivables	1.1
Cash and cash equivalents	2.7
Total assets	24.8
Current liabilities	
Payables	(2.1)
Borrowings	(4.7)
Lease liabilities	(0.4)
Tax liabilities	(0.2)
Non-current liabilities	
Lease liabilities	(1.2)
Deferred tax liabilities	(3.9)
Total liabilities	(12.5)
Net assets of business acquired	12.3
Initial cash consideration paid	31.9
Other adjustments to consideration	1.9
Total consideration	33.8
Total goodwill	21.5

On 13 April 2022, the Group acquired the entire share capital of Deep Trekker Inc. (Deep Trekker) for total consideration £33.8m (C\$55.5m), which comprised initial cash consideration of £31.9m (C\$52.4m) and net cash/debt adjustments and working capital adjustments of £1.9m (C\$3.1m). The initial consideration reflects a gross purchase price of £36.6m (C\$60.0m) less debt acquired of £4.7m (C\$7.6m) which was settled immediately post-acquisition. There is no contingent consideration payable.

Deep Trekker, based in Ontario, Canada, is a market-leading manufacturer of remotely operated underwater robots used for inspection, surveying, analysis and maintenance. Deep Trekker continues to run under its own management team and has joined the Environmental & Analysis sector.

On acquisition, acquired intangibles were recognised relating to customer related intangibles (£2.8m); trade name (£3.5m) and technology related intangibles (£8.6m). The residual goodwill of £21.5m represents:

- a) the technical expertise of the acquired workforce;
- b) the opportunity to leverage this expertise across some of Halma's businesses through future technologies; and
- c) the ability to exploit the Group's existing customer base.

Deep Trekker contributed £15.1m of revenue and £2.1m of profit after tax for the year ended 31 March 2023. 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 £0.3m higher and £0.0m higher respectively.

Acquisition costs totalling £0.5m were recorded in the Consolidated Income Statement.

The goodwill arising on this acquisition is not expected to be deductible for tax purposes.

Notes to the Accounts continued

25 Acquisitions continued c) IZI Healthcare Products, LLC

	£m
Non-current assets	
Intangible assets	64.4
Property, plant and equipment	5.6
Deferred tax	0.4
Current assets	
Inventories	9.9
Trade and other receivables	5.3
Cash and cash equivalents	1.3
Total assets	86.9
Current liabilities	
Payables	(2.9)
Borrowings	(53.8)
Lease liabilities	(0.6)
Tax liabilities	(0.1)
Non-current liabilities	
Lease liabilities	(3.9)
Deferred tax liabilities	(2.4)
Total liabilities	(63.7)
Net assets of business acquired	23.2
Initial cash consideration paid	84.1
Other adjustments to consideration	1.9
Deferred contingent purchase consideration	1.5
Total consideration	87.5
Total goodwill	64.3

On 30 September 2022, the Group acquired the entire share capital of IZI Medical Products, LLC (IZI), for total consideration of £87.5m (US\$97.4m). The initial consideration of £84.1m comprised a gross price of £137.9m (US\$153.5m) less debt acquired of £53.8m (US\$59.9m) which was settled immediately on acquisition. Other adjustments to consideration reflected adjustments for acquired working capital of £1.9m (US\$2.1m). For the acquisition the maximum contingent consideration payable was £13.0m (US\$14.5m) based on profit-based targets for the year ending 31 March 2023, of which £1.5m (US\$1.8m) was estimated as the payable at the acquisition date.

IZI, based in Baltimore, Maryland, USA, is a leading designer, manufacturer and distributor of medical devices used across a range of diagnostic and therapeutic procedures. IZI continues to run under its own management team and has joined the Healthcare sector.

On acquisition, acquired intangibles were recognised relating to customer related intangibles (£19.9m); trade names (£2.6m) and technology related intangibles (£41.9m).

The residual goodwill of £64.3m represents:

- a) the technical expertise of the acquired workforce;
- b) the opportunity to leverage this expertise across some of Halma's businesses through future technologies; and
- c) the ability to exploit the Group's existing customer base.

IZI contributed £15.1m of revenue and £3.2m of profit after tax for the year ended 31 March 2023. 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 £14.2m and £2.5m higher respectively.

Acquisition costs totalling £1.6m were recorded in the Consolidated Income Statement.

The goodwill arising on the IZI acquisition is expected to be deductible for tax purposes.

25 Acquisitions continued
d) WEETECH Holding GmbH

£m

Non-current assets	
Intangible assets	17.8
Property, plant and equipment	2.2
Deferred tax	0.1
Current assets	
Inventories	3.0
Trade and other receivables	6.4
Cash and cash equivalents	2.3
Total assets	31.8
Current liabilities	
Payables	(2.4)
Borrowings	(6.6)
Lease liabilities	(0.1)
Tax liabilities	(1.1)
Non-current liabilities	
Lease liabilities	(1.1)
Deferred tax liabilities	(5.1)
Total liabilities	(16.4)
Net assets of business acquired	15.4
Initial cash consideration paid	46.1
Other adjustments to consideration	0.9
Total consideration	47.0
Total goodwill	31.6

On 4 October 2022, the Group acquired the entire share capital of WEETECH Holding GmbH (WEETECH), for total consideration of £47.0m (€53.8m), which comprised initial cash consideration of £46.1m (€52.8m) and subsequent working capital adjustments of £0.9m (€1.0m). The initial consideration of £46.1m reflects a gross purchase price of £50.2m (€57.5m) less debt acquired of £6.6m (€7.6m) which was settled immediately post-acquisition plus other debt-like adjustments of £2.5m (€2.9m). There is no contingent consideration payable.

WEETECH, headquartered in Wertheim, Germany, designs and manufactures safety-critical electrical testing technology for the aviation, rail, automotive and engineering sectors. Its products ensure high and low voltage electric systems remain compliant with increasing safety regulation. WEETECH continues to run under its own management team and has joined the Safety sector.

On acquisition, acquired intangibles were recognised relating to customer related intangibles (£10.9m); trade names (£2.1m) and technology related intangibles (£4.6m).

The residual goodwill of £31.6m represents:

- a) the technical expertise of the acquired workforce;
- b) the opportunity to leverage this expertise across some of Halma's businesses through future technologies; and
- c) the ability to exploit the Group's existing customer base.

WEETECH contributed £8.7m of revenue and £1.8m of profit after tax for the year ended 31 March 2023. 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 £9.3m and £1.4m higher respectively.

Acquisition costs totalling £1.0m were recorded in the Consolidated Income Statement.

The goodwill arising on the WEETECH acquisition is not expected to be deductible for tax purposes.

Notes to the Accounts continued

25 Acquisitions continued

e) Thermocable (Flexible Elements) Limited

	£m
Non-current assets	
Intangible assets	13.0
Property, plant and equipment	1.2
Current assets	
Inventories	1.8
Trade and other receivables	0.7
Cash and cash equivalents	0.8
Total assets	17.5
Current liabilities	
Payables	(0.6)
Tax liabilities	(0.2)
Non-current liabilities	
Deferred tax liabilities	(3.6)
Total liabilities	(4.4)
Net assets of business acquired	13.1
Initial cash consideration paid	22.0
Other adjustments to consideration	0.5
Total consideration	22.5
Total goodwill	9.4

On 31 January 2023, the Group acquired the entire share capital of Thermocable (Flexible Elements) Limited (Thermocable) for £22.5m, which comprised the purchase price of £22.0m and net cash/debt adjustments of £0.5m. There is no contingent consideration payable.

Thermocable, based in Bradford, UK, is a leading developer and manufacturer of Linear Heat Detectors (LHDs). LHDs are temperature sensitive cables, installed in areas at risk of overheating and fire, which trigger an alert when they detect a change of temperature. Thermocable has joined the Group as part of the Safety sector fire detection business, Apollo.

On acquisition, acquired intangibles were recognised relating to customer related intangibles (£8.7m); trade name (£1.6m) and technology related intangibles (£2.7m). The residual goodwill of £9.4m represents:

- a) the technical expertise of the acquired workforce;
- b) the opportunity to leverage this expertise across some of Halma's businesses through future technologies; and
- c) the ability to exploit the Group's existing customer base.

Thermocable contributed £1.3m of revenue and £0.5m of profit after tax for the year ended 31 March 2023. 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 £5.3m higher and £1.5m higher respectively.

Acquisition costs totalling £0.4m were recorded in the Consolidated Income Statement.

The goodwill arising on this acquisition is not expected to be deductible for tax purposes.

25 Acquisitions continued**f) FirePro Group**

	£m
Non-current assets	
Intangible assets	81.0
Property, plant and equipment	2.9
Current assets	
Inventories	4.3
Trade and other receivables	6.0
Cash and cash equivalents	1.9
Total assets	96.1
Current liabilities	
Payables	(1.8)
Lease liabilities	(0.4)
Tax liabilities	(0.3)
Non-current liabilities	
Lease liabilities	(1.5)
Deferred tax liabilities	(10.1)
Total liabilities	(14.1)
Net assets of business acquired	82.0
Initial cash consideration paid	132.0
Other adjustments to consideration	1.2
Total consideration	133.2
Total goodwill	51.2

On 27 March 2023, the Group acquired the FirePro Group (FirePro) for total consideration of £133.2m (€151.3m), which comprised the cash and debt-free purchase price of £132.0m (€150.0m) and other adjustments of £1.2m (€1.3m). There is no contingent consideration payable. Directly or through another company acquired, the acquisition comprised the entire share capital of Skyterra Investments Ltd, Nisolio Investments Ltd, P.J.K.A Investments Ltd, FirePro Systems Ltd, Celanova Limited and I.D. Infinity Developments Cyprus Ltd.

FirePro, based in Cyprus, is a leading designer and manufacturer of aerosol-based fire suppression systems. FirePro continues to run under its own management team and has joined the Safety sector.

On acquisition, acquired intangibles were recognised relating to customer related intangibles (£44.9m); trade name (£7.1m) and technology related intangibles (£29.0m). The residual goodwill of £51.2m represents:

- a) the technical expertise of the acquired workforce;
- b) the opportunity to leverage this expertise across some of Halma's businesses through future technologies; and
- c) the ability to exploit the Group's existing customer base.

FirePro contributed £0.4m of revenue and £0.1m of profit after tax for the year ended 31 March 2023. 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 £19.8m higher and £9.2m higher respectively.

Acquisition costs totalling £1.6m were recorded in the Consolidated Income Statement.

The goodwill arising on this acquisition is not expected to be deductible for tax purposes.

Notes to the Accounts continued

25 Acquisitions continued

g) Other acquisitions

	£m
Non-current assets	
Intangible assets	1.3
Property, plant and equipment	0.3
Current assets	
Inventories	0.8
Trade and other receivables	0.4
Cash and cash equivalents	1.1
Total assets	3.9
Current liabilities	
Payables	(0.6)
Lease liabilities	-
Non-current liabilities	
Lease liabilities	(0.1)
Provisions	(0.1)
Deferred tax liabilities	(0.3)
Total liabilities	(1.1)
Net assets of business acquired	2.8
Initial cash consideration paid	4.9
Other adjustments to consideration	(0.1)
Total consideration	4.8
Total goodwill	2.0

On 21 November 2022, Ocean Optics Inc., a photonics technology company in the Group's Environment and Analysis sector, bought the assets and IP associated with laser-induced breakdown spectroscopy from Rigaku Analytical Devices Inc., and Rigaku Americas Holding Inc., in the United States for consideration of £1.0m (US\$1.1m).

On 8 March 2023, the Group acquired the entire share capital of Zonegreen 2013 Ltd and its subsidiary company, Zonegreen Ltd, for total cash consideration of £3.8m. Zonegreen, based in Sheffield, is renowned for its Rail Depot Personnel Protection System (DPPS™) and has joined the Group company Sentric, within the Safety sector.

In respect of these acquisitions, 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 £0.3m; trade name of £0.3m and technology related intangibles of £0.7m; with residual goodwill arising of £2.0m.

These acquisitions contributed £0.4m of revenue and £0.2m of profit after tax cumulatively for the year ended 31 March 2023. If these acquisitions 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 £2.7m and £0.3m higher respectively.

Acquisition costs totalling £0.2m were recorded in administrative expenses in the Consolidated Income Statement. The goodwill arising on these acquisitions is not expected to be deductible for tax purposes.

h) Adjustments arising on prior year acquisitions

	£m
Non-current liabilities	
Provisions	(0.3)
Total liabilities	(0.3)
Net adjustment to assets of business acquired in prior years	(0.3)
Adjustment to goodwill	0.3

In finalising the acquisition accounting for the prior year acquisition of International Light Technologies Inc., an adjustment of £0.3m was made to include a provision for sales tax on pre-acquisition sales. This resulted in an increase in goodwill of £0.3m.

The adjustment is not material and as such the comparative balance sheet was not restated; instead, the adjustments have been made through the current year.

26 Notes to the Consolidated Cash Flow Statement

	Year ended 31 March 2023 £m	Year ended 31 March 2022 £m
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 associate and profit on disposal of operations	308.4	278.9
Non-cash movement on hedging instruments	0.1	–
Depreciation and impairment of property, plant and equipment	41.5	36.1
Amortisation and impairment of computer software	2.2	2.5
Amortisation of capitalised development costs and other intangibles	9.2	7.6
Impairment of capitalised development costs	0.5	2.9
Amortisation of acquired intangible assets	48.7	42.7
Impairment of acquired intangible assets	7.8	–
Share-based payment expense in excess of amounts paid	12.9	5.0
Payments to defined benefit pension plans net of service costs	(15.1)	(11.7)
(Profit)/loss on sale of property, plant and equipment, capitalised development costs and computer software	(0.8)	0.8
Operating cash flows before movement in working capital	415.4	364.8
Increase in inventories	(54.9)	(51.9)
Increase in receivables	(52.4)	(43.6)
Increase in payables and provisions	15.1	36.1
Revision to estimate and exchange difference on contingent consideration payable less amounts paid in excess of payable estimated on acquisition	2.0	(12.0)
Cash generated from operations	325.2	293.4
Taxation paid	(67.2)	(56.0)
Net cash inflow from operating activities	258.0	237.4

	Year ended 31 March 2023 £m	Year ended 31 March 2022 £m
Analysis of cash and cash equivalents		
Cash and bank balances	169.5	157.4
Overdrafts (included in current borrowings)	(1.0)	(0.7)
Cash and cash equivalents	168.5	156.7

	31 March 2022 £m	Cash flow £m	Net cash/(debt) acquired £m	Additions and reclassifications £m	Exchange adjustments £m	31 March 2023 £m
Analysis of net debt						
Cash and bank balances	157.4	0.3	10.1	–	1.7	169.5
Overdrafts	(0.7)	(0.3)	–	–	–	(1.0)
Cash and cash equivalents	156.7	–	10.1	–	1.7	168.5
Loan notes falling due within one year	(71.2)	74.4	–	–	(3.2)	–
Loan notes falling due after more than one year	(35.0)	(338.1)	–	–	(3.8)	(376.9)
Bank loans falling due within one year	(0.6)	65.7	(65.1)	–	–	–
Bank loans falling due after more than one year	(252.6)	(58.1)	–	–	10.3	(300.4)
Lease liabilities	(72.1)	20.9	(9.3)	(24.9)	(2.5)	(87.9)
Total net debt	(274.8)	(235.2)	(64.3)	(24.9)	2.5	(596.7)

The net increase in cash and cash equivalents of £10.1m comprised net cash inflow of £nil and cash acquired of £10.1m.

The movement in bank loans in the year represents the proceeds and repayments of bank borrowings and the borrowings acquired as a result of acquisition.

Notes to the Accounts continued

26 Notes to the Consolidated Cash Flow Statement continued

Reconciliation of movements of the Group's liabilities from financing activities

Liabilities from financing activities are those for which cash flows were, or will be, classified as cash flows from financing activities in the Consolidated Cash Flow Statement.

	Borrowings* £m	Leases £m	Overdraft £m	Total liabilities from financing activities £m	Trade and other payables falling due within one year £m
At 1 April 2021	322.3	65.0	3.0	390.3	186.7
Cash flows from financing activities	28.9	(16.8)	–	12.1	(5.9)
Acquisition/disposal of subsidiaries	–	2.5	–	2.5	11.7
Exchange adjustments	8.2	2.4	–	10.6	7.3
Other changes**	–	19.0	(2.3)	16.7	42.9
At 31 March 2022	359.4	72.1	0.7	432.2	242.7
Cash flows from financing activities	256.1	(20.9)	–	235.2	(14.4)
Acquisition/disposal of subsidiaries	65.1	9.3	–	74.4	8.7
Exchange adjustments	(3.3)	2.5	–	(0.8)	12.7
Other changes**	–	24.9	0.3	25.2	31.0
At 31 March 2023	677.3	87.9	1.0	766.2	280.7

* Excluding overdrafts

** Other changes include movements in overdraft which is treated as cash, interest accruals, reclassifications from non-current to current liabilities, lease additions and other movements in working capital balances.

27 Financial instruments

Policy

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

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

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 19 to the Financial statements, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the Consolidated Statement of Changes in Equity.

The Group is not subject to externally imposed capital requirements.

Foreign currency risk

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

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

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

Interest rate risk

The Group is exposed to interest rate fluctuations on its borrowings and cash deposits. Where bank borrowings are used to finance operations they tend to be short-term with floating interest rates. Longer-term funding is provided by the Group's bank loan facilities which are at floating rates, or by the Group's fixed rate United States Private Placements completed in November 2015 and May 2022.

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

27 Financial instruments continued

Credit risk

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

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

The carrying amount of trade, tax and other receivables, contract assets, derivative financial instruments and cash of £567.9m (2022: £474.7m) represents the Group's maximum exposure to credit risk as no collateral or other credit enhancements are held.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. There have been no changes to the credit ratings of these counterparties in the last financial year.

Liquidity risk

The Group has a syndicated multi-currency revolving credit facility of £550m. The facility, in Sterling, US Dollar, Euro, Australian Dollar and Swiss Franc, currently runs to May 2027 with two one-year extension options. Since the end of the year, the first one-year extension has been exercised, with the subsequent maturity date of May 2028.

In May 2023, a new United States Private Placement of £330m was completed, and £35m of the November 2015 United States Private Placement remains. These facilities are the main sources of long-term funding for the Group with further detail below in the borrowing facilities section.

The financial covenants on the facilities at year-end are for leverage (net debt/adjusted EBITDA) of not more than 3.5 times and for adjusted interest cover of not less than four times. All covenants have been complied with.

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

Funds are placed on deposit with secure, highly-rated banks. For short-term working capital purposes, some operating companies utilise local bank overdrafts. These practices allow a balance to be maintained between continuity of funding, security and flexibility.

Currency exposures

Translational exposures

It is estimated, by reference to the Group's US Dollar and Euro denominated profits, that a one per cent change in the value of the US Dollar relative to Sterling would have had a £2.0m (2022: £1.6m) impact on the Group's reported profit before tax; and a one per cent change in the value of the Euro relative to Sterling would have had a £0.5m (2022: £0.4m) impact on the Group's profit before tax for the year ended 31 March 2023.

Transactional exposures

The Group has net foreign currency monetary assets and liabilities that are assets and liabilities not denominated in the functional currency of the underlying company. These comprise cash and overdrafts as well as certain trade receivable and payable balances. These foreign currency monetary assets and liabilities give rise to the net currency gains and losses recognised in the Consolidated Income Statement as a result of movement in exchange rates. The exposures are predominantly US Dollar and Euro. Group policy is for a significant portion of foreign currency exposures, including sales and purchases, to be hedged by forward foreign exchange contracts in the company in which the transaction is recorded.

Interest rate risk profile

The Group's financial assets which are subject to interest rate fluctuations comprise interest-bearing cash equivalents which totalled £3.0m at 31 March 2023 (2022: £1.4m). These comprised Sterling denominated bank deposits of £1.0m (2022: £0.3m), and Euro, US Dollar and Renminbi bank deposits of £2.0m (2022: £1.1m) which earn interest at local market rates. Cash balances of £166.5m (2022: £156.0m) earn interest at local market rates.

The financial liabilities which are subject to interest rate fluctuations comprise bank loans and overdrafts which totalled £301.4m at 31 March 2023 (2022: £253.9m). Bank loans bear interest at floating rates based either on the EURIBOR or risk-free overnight rates of the currency in which the liabilities arise plus a margin. Bank overdrafts bear interest at local market rates. Where interest is based on EURIBOR rates the fixed period can be up to six months.

The loan notes related to the United States Private Placement attract interest at a weighted average fixed rate of 2.90%.

Notes to the Accounts continued

27 Financial instruments continued

The Group's weighted average interest cost on net debt for the year was 3.67% (2022: 2.78%). Excluding IFRS 16 lease liabilities, the weighted average interest cost on net debt for the year was 3.71% (2022: 2.23%).

	31 March 2023 £m	31 March 2022 £m
Analysis of interest-bearing financial liabilities		
Sterling denominated bank loans	45.0	28.0
US Dollar denominated bank loans	80.8	125.9
Euro denominated bank loans	143.6	65.1
Australian Dollar denominated bank loans	–	15.5
Swiss Franc denominated bank loans	31.0	18.2
Brazilian Reals denominated bank loans	–	0.5
Total bank loans	300.4	253.2
Overdrafts (principally Sterling and US Dollar denominated)	1.0	0.7
Sterling denominated loan notes	120.0	59.0
US Dollar denominated loan notes	80.8	23.5
Euro denominated loan notes	140.6	23.7
Swiss Franc denominated loan notes	35.5	–
Total interest-bearing financial liabilities	678.3	360.1

For the year ended 31 March 2023, it is estimated that a general increase of one percentage point in interest rates would have reduced the Group's profit before tax by £1.7m (2022: £2.6m).

Maturity of financial liabilities

The gross contractual maturities of the Group's non-derivative financial liabilities that are neither current nor on demand are as follows.

	One to two years £m	Between two and five years £m	After more than five years £m	Gross maturities £m	Effect of discounting/ financing rates £m	Total £m
At 31 March 2023						
Accruals	0.3	0.1	0.2	0.6	–	0.6
Other payables	1.6	0.1	1.3	3.0	–	3.0
Contingent purchase consideration	3.2	–	–	3.2	–	3.2
Bank loans	–	300.4	–	300.4	–	300.4
Loan notes	10.8	158.3	263.5	432.6	(55.7)	376.9
Lease liabilities	18.9	38.4	21.0	78.3	(9.6)	68.7
	34.8	497.3	286.0	818.1	(65.3)	752.8

	One to two years £m	Between two and five years £m	After more than five years £m	Gross maturities £m	Effect of discounting/ financing rates £m	Total £m
At 31 March 2022						
Accruals	0.4	0.1	0.4	0.9	–	0.9
Other payables	1.1	0.1	1.2	2.4	–	2.4
Contingent purchase consideration	1.4	0.6	–	2.0	–	2.0
Bank loans	252.6	–	–	252.6	–	252.6
Loan notes	1.1	37.1	–	38.2	(3.2)	35.0
Lease liabilities	17.2	37.5	14.6	69.3	(12.7)	56.6
	273.8	75.4	16.2	365.4	(15.9)	349.5

The Group's bank loans are revolving credit facilities and the amount and timing of future payments and drawdowns is unknown. It is therefore not possible to calculate the interest arising on these loans and we have therefore not disclosed the maturity of the gross cash flows (including interest) in relation to these liabilities.

27 Financial instruments continued

Borrowing facilities

The Group's principal sources of long-term funding are its unsecured five-year £550m Revolving Credit Facility, its £330m United States Private Placement completed in May 2023 and £35m of United States Private Placement completed in November 2015.

The Revolving Credit Facility was refinanced in May 2022 and matures in May 2027 with two one-year extension options. Since the end of the year, the first one-year extension has been exercised, with the subsequent maturity date of May 2028.

The United States Private Placement of £330m was completed in May 2022. The unsecured loan notes were drawn on 12 July 2022 as £85m, €160m, US\$100m and CHF40m at a weighted average fixed interest rate of 2.81%. The loan notes have yearly maturities from year four to year ten, with the first tranche of £48m maturing in July 2026. Interest is payable half yearly. Unsecured loan notes of £35m drawn on 6 January 2016 at a fixed interest rate of 3.05% remain outstanding and mature in January 2026.

The Group's undrawn committed facilities available at 31 March 2023 were £249.6m (2022: £297.4m) which matures between two and five years.

The Group has an additional short-term unsecured and committed US bank facility of £6.1m maturing in November 2023. The facility was undrawn at 31 March 2023.

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

As part of our cash pooling arrangements UK companies have cross-guaranteed net overdraft facilities of £13.2m (2022: £13.2m). Total net overdrafts relating to cash pooling as at 31 March 2023 were £nil (2022: £nil). Total overdrafts for the Group as at 31 March 2023 were £1.0m (2022: £0.7m).

Fair values of financial assets and financial liabilities

With the exception of the Group's fixed rate loan notes, there were no significant differences between the book value and fair value (as determined by market value) of the Group's financial assets and liabilities.

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

The fair value of the Group's fixed rate loan notes arising from the United States Private Placement completed in May 2022 is estimated to be £349.6m. The fair value is estimated by discounting the future contracted cash flow using readily available market data and represents a level 2 measurement in the fair value hierarchy under IFRS 7.

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

The fair value of equity investments held at fair value through other comprehensive income is based on the latest observable price where available. Where there are no recent observable prices, adjustments are made based on qualitative indicators, such as the financial performance of the entity, performance against operational milestones and future outlook. This represents a level 3 measurement in the fair value hierarchy under IFRS 7.

The fair value of deferred contingent consideration arising on acquisitions is calculated by estimating the possible future cash flows for the acquired company identified as best, base and worst-case scenarios, using probability weightings of 25%, 50% and 25% respectively. These scenarios are based on management's knowledge of the business and how the current economic environment is likely to impact it. The relevant future cash flows are dependent on the specific terms of the sale and purchase agreement.

Those terms are as follows:

- Spreo – Based on 30% of qualifying healthcare revenue for the 18-month period from 1 April 2022 to 30 September 2023 up to a maximum earnout of US\$2.0m (£1.6m).
- Orca – For the periods ending 31 March 2023 and 31 March 2024 based on 3 times multiple of EBIT above the higher of the target threshold of €0.9m (£0.8m) or prior year EBIT. Subject to a maximum overall earnout of €2.5m (£2.1m).
- Clayborn Lab – For the year ended 30 September 2023 equal to revenue in excess of the higher of an annual revenue target of US\$3.5m (£2.7m) or the prior period revenue, subject to a maximum of US\$1.0m (£0.8m).
- IZI – Based on 14 times multiple of EBIT between the minimum threshold of US\$11.0m (£8.9m) and the maximum threshold of US\$12.0m (£9.7m) for the period ending 31 March 2023. Subject to a maximum overall earnout of US\$14.5m (£11.7m).
- Infinite Leap – Based on a split of the business between Enterprise Solutions and Prompt Health. For Enterprise Solutions for the year ended 30 September 2023 based on 4 times multiple of gross margin above the higher of a target threshold of US\$6.1m or the prior year gross margin, subject to a maximum of US\$6.0m. For Prompt Health for the year ended 30 September 2023 based on 2.3 times multiple of gross margin from recurring revenue above the higher of a target threshold of US\$4.3m or the prior year gross margin, subject to a maximum of US\$7.5m. For Prompt Health for the year ended 30 September 2024 based on 2 times multiple of gross margin from recurring revenue above the prior year gross margin subject to a maximum of US\$4.0m.

Notes to the Accounts continued

27 Financial instruments continued

This calculation represents a level 3 measurement in the fair value hierarchy under IFRS 7. The fair value is sensitive to the weighting assigned to the expected future cash flows. For those earnouts where the payable is based on expectations of future cash flows, a change in weighting of 10 percentage points towards the best-case scenario would result in an increase in the estimate of future cash flows as follows:

	Current expected future cash flow £m	10 pp shift in weighting towards upside expectation £m
Spreo	0.1	0.1
Orca	–	–
Clayborn Lab	–	–
Infinite Leap	4.9	0.2

Classification of financial assets and liabilities

All financial assets and liabilities, with the exception of financial assets at fair value through other comprehensive income, derivatives and contingent purchase consideration, are classified as amortised cost for accounting purposes.

Derivatives in a hedging relationship are classified as cash flow hedging instruments. Derivatives not in a hedging relationship are classified as fair value through profit or loss.

Contingent purchase consideration is classified as fair value through profit or loss.

Hedging

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

The following table details the foreign currency contracts outstanding as at the year end, which mostly mature within one year and, therefore, the cash flows and resulting effect on profit and loss are expected to occur within the next 12 months:

	Average exchange rate/£		Foreign currency		Contract value		Fair value	
	31 March 2023	31 March 2022	31 March 2023 m	31 March 2022 m	31 March 2023 £m	31 March 2022 £m	31 March 2023 £m	31 March 2022 £m
Forward contracts not in a designated cash flow hedge								
US Dollars	1.21	–	4.5	–	3.7	–	(0.1)	–
Euros	1.13	–	0.6	–	0.5	–	–	–
Other currencies	–	–	–	–	6.7	3.4	(0.1)	0.2
					10.9	3.4	(0.2)	0.2
Forward contracts in a designated cash flow hedge								
US Dollars vs GBP	1.20	1.37	17.6	10.1	13.4	7.4	0.7	(0.3)
Euros vs GBP	1.13	1.18	29.0	18.6	25.5	15.8	–	–
Other trades	–	–	–	–	6.6	7.9	0.1	(0.1)
					45.5	31.1	0.8	(0.4)
Total forward contracts								
US Dollars	1.20	1.37	22.1	10.1	17.1	7.4	0.6	(0.3)
Euros	1.13	1.18	31.2	18.6	26.0	15.8	–	–
Other currencies	–	–	–	–	13.3	11.3	–	0.1
					56.4	34.5	0.6	(0.2)
Amounts recognised in the Consolidated Income Statement							(0.3)	0.2
Amounts recognised in the Consolidated Statement of Comprehensive Income and Expenditure							0.9	(0.4)
							0.6	(0.2)

27 Financial instruments continued

The fair values of the forward contracts are disclosed as a £1.5m (2022: £0.7m) asset and £0.9m (2022: £0.9m) liability in the Consolidated Balance Sheet. Of the £6.7m (2022: £3.4m) of open contracts for other currencies not in a designated cash flow hedge £5.0m (2022: £nil) relates to a Swiss Franc contract for expected repayment of intercompany loan balances.

Any movements in the fair values of the contracts in a designated cash flow hedge are recognised in equity until the hedged transaction occurs, when gains/losses are recycled to finance income or finance expense.

	31 March 2023 £m	31 March 2022 £m
Analysis of movement in the Hedging reserve		
Amounts removed from Consolidated Statement of Comprehensive Income and Expenditure and included in Consolidated Income Statement during the year	0.4	(1.1)
Amounts recognised in the Consolidated Statement of Comprehensive Income and Expenditure	0.9	(0.4)
Net movement in the Hedging reserve in the year in relation to the effective portion of changes in fair value of cash flow hedges	1.3	(1.5)

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

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

The foreign currency forwards are denominated in the same currency as the highly probable future transactions. With the exception of currency exposures, the disclosures in this note exclude short-term receivables and payables.

Market risk

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

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

Bank loans and loan notes with a carrying value set out in the table on page 228 as well as non-GBP intercompany loans are used as net investment hedges for foreign currency net assets with carrying value of €323.4m (2022: €105.0m), US\$200.0m (2022: US\$196.5m), CHF75.0m (2022: CHF22.1m) and NZ\$11.7m (2022: NZ\$11.3m). The hedging ratio was 1:1. The change in the carrying value of the borrowings that was recognised in other comprehensive income was a loss of £7.4m (2022: loss of £8.6m).

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

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

Foreign currency sensitivity analysis

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

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

	Assets		Liabilities	
	31 March 2023 £m	31 March 2022 £m	31 March 2023 £m	31 March 2022 £m
US Dollar	1,275.4	1,058.0	331.5	300.7
Euro	541.5	296.1	374.6	144.6

If Sterling increased by 10% against the US Dollar and the Euro, profits before taxation and other equity would decrease as follows:

	US Dollar		Euro	
	31 March 2023 £m	31 March 2022 £m	31 March 2023 £m	31 March 2022 £m
Profit	17.8	14.4	3.7	3.3
Other equity	85.8	68.8	15.2	13.8

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

Notes to the Accounts continued

28 Leases

The Group has lease contracts for land and buildings, as well as various items of plant, machinery, vehicles and other equipment used in its operations. The Group also has certain leases of machinery with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Right-of-use assets by asset category

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period, split by asset category:

	Land and buildings £m	Plant, equipment and vehicles £m	Total £m
Cost, net of accumulated depreciation and accumulated impairment			
At 1 April 2022	64.5	2.5	67.0
Assets of businesses acquired	9.0	0.3	9.3
Additions	16.5	2.2	18.7
Remeasurements	4.2	–	4.2
Depreciation charge for the year	(17.1)	(1.3)	(18.4)
Exchange adjustments	2.2	–	2.2
At 31 March 2023	79.3	3.7	83.0
At 31 March 2023			
Cost	154.2	6.5	160.7
Accumulated depreciation and accumulated impairment	(74.9)	(2.8)	(77.7)
Net carrying amount	79.3	3.7	83.0

Lease liabilities

Set out below are the carrying amounts of lease liabilities included under current and non-current liabilities and the movements during the period:

	Year ended 31 March 2023 £m	Year ended 31 March 2022 £m
At 1 April 2022	72.1	65.0
Additions and remeasurements	22.0	16.8
Accretion of interest	2.9	2.2
Payments	(20.9)	(16.8)
Liabilities of business acquired (note 25)	9.3	4.6
Liabilities of business disposed	–	(2.1)
Exchange adjustments	2.5	2.4
At 31 March 2023	87.9	72.1
Current	19.2	15.5
Non-current	68.7	56.6
At 31 March 2023	87.9	72.1

The maturity analysis of lease liabilities is disclosed in note 27.

The following are the amounts recognised in Consolidated Income Statement:

	Year ended 31 March 2023 £m	Year ended 31 March 2022 £m
Depreciation expense of right-of-use assets	18.4	14.6
Impairment expense of right-of-use assets	–	–
Interest expense on lease liabilities	2.9	2.3
Expense relating to short-term leases and leases of low-value assets	0.3	0.3
Total amount recognised in Consolidated Income Statement	21.6	17.2

The Group had total cash outflows for leases of £20.9m in the year (2022: £16.8m).

28 Leases continued**Extension options**

Some leases of buildings contain extension options exercisable by the Group before the end of the non-cancellable contract period. Where practical, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not the lessors. For extension options exercisable within five years of commencement the Group assesses at lease commencement whether it is reasonably certain to exercise the extension options. For options that are exercisable more than five years from commencement the Group assesses whether it is reasonably certain to exercise the option when this option becomes exercisable within five years. The Group will also reassess whether it is reasonably certain to exercise the option where there is a significant event or change in circumstances within its control.

As at 31 March 2023, potential future cash outflows of £12.6m (undiscounted) (2022 restated: £13.7m) have not been included in the lease liability because it is not reasonably certain that the leases will be extended. During the current year the financial effect of revising lease terms to reflect the exercising of extension and termination options was an increase in recognised lease liabilities and right-of-use assets of £0.0m (2022: £0.1m). No other lease modifications occurred during the year.

The future cash outflows relating to leases that have not yet commenced are £0.7m (2022: £0.0m).

29 Retirement benefits

Group companies operate both defined benefit and defined contribution pension plans. The Halma Group Pension Plan and the Apollo Pension and Life Assurance Plan (both UK) have defined benefit sections with assets held in separate trustee administered funds. Both of these sections had already closed to new entrants in 2002/03 and closed to future benefit accruals from December 2014. From that date, the former defined benefit members could join the defined contribution section within the Halma Group Pension Plan (which has now been superseded by a defined contribution Master Trust with Aegon).

Overseas subsidiaries have adopted mainly defined contribution plans, with the exception of small defined benefit plans in the Swiss entities of Medice AG and Robutek AG.

Total pension costs of £18.2m (2022: £14.2m) recognised in employee costs (note 7), comprise £17.7m (2022: £13.7m) related to defined contribution plans and £0.5m (2022: £0.5m) related to defined benefit plans, including administration expenses of £nil (2022: £nil).

Defined contribution plans

The amount charged to the Consolidated Income Statement in respect of defined contribution plans was £17.7m (2022: £13.7m) and represents contributions payable to these plans by the Group at rates specified in the rules of the plans. The assets of the plans are held separately from those of the Group in funds under the control of asset managers or trustees.

Defined benefit plans

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

The most recent actuarial valuation of the Halma Group Pension Plan was carried out for the Trustees of the Plan as at 30 November 2020 by Mr M Whitcombe, Fellow of the Institute and Faculty of Actuaries, of Mercer Limited. The present value of the liabilities was measured using the Projected Unit method. This method is an accrued benefits valuation method in which the plan liabilities include an allowance for projected earnings.

The most recent actuarial valuation of the Apollo Pension and Life Assurance Plan was carried out for the Trustees of the Plan as at 1 April 2021 by Mr M Whitcombe, Fellow of the Institute and Faculty of Actuaries, also of Mercer Limited. The same Projected Unit method was used.

The plans' triennial actuarial valuation reviews, rather than the accounting basis, are used to evaluate the level of any cash payments into the plan. Based on these valuations, the Trustees of the UK plans, having consulted with the Group, agreed past service deficit recovery payments to be made for the immediate future with the objective of funding the plans in excess of the Technical Provisions valuation. During the year ended 31 March 2023, the aggregate payments made since the last triennial actuarial valuation, coupled with the performance of the plan assets and movement in the liabilities resulted in the Halma Group Pension Plan being funded over the trustees' secondary funding target and closer to the expected current valuation on a solvency basis. As a result, it has been agreed with the trustees of the Halma Group Pension Plan that contributions will be suspended until April 2025, when they will either fall due or be superseded by cash contributions agreed with the trustees in respect of the latest triennial actuarial valuation. As a result, we expect contributions to the UK plans in the 2024 financial year to be £3.6m, relating specifically to the Apollo Pension and Life Assurance Plan.

An alternative to the Projected Unit method is a valuation on a solvency basis, which is an estimate of the cost of buying out benefits with a suitable insurance company. This amount represents the amount that would be required to settle the plan liabilities rather than the Group continuing to fund the ongoing liabilities of the Plans. Following the last triennial actuarial valuation the estimate of the solvency liability was £106.1m as at 30 November 2020 for the Halma Group Pension Plan and £44.1m as at 1 April 2021 for the Apollo Pension and Life Assurance Plan.

Notes to the Accounts continued

29 Retirement benefits continued

	31 March 2023	31 March 2022	31 March 2021
Key assumptions used (UK plans):			
Discount rate	4.75%	2.80%	1.95%
Expected return on plan assets	4.75%	2.80%	1.95%
Pension increases LPI 2.5%	2.10%	2.20%	2.10%
Pension increases LPI 3.0%	2.45%	2.55%	2.40%
Inflation – RPI	3.30%	3.60%	3.20%
Inflation – CPI	2.50%	2.85%	2.40%

Mortality assumptions

The base mortality tables utilised are consistent with those used in the last completed triennial valuations. The latest published CMI mortality projection tables (CMI2021) have been used with a long-term improvement rate of 1.25% pa and a w2021 parameter of 10%. The assumed life expectations on retirement at age 65 are:

	31 March 2023 Years	31 March 2022 Years	31 March 2021 Years
Retiring today:			
Males	22.3	22.4	22.4
Females	24.7	24.8	24.3
Retiring in 20 years:			
Males	23.8	23.9	24.2
Females	26.2	26.2	26.2

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

Assumption	Change in assumption	Impact on plan liabilities
Discount rate	Increase/decrease by 0.5%	Decrease by 6.5%/increase by 7.3%
Rate of inflation	Increase/decrease by 0.5%	Increase by 4.2%/decrease by 4.2%
Rate of mortality	Increase by one year	Increase by 2.8%

These sensitivities have been calculated to show the impact on the plan liabilities in isolation and assume no other changes in market conditions at the reporting date. This may not be representative of the actual change as the changes in assumptions would likely not occur in isolation – for example, a change in discount rate is unlikely to occur without any movement in the value of the assets held by the Group's Schemes.

Amounts recognised in the Consolidated Income Statement in respect of the UK and Swiss defined benefit plans are as follows:

	31 March 2023			31 March 2022		
	UK defined benefit plans £m	Other defined benefit plans £m	Total £m	UK defined benefit plans £m	Other defined benefit plans £m	Total £m
Current service cost	–	0.5	0.5	–	0.4	0.4
Net interest (credit)/charge on pension plan assets/ liabilities	(1.1)	–	(1.1)	0.3	–	0.3
	(1.1)	0.5	(0.6)	0.3	0.4	0.7

Actuarial gains and losses have been reported in the Consolidated Statement of Comprehensive Income and Expenditure. The actual return on plan assets was a loss of £70.2m (2022: gain of £12.2m).

The cumulative amount of actuarial losses recognised in the Consolidated Statement of Comprehensive Income and Expenditure since the date of transition to IFRS is £57.1m (2022: £48.3m).

The amount included in the Consolidated Balance Sheet arising from the Group's asset/obligations in respect of its defined benefit retirement plans is as follows:

	31 March 2023			31 March 2022		
	UK defined benefit plans £m	Other defined benefit plans £m	Total £m	UK defined benefit plans £m	Other defined benefit plans £m	Total £m
Present value of defined benefit obligations	(237.2)	(9.6)	(246.8)	(308.7)	(8.4)	(317.1)
Fair value of plan assets	275.6	9.1	284.7	339.8	7.8	347.6
Net retirement benefit asset/(obligation)	38.4	(0.5)	37.9	31.1	(0.6)	30.5
Plans with net retirement benefit assets	38.4	–	38.4	31.1	–	31.1
Plans with net retirement benefit obligations	–	(0.5)	(0.5)	–	(0.6)	(0.6)

29 Retirement benefits continued

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

	Year ended 31 March 2023 £m	Year ended 31 March 2022 £m
At beginning of year	(317.1)	(355.6)
Service cost	(0.5)	(0.5)
Interest cost	(8.6)	(6.7)
Remeasurement gains/(losses):		
Actuarial gains arising from changes in financial assumptions	87.2	44.2
Actuarial losses arising from experience adjustments	(16.1)	(8.4)
Contributions from plan members	(0.4)	(0.2)
Benefits paid	9.2	10.7
Exchange adjustments	(0.5)	(0.6)
At end of year	(246.8)	(317.1)

Movements in the fair value of the UK and Swiss plan assets were as follows:

	Year ended 31 March 2023 £m	Year ended 31 March 2022 £m
At beginning of year	347.6	333.1
Interest income	9.7	6.4
Actuarial (losses)/gains excluding interest income	(79.9)	5.8
Contributions from the sponsoring companies	15.6	12.2
Contributions from plan members	0.4	0.2
Benefits paid	(9.2)	(10.7)
Exchange adjustments	0.5	0.6
At end of year	284.7	347.6

The cash contributions of £15.6m include a £1.3m contribution related to Texcom in respect of obligations under section 75 of the Pensions Act 1995 following its disposal in the prior year (Note 30).

The net movement on actuarial gains and losses of the UK and Swiss plans was as follows:

	Year ended 31 March 2023 £m	Year ended 31 March 2022 £m
Defined benefit obligations	71.1	35.8
Fair value of plan assets	(79.9)	5.8
Net actuarial (losses)/gains	(8.8)	41.6

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

Fair value of UK plan assets

	31 March 2023 £m	31 March 2022 £m
Equity instruments		
Quoted	10.1	101.1
Debt instruments		
Quoted	166.7	180.7
Unquoted	38.3	12.7
Property/infrastructure		
Unquoted	20.0	37.1
Cash and cash equivalent		
Quoted	40.5	8.2
	275.6	339.8

The assets of the schemes are primarily held in pooled investment vehicles which are unquoted. The pooled investment vehicles hold both quoted and unquoted investments. Scheme assets include neither direct investments in the Company's ordinary shares, nor any property assets occupied by Group companies, nor other assets used by the Group.

Equity instruments include UK and Overseas equity funds. Debt instruments include corporate, government and private debt funds. Property/Infrastructure includes private infrastructure funds and managed property funds. Cash and cash equivalent includes cash at bank and a liquidity fund.

Notes to the Accounts continued

29 Retirement benefits continued

	Expected rate of return	
	31 March 2023 %	31 March 2022 %
Equity instruments	4.75	2.80
Debt instruments	4.75	2.80
Property/infrastructure/cash	4.75	2.80
	4.75	2.80

Assets in the non-UK plans are primarily insurance assets.

In conjunction with the trustees, the Group conducts asset-liability reviews for its defined benefit pension plan. The results of these reviews are used to assist the trustees and the Group to determine the optimal long-term asset allocation with regard to the structure of the liabilities of the plan. They are also used to assist the trustees in managing the volatility in the underlying investment performance and risk of a significant decrease in the defined benefit asset by providing information used to determine the plan's investment strategy.

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

Based on the most recent actuarial valuations and agreements with the plan trustees, the estimated amount of contributions expected to be paid to the UK and Swiss plans during the year ended 31 March 2024 is £4.2m.

The levels of contributions are based on the current service cost and the expected future cash flows of the defined benefit pension plans. The Group estimates the plan liabilities on average to fall due over 20 and 25 years, respectively, for the Halma and Apollo plans.

The Group has considered the requirements of IFRIC 14 with respect to the UK plans and has determined that it has an unconditional right to a refund under the plans and therefore IFRIC 14 does not have any practical impact on the plans and so no allowance for it (and, in particular, no allowance for the asset ceiling) has been made in the calculated figures.

The expected maturity analysis of the undiscounted pension obligation for the next 10 years is as follows:

	Less than one year £m	Between one and two years £m	Between two and five years £m	Between five and ten years £m	Total £m
At 31 March 2023					
Halma	8.2	8.4	26.9	50.5	94.0
Apollo	1.3	1.3	4.2	8.0	14.8

30 Disposal of operations

In the prior year, in August 2021, the Group disposed of its entire interest in Texecom Limited. Cash received on disposal of operations in the prior year of £57.5m comprised proceeds from the sale of £64.8m, less £4.5m of cash disposed and £2.8m of disposal costs. The Group recognised a profit on disposal of operations of £34.0m.

31 Contingent liabilities

Group financing exemptions applicable to UK controlled foreign companies

On 2 April 2019, the European Commission (EC) published its final decision that the United Kingdom controlled Foreign Company Partial Exemption (FCPE) constitutes State Aid. As previously reported, the Group has benefited from the FCPE, which amounts to £15.4m of tax for the period from 1 April 2013 to 31 December 2018.

Appeals had been made by the UK Government, the Group and other UK-based groups to annul the EC decision. On 8 June 2022, the EU General Court delivered its decision in favour of the EC. In August 2022, the UK Government appealed this decision.

Notwithstanding this appeal, under EU law, the UK Government is required to commence collection proceedings. In January 2021, the Group received a Charging Notice from HM Revenue & Customs (HMRC) for £13.9m assessed for the period from 1 April 2016 to 31 December 2018. The Group appealed against the notice but, as there is no right of postponement, the amount charged was paid in full in February 2021 with a further £0.8m of interest paid in May 2021. In February 2021, the Group received confirmation from HMRC that it was not a beneficiary of State Aid for the period from 1 April 2013 to 31 March 2016.

Whilst the EU General Court was in favour of the EC, the Group's assessment is that there are strong grounds for appeal and the appeal is expected to be successful. As the amounts paid are expected to be fully recovered, and given the appeal process is expected to take more than a year, the Group continues to recognise a receivable of £14.7m (31 March 2022: £14.7m) on the Consolidated Balance Sheet within non-current assets.

Other contingent liabilities

The Group has widespread global operations and is consequently a defendant in legal, tax and customs proceedings incidental to those operations. In addition, there are contingent liabilities arising in the normal course of business in respect of indemnities, warranties and guarantees. These contingent liabilities are not considered to be unusual or material in the context of the normal operating activities of the Group. Provisions have been recognised in accordance with the Group accounting policies where required. None of these claims are expected to result in a material gain or loss to the Group.

32 Events subsequent to end of reporting period

On 24 April 2023, Minicam Inc., a company in the Group's Environmental & Analysis sector purchased its US service and distribution partner, Visual Imaging Resources LLC, for initial consideration of c.£2.3m (US\$2.8m), and an earnout based on gross margin of a maximum of £1.0m (US\$1.2m) per year for three years.

On 4 May 2023, completing on 11 May 2023, the Group acquired the entire share capital of Sewertronics Sp. Z o.o. (Sewertronics), based in Rzeszów, Poland for a cash consideration of c.£36m (€41m) on a cash and debt-free basis. Additional consideration of up to c.£16m (€18m) may be payable in cash, based on the fulfilment of certain conditions. Sewertronics' technology repairs and rehabilitates wastewater pipelines without the need to dig a trench, by inserting a lining into the pipe, which is then cured using its innovative and patented ultraviolet (UV) LED technology. Sewertronics will be part of Halma's Environmental & Analysis sector. As part of the acquisition a drawdown was made from the Group's Revolving Credit Facility of £26.7m (€30.3m).

A detailed purchase price allocation exercise is currently being performed to calculate the goodwill arising on these acquisitions.

There were no other known material non-adjusting events which occurred between the end of the reporting period and prior to the authorisation of these financial statements on 15 June 2023.

Notes to the Accounts continued

33 Related party transactions

Trading transactions

	Year ended 31 March 2023 £m	Year ended 31 March 2022 £m
Associated companies		
Transactions with associated companies		
Sales to associated companies	–	–
Balances with associated companies		
Amounts due from associated companies	–	–
Other related parties		
Balances with other related parties		
Amounts due to other related parties	–	–

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 Annual Remuneration Report on pages 136 to 163.

	Year ended 31 March 2023 £m	Year ended 31 March 2022 £m
Wages and salaries	10.8	11.9
Pension costs	–	0.1
Share-based payment charge	6.7	5.0
	17.5	17.0

34 Commitments

Capital commitments

Capital expenditure relating to the purchase of equipment authorised and contracted at 31 March 2023 but not recognised in these accounts amounts to £2.1m (2022: £1.5m).

Company Balance Sheet

	Notes	31 March 2023 £m	31 March 2022 £m
Fixed assets			
Intangible assets	C3	0.3	0.6
Tangible assets	C4	7.4	7.7
Investments	C5	576.8	453.5
Retirement benefit asset	C13	28.7	26.7
Tax receivable		14.7	14.7
		627.9	503.2
Current assets			
Debtors	C6	1,033.6	807.3
Short-term deposits		0.1	0.1
Tax receivable		–	6.6
Cash at bank and in hand		6.9	15.1
		1,040.6	829.1
Creditors: amounts falling due within one year			
Borrowings	C7	2.5	75.2
Tax payable		2.2	–
Creditors	C8	99.6	122.7
		104.3	197.9
Net current assets		936.3	631.2
Total assets less current liabilities		1,564.2	1,134.4
Creditors: amounts falling due after more than one year			
Borrowings	C7	677.3	287.6
Creditors	C9	13.9	13.4
Deferred tax	C10	5.6	5.4
Net assets		867.4	828.0
Capital and reserves			
Share capital	C11	38.0	38.0
Share premium account		23.6	23.6
Own shares		(46.1)	(30.7)
Capital redemption reserve		0.2	0.2
Profit and loss account*		851.7	796.9
Total equity		867.4	828.0

* Effective for the year ended 31 March 2022, the share-based payment reserve, which was previously presented as Other reserves has been amalgamated with the Profit and loss account in the Company Statement of Changes in Equity and the Company Balance Sheet as permitted by IFRS 2. This resulted in the £40.6m debit in brought forward reserves at 1 April 2021 being transferred to the Profit and loss account. There is no change in Total equity from this change, nor the amounts charged or credited to the reserve during the period, which represents a change in presentational accounting policy only.

The Company reported a profit for the financial year ended 31 March 2023 of £97.4m (2022: £218.8m).

The financial statements of Halma plc, company number 00040932, were approved by the Board of Directors on 15 June 2023.

Marc Ronchetti
Director

Steve Gunning
Director

Company Statement of Changes in Equity

	Share capital £m	Share premium account £m	Own shares £m	Capital redemption reserve £m	Profit and loss account £m	Total £m
At 1 April 2022	38.0	23.6	(30.7)	0.2	796.9	828.0
Profit for the year	-	-	-	-	97.4	97.4
Other comprehensive income and expense:						
Actuarial losses on defined benefit pension plan	-	-	-	-	(9.4)	(9.4)
Tax relating to components of other comprehensive income and expense	-	-	-	-	1.7	1.7
Total other comprehensive expense for the year	-	-	-	-	(7.7)	(7.7)
Dividends paid	-	-	-	-	(73.3)	(73.3)
Share-based payment charge	-	-	-	-	9.5	9.5
Capital contribution to subsidiaries for share-based payment awards (note C5)	-	-	-	-	40.3	40.3
Deferred tax on share-based payment transactions	-	-	-	-	(0.1)	(0.1)
Excess tax deductions related to exercised share awards	-	-	-	-	0.1	0.1
Purchase of own shares	-	-	(22.3)	-	-	(22.3)
Performance share plan awards vested	-	-	6.9	-	(11.4)	(4.5)
At 31 March 2023	38.0	23.6	(46.1)	0.2	851.7	867.4
At 1 April 2021 (restated)*	38.0	23.6	(20.9)	0.2	634.6	675.5
Profit for the year	-	-	-	-	218.8	218.8
Other comprehensive income and expense:						
Actuarial gains on defined benefit pension plan	-	-	-	-	27.6	27.6
Tax relating to components of other comprehensive income and expense	-	-	-	-	(6.5)	(6.5)
Total other comprehensive income for the year	-	-	-	-	21.1	21.1
Dividends paid	-	-	-	-	(68.7)	(68.7)
Share-based payment charge	-	-	-	-	6.9	6.9
Deferred tax on share-based payment transactions	-	-	-	-	(0.2)	(0.2)
Excess tax deductions related to exercised share awards	-	-	-	-	1.0	1.0
Purchase of own shares	-	-	(19.3)	-	-	(19.3)
Performance share plan awards vested	-	-	9.5	-	(16.6)	(7.1)
At 31 March 2022	38.0	23.6	(30.7)	0.2	796.9	828.0

* Effective for the year ended 31 March 2022, the share-based payment reserve, which was previously presented as Other reserves has been amalgamated with the Profit and loss account, in the Company Statement of Changes in Equity and the Company Balance Sheet as permitted by IFRS 2. This resulted in the £40.6m debit in brought forward reserves at 1 April 2021 being transferred to the Profit and loss account. There is no change in Total equity from this change, nor the amounts charged or credited to the reserve during the period, which represents a change in presentational accounting policy only.

Notes to the Company Accounts

C1 Accounting policies

Corporate Information

Halma plc (the Company) is a public limited company incorporated and domiciled in England, United Kingdom (registration number 00040932). The registered address of the Company is Misbourne Court, Rectory Way, Amersham, Buckinghamshire, HP7 0DE, United Kingdom.

Basis of preparation

The separate Company financial statements are presented as required by the Companies Act 2006 and have been prepared on the historical cost and going concern basis, and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' except for the revaluation of certain financial instruments, pension assets and contingent purchase consideration at fair value as permitted by the Companies Act 2006.

The principal accounting policies have been applied consistently in both the current and prior year.

Financial reporting standard 101 – reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 45(b) and 46–52 of IFRS 2 Share-based payment;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- paragraph 79(a)(iv) of IAS 1;
- paragraph 73(e) of IAS 16 Property, Plant and Equipment;
- paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134–136 of IAS 1 Presentation of Financial Statements;
- the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases;
- the requirements of paragraph 58 of IFRS 16;
- the requirements of IAS 7 Statement of Cash Flows and related notes;
- the effects of new but not yet effective IFRS;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
- paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation).

New Standards and Interpretations applied for the first time in the year ended 31 March 2023

The following Standards and Interpretations applied for the first time, with effect from 1 January 2022, and have been adopted in the preparation of these Company Accounts;

- Reference to the Conceptual Framework – Amendments to IFRS 3
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
- Annual Improvements to IFRS 2018–2020

None of the above mentioned new Standards and Interpretations have affected the Company's results.

Significant accounting judgements and estimates

In preparing the financial statements, management has made judgements, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and assumptions are reviewed on an ongoing basis and are based on historical experience and various other factors that are believed to be reasonable under the circumstances.

Significant accounting estimates are used in determining the value of the future defined benefit obligation which requires estimation in respect of the assumptions used to calculate present values. These include future mortality, discount rate and inflation. Management determines these assumptions in consultation with an independent actuary. Details of the estimates made in calculating the defined benefit obligation are disclosed in note 29 to the Group accounts, specifically page 234.

The Company's investments are assessed each reporting period for any indicators of impairment, both qualitative and quantitative. If there are deemed to be any indicators of impairment a 'value in use' calculation is performed. Where required, the 'value in use' calculation requires the Company to estimate the future cash flows expected to arise from the investments and apply suitable discount rates in order to calculate present values.

There are no significant judgements used by management in preparing the Company's financial statements.

Summary of significant accounting policies

Foreign currencies

Transactions in foreign currency are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates prevailing at that date. Any gain or loss arising from subsequent exchange rate movements is included as an exchange gain or loss in the Profit and Loss Account.

Financial Instruments

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

Notes to the Company Accounts continued

C1 Accounting policies continued

Financial assets

The Company recognises its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired.

Other than the financial assets in a qualifying hedging relationship, the Company's accounting policy for each category is as follows:

Fair value through profit or loss – Derivative financial instruments are carried in the balance sheet at fair value with changes in fair value recognised in the Profit and Loss Account.

Amortised costs – Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (other group companies), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

The Company's receivables relate entirely to balances due from other group companies. Where the intercompany receivable is payable on demand the Company determines whether any impairment provision is required by assessing the Company's ability to repay the loan. Where it is considered that the Company does not have the capacity to repay the loan or the loan is not repayable on demand, an expected credit loss model is used to calculate the impairment provision required.

Financial liabilities

The Company classifies its financial liabilities into one of the categories discussed below, depending on the purpose for which the liability was acquired.

Fair value through profit or loss – These comprise out-of-the-money derivatives and contingent purchase consideration. They are carried in the balance sheet at fair value with changes in fair value recognised in the Profit and Loss Account.

At amortised cost – Financial liabilities at amortised cost including bank borrowings are initially recognised at fair value. Such interest-bearing liabilities are subsequently measured at amortised cost using the effective interest rate method.

Interest bearing loans and borrowings

Interest bearing loans and borrowings are initially recognised in the balance sheet at fair value less directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest rate method.

Share-based payments

The cost of the equity-settled transactions with employees of other Group companies is measured by reference to the fair value at the date at which equity instruments are granted and, where it is not recharged to a Group company, is recognised as a capital contribution in investments in subsidiary undertakings over the vesting period, which ends on the date on which the employees become fully entitled to the award. A corresponding credit is recognised within equity. This credit is not distributable.

Investments

Investments are stated at cost less provision for impairment. In respect of IFRS 2 'Share-based payments', the Company records an increase in its investment in subsidiaries to reflect the share-based compensation recorded by its subsidiaries.

Fixed assets and depreciation

Fixed assets are stated at cost less provisions for impairment and depreciation which, with the exception of freehold land which is not depreciated, is provided on all fixed assets on the straight-line method, each item being written off over its estimated life. The principal annual rates used for this purpose are:

Freehold property	2%
Plant, equipment and vehicles	8% to 33.3%

Pensions

The Company makes contributions to defined contribution pension plans, which are charged against profits when they become payable. The Company also operates a UK defined benefit pension plan. For defined benefit plans, the asset or liability recorded in the Company Balance Sheet is the difference between the fair value of the plan's assets and the present value of the defined obligation at that date. The defined benefit obligation is calculated separately for the plan on an annual basis by an independent actuary using the projected unit credit method.

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

Current and past service costs, along with the impact of settlements or curtailments, are charged to profit and loss. The unwinding of the discounting on the net liability is recognised within finance income or expense as appropriate.

Taxation

Tax on the profit or loss for the year comprises both current and deferred tax. Tax is recognised in the Profit and Loss Account except to the extent that it relates to items recognised either in other comprehensive income or directly in equity.

Current tax is the expected tax payable, on the taxable income for the year, using tax rates enacted, or substantively enacted, at the balance sheet date, and any adjustments to tax payable in respect of previous years.

Deferred taxation is provided on taxable temporary differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax bases. Deferred tax is measured at the tax rates that are expected to apply in the periods in which the temporary differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are only recognised if recovery is considered more likely than not on the basis of all available evidence.

The recognition of deferred tax assets is dependent on assessments of future taxable income.

C2 Result for the year

As the Company is included in the consolidated financial statements, made up to 31 March each year, it is not required to present a separate profit and loss account as permitted by Section 408(3) of the Companies Act 2006, as such the Profit and Loss Account of Halma plc is not presented as part of these accounts. The Company has reported a profit after taxation for the financial year of £97.4m (2022: £218.8m).

Auditors' remuneration for audit services to the Company was £0.6m (2022: £0.5m). Total employee costs (including Directors) were:

	Year ended 31 March 2023 £m	Year ended 31 March 2022 £m
Wages and salaries	32.7	27.2
Social security costs	4.0	4.2
Pension costs	0.7	0.6
	37.4	32.0

Included within wages and salaries are share-based payment charges under IFRS 2 of £8.2m (2022: £4.7m).

	Year ended 31 March 2023 Number	Year ended 31 March 2022 Number
Monthly average number of employees (UK)	114	100
Monthly average number of employees (Mainland Europe)	6	4
Monthly average number of employees	120	104

Details of Directors' remuneration are set out on pages 136 to 163 within the Annual Remuneration Report and form part of these financial statements.

C3 Fixed assets – intangible assets

	Computer software £m	Other intangibles £m	Total £m
Cost			
At 1 April 2022	2.2	0.1	2.3
At 31 March 2023	2.2	0.1	2.3
Accumulated amortisation			
At 1 April 2022	1.7	–	1.7
Charge for year	0.3	–	0.3
At 31 March 2023	2.0	–	2.0
Carrying amounts			
At 31 March 2023	0.2	0.1	0.3
At 31 March 2022	0.5	0.1	0.6

Notes to the Company Accounts continued

C4 Fixed assets – tangible assets

	Freehold properties £m	Plant, equipment and vehicles £m	Total £m
Cost			
At 1 April 2022	8.0	2.0	10.0
Additions at cost	–	0.1	0.1
Disposals	–	(0.1)	(0.1)
At 31 March 2023	8.0	2.0	10.0
Accumulated depreciation			
At 1 April 2022	1.1	1.2	2.3
Charge for the year	0.2	0.2	0.4
Disposals	–	(0.1)	(0.1)
At 31 March 2023	1.3	1.3	2.6
Carrying amounts			
At 31 March 2023	6.7	0.7	7.4
At 31 March 2022	6.9	0.8	7.7

C5 Investments

Shares in Group companies

	31 March 2023 £m	31 March 2022 £m
At cost less amounts written off at beginning of year	453.5	347.5
Increase in investments	83.0	132.6
Contributions to subsidiary undertakings relating to share-based payments	40.3	–
Decrease in investments	–	(26.6)
At cost less amounts written off at end of year	576.8	453.5

The increase of £83.0m in the year comprises additions from the acquisition of Thermocable (Flexible Elements) Limited of £22.5m and Zone Green 2013 Ltd of £3.9m and additional investments into existing subsidiaries Halma Euro Trading Limited of £52.1m and Halma Ventures Limited of £4.5m.

In the prior year, the increase £132.6m comprised additions from the acquisition of Anton Industrial Services Limited of £3.2m and Ashton Lister Investments Limited (parent of Ramtech Electronics Limited) of £19.6m and additional investments into existing subsidiary Halma Euro Trading Limited of £109.8m.

Capital contributions to subsidiary undertakings of £40.3m were recorded in the year pertaining to the current year and previous periods. These capital contributions arise where equity-settled share awards in the Company were granted to employees of subsidiary undertakings and no recharge was made to that subsidiary. More detail on the Company's share plans can be found in note 24 to the Consolidated Accounts. Capital contributions are not realised profits and so are non-distributable retained earnings for the Company until such time as they are realised either through impairment of the investment or sales of the relevant subsidiary. The contribution in the year of £40.3m comprises £32.0m in relation to prior years which management do not consider quantitatively or qualitatively material in the context of the Company's distributable reserves and so has not been recognised as a prior year adjustment.

C5 Investments

Subsidiaries

Details of the Company's subsidiaries at 31 March 2023 are below.

Name	Registered Address	Country	Class	Group %
A & G Security Electronics Limited	(1)	United Kingdom	Ordinary shares	100*
Accutome, Inc.	3222 Phoenixville Pike, Malvern, Philadelphia, 19355	United States	Ordinary shares	100
ADI Holdings, LLC	240 Kenneth Welch Drive, Lakeville, MA 02347	United States	Ordinary shares	100
Adler Diamant BV	Simon Homburgstraat 21, 5431 NN Cuijk	Netherlands	Ordinary shares	100
Advanced Electronics Limited	The Bridges, Balliol Business Park, Newcastle Upon Tyne, Tyne and Wear, NE12 8EW	United Kingdom	Ordinary shares	100*
Advanced Fire Systems Inc.	100 South Street, Hopkinton MA 01748	United States	Common stock	100
Alicat Scientific BV	Geograaf 24, 6921EW Duiven	Netherlands	Ordinary shares	100
Alicat Scientific India Private Limited	Plot No. A/147, Road No. 24, Wagle Industrial Estate, Thane West, Thane 400064, Maharashtra, THANE 400064	India	Ordinary shares	100
Alicat Scientific, Inc.	7641 N Business Park Drive, Tucson, AZ 85743	United States	Common stock	100
Ampac Europe Limited	Unit 2, Waterbrook Estate, Waterbrook Road, Alton, Hampshire, GU34 2UD	United Kingdom	Ordinary shares	100*
Ampac NZ Limited	c/o MinterEllisonRuddWatts, 125 The Terrace, Wellington Central, Wellington, 6011	New Zealand	Ordinary shares	100
Ampac Pty Limited	7, Ledger Road, Balcatta, Western Australia, 6021	Australia	Ordinary shares	100
Analytical Development Company Limited	(1)	United Kingdom	Ordinary shares	100*
Anton Industrial Services Limited	172 Brook Drive, Milton Park, Oxfordshire, OX14 4SD	United Kingdom	Ordinary shares	100*
Apollo (Beijing) Fire Products Co. Ltd	Block A5, Jinghai Industrial Park, No. 156 Jinghai Fourth Road, BDA Beijing	China	Ordinary shares	100
Apollo America, Inc.	25 Corporate Drive, Auburn Hills MI 48326	United States	Common stock	
Apollo Fire Detectors Limited	36 Brookside Road, Havant, Hampshire, PO9 1JR	United Kingdom	Ordinary & Deferred shares	100*
Apollo GmbH	Am Anger 31, D-33332 Gütersloh	Germany	Ordinary shares	100
Aquionics, Inc.	4215, Suite E, Stuart Andrew Boulevard, Charlotte, NC, 28217	United States	Ordinary shares	100
Argus Italy SRL	14, Via Del Canneto, Muggia, Trieste	Italy	Ordinary shares	100
Argus Security S.r.l.	Via Maurizio Gonzaga no. 7, Milan, 20123	Italy	Quotas	100
Ashton Lister Investments Limited	Ramtech House, Castlebridge Office Village, Castle Marina Road, Nottingham, NG7 1TN	United Kingdom	Ordinary shares	100*
ASL Holdings Limited	Ty Coch House, Llantarnam Park Way, Cwmbran, WW, NP44 3AW	United Kingdom	Ordinary shares	100*
Avire Elevator Technology India Private Limited	Plot A/147, Road No. 24, Wagle Industrial Estate, Thane West, 400604	India	Ordinary & Preference shares	100
Avire Elevator Technology Shanghai Ltd	4 Floor, Buling 75, No.1066, Qinzhou Road, Shanghai, 200233	China	Ordinary shares	100
Avire Global Pte Ltd	80 Raffles Place, #32-01 UOB Plaza, 048624	Singapore	Ordinary shares	100
Avire Limited	Unit 1, The Switchback, Gardner Road, Maidenhead, Berkshire, SL6 7RJ,	United Kingdom	Ordinary shares	100
Avire s.r.o.	Okružní 2615, České Budějovice, 370 01,	Czech Republic	Ordinary shares	100
Avire Trading Limited	Unit 1 The Switchback, Gardner Road, Maidenhead, Berkshire, SL6 7RJ	United Kingdom	Ordinary shares	100*
Avo Photonics (Canada) Inc.	20 Mural Street, Unit 7, Richmond Hill, Ontario, L4B 1K3	Canada	A & B shares	100
Avo Photonics, Inc.	120, Welsh Road, Horsham, PA, PA 19044	United States	A & B Preferred Stock & Common Stock	100
B.E.A. Holdings, Inc.	100 Enterprise Drive, Pittsburgh, PA, 15275	United States	Ordinary shares	100
B.E.A. Inc.	100 Enterprise Drive, Pittsburgh, PA, 15275	United States	Ordinary shares	100
B.E.A. Investments, Inc.	100 Enterprise Drive, RIDC Park West, Pittsburgh, PA 15275	United States	Ordinary shares	100
Baoding Longer Precision Pump Co., Ltd	Building A, Chuangye Center, Baoding National High-Tech Development Zone, Baoding, Hebei, 071051	China	Ordinary shares	100
BEA Electronics (Beijing) Co Ltd	Room 5959, Shenchong Building, No.51, Zhichun Road, Haidian District, Beijing	China	Ordinary shares	100

Notes to the Company Accounts continued

C5 Investments continued

Subsidiaries continued

Name	Registered Address	Country	Class	Group %
BEA Electronics Singapore Pte. Ltd.	16 Raffles Quay, #38-03, Hong Leong Building, Singapore, 048581	Singapore	Ordinary shares	100
BEA Japan KK	154-0012 Komazawa, Setagaya-ku 3-28-11, Tokyo	Japan	Ordinary shares	100
Beijing Ker'Kang Instrument Limited Company	Unit 316, Area 1 Tower B, Chuangxin Building, 12 Hongda North Rd, Beijing, 100176	China	Ordinary shares	100
Berson Milieutechniek BV	PO Box 90, 5670 AB Nuenen	Netherlands	Ordinary shares	100
Bio-Chem Fluidics, Inc.	85 Fulton Street, Boonton, New Jersey 07005	United States	Ordinary shares	100
Bureau d'Electronique appliquee S.A.	Allée des Noisetiers 5, Liege Science Park, B-4031 LIEGE-Angleur	Belgium	Ordinary shares	100
Business Marketers Group, Inc.	N56 W24720 N. Corporate Circle, Sussex, WI, 53089	United Kingdom	Ordinary shares	100
Cardio Dinâmica Ltda	Avenida Paulista, 509, 1º e 2º andares, conjuntos 201, 212, 213 e 214, Bela Vista, São Paulo, Estado de São Paulo, CEP 01311-910	Brazil	Quotas	100
Cardio Sistemas Comercial e Industrial Ltda	Avenida Paulista nº 509, 16º andar, conjuntos 1601 e 1602, São Paulo, Estado de São Paulo, CEP 01311-910-0	Brazil	Quotas	100
Castell Interlocks, Inc.	150, 865, N Michigan Avenue, Chicago, Illinois, 60601	United States	Ordinary shares	100
Castell Locks Limited	(1)	United Kingdom	Ordinary shares	100*
Castell Safety International Limited	217 Kingsbury Road, London, NW9 9PQ	United Kingdom	Ordinary shares	100*
Castell Safety Technology Limited	(1)	United Kingdom	Ordinary shares	100*
CEF Safety Systems BV	Delftweg 69, 2289 BA Rijswijk	Netherlands	Ordinary shares	100
Celanova Limited	8 Faleas Street, Agios Athanasios, 4101, Limassol	Cyprus	Common stock	100
CenTrak, Inc.	826, Newtown-Yardley Road, Newtown, PA, 18940	United States	Common stock	100
Cosasco Middle East - FZE - Dubai	Dubai Silicon Oasis Office, Dubai	United Arab Emirates	Common stock	100
Cosasco Middle East (FZE), Sharjah	PO Box 8186, SAIF Zone, Sharjah	United Arab Emirates	Common stock	100
Cranford Controls Limited	Unit 2, Waterbrook Estate, Waterbrook Road, Alton, Hampshire, GU34 2UD	United Kingdom	Ordinary shares	100
Crowcon Detection Instruments Limited	172 Brook Drive, Milton Park, Oxfordshire, OX14 4SD	United Kingdom	A & Ordinary shares	100*
Dancutter A/S	Livøvej 1A, 8800 Viborg	Denmark	Ordinary shares	100
Deep Trekker Inc.	830 Trillium Drive, Kitchener, Ontario, N2R 1K4	Canada	Unlimited Common Shares	100
Deep Trekker SpA	Ruta 5 Sur Km. 1025 Bodega 5 - Megacentro 1, Puerto Montt, Región de Los Lagos	Chile	Common shares	100
Diba Industries Limited	2 College Park, Coldhams Lane, Cambridge, CB1 3HD	United Kingdom	Ordinary shares	100*
Diba Industries, Inc.	4 Precision Road, Danbury, CT, 06810	United States	Common stock	100
E&C Medical Intelligence, Inc.	100, Regency Forest Dr Ste 200, Cary, NC 27518	United States	Common stock	100
Eco Rupture Disc Limited	(1)	United Kingdom	Ordinary shares	100*
Eiffel APAC Pte. Ltd	4, Shenton Way, #15-01, SGX Centre II	Singapore	Ordinary shares	100
Eiffel Holdings Limited	(1)	United Kingdom	Ordinary shares	100
Eiffel Investments UK Limited	(1)	United Kingdom	Ordinary shares	100
Elfab Hughes Limited	(1)	United Kingdom	Ordinary shares	100*
Elfab Limited	Alder Road, West Chirton Industrial Estate, North Shields, Tyne & Wear, NE29 8SD	United Kingdom	Ordinary shares	100*
F.I.R.E. Panel, LLC	8435 N. 90th St., Suite 2, Scottsdale AZ 85258	United States	Common stock	100
Fabrication de Produits de Sécurité SaRL	21 Rue du Cuir, ZI Sidi Rezig, Mégrine, 2033	Tunisia	Ordinary shares	100
FFE B.V	J. Keplerweg 14, 2408AC Alphen aan den Rijn	Netherlands	Ordinary shares	100
FFE Holdings Limited	(1)	United Kingdom	Deferred A & Ordinary shares	100*
FFE Limited	9 Hunting Gate, Hitchin, Herts, SG4 0TJ	United Kingdom	Ordinary shares	100*
Fire Fighting Enterprises Limited	(1)	United Kingdom	Ordinary shares	100*
Firemate Limited	Chelsea House, Chelsea Street, New Basford, Nottingham, Nottinghamshire, NG7 7HP	United Kingdom	Ordinary shares	70
FireMate Software Pty Ltd	Level 11, 301 Coronation Drive, Milton Queensland 4064	Australia	Ordinary shares	70

C5 Investments continued
Subsidiaries continued

Name	Registered Address	Country	Class	Group %
FirePro Eng. Co. Limited	1400, Hyeem-ro, Gwangtan-myeon, Paju-Si, Gyeonggi-do	Republic of Korea	Common stock	60
FirePro Systems Limited	8 Faleas Street, Agios Athanasios, 4101, Limassol	Cyprus	Common stock	100
Firetrace Aerospace, LLC	8435, Suite 7, N. 90th St., Scottsdale, AZ, 85258	United States	Ordinary shares	100
Firetrace International Asia Pte. Ltd	16 Collyer Quay, #11-01, Hitachi Tower, Singapore, 049318	Singapore	Ordinary shares	100
Firetrace USA, LLC	8435, Suite 7, N. 90th St., Scottsdale, AZ, 85258	United States	Ordinary shares	100
Fluid Conservation Systems, Inc.	502, Suite B, Technecenter Drive, Milford, OH, 4150	United States	Ordinary shares	100
FluxData Incorporated	176, Suite F304, Anderson Avenue, Rochester, NY, 14607	United States	Ordinary shares	100
Fortress Interlocks Limited	2 Inverclyde Drive, Wolverhampton, West Midlands, WV4 6FB,	United Kingdom	Ordinary & Preferred shares	100*
Fortress Interlocks Pty Ltd	Ross Wadeson Accountants, Unit 13, 20-30 Malcolm Road, Braeside, VIC, 3195	Australia	Ordinary shares	100
Halma (China) Group	Block 1, 3rd Floor, No. 123, Lane 1165, Jindu Road, Minghang District, Shanghai, 201108	China	Ordinary shares	100
Halma Australasia Holdings Limited	(1)	United Kingdom	Ordinary shares	100
Halma Australasia Pty Limited	7, Ledger Road, Balcatta, Western Australia, 6021,	Australia	Ordinary shares	100
Halma Do Brasil – Equipamentos De Segurança Ltda	Av. Tancredo Neves 620, Salas 1003/1004, Caminho das Árvores, Salvador, Bahia, 41.820-020	Brazil	Ordinary shares	100
Halma Euro Trading Limited	(1)	United Kingdom	Ordinary shares	100*
Halma Europe DS B.V.	J Keplerweg 14, 2408 AC Alphen aan den Rijn	Netherlands	Ordinary shares	100
Halma Financing Limited	(1)	United Kingdom	Ordinary shares	100
Halma Holding GmbH	PO Box 35, Bruckstrasse 31, D-72417 Jungingen	Germany	Ordinary shares	100
Halma Holdings Inc.	535 Springfield Avenue, Suite 110, Summit, NJ 07901	United States	Ordinary shares	100
Halma India Private Limited	Prestige Shantiniketan', Gate 2, Tower C, 7th Floor, Whitefield Main Road, Mahadevapura, Bengaluru, Bangalore, Karnataka, 560048	India	Ordinary shares	100
Halma International BV	De Huufkes 23, 5674TL Nuenen	Netherlands	Ordinary shares	100
Halma International Limited	(1)	United Kingdom	A & Ordinary shares	100*
Halma Investment Holdings Limited	(1)	United Kingdom	Ordinary shares	100
Halma IT Services Limited	(1)	United Kingdom	Ordinary shares	100*
Halma Japan KK	1-23-5 Higashi-azabu, Minato-ku, Tokyo	Japan	Ordinary shares	100
Halma Overseas Funding Limited	(1)	United Kingdom	Ordinary shares	100
Halma PR Services Limited	(1)	United Kingdom	Ordinary shares	100*
Halma Resistors Unlimited	(1)	United Kingdom	Ordinary shares	100
Halma Safety Limited	(1)	United Kingdom	Ordinary shares	100*
Halma Saúde e Ótica do Brasil - Importação, Exportação e Distribuição Ltda	Avenida Marcos Penteado de Ulhoa Rodrigues, n. 1119, 11th Floor, Suite 1102, Tambore, Barueri/São Paulo, 06.460-040	Brazil	Ordinary shares	100
Halma Services Limited	(1)	United Kingdom	Ordinary shares	100
Halma UK DS Limited	(1)	United Kingdom	Ordinary shares	100*
Halma US, Inc.	535 Springfield Avenue, Suite 110, Summit, NJ 07901	United States	Common Stock	100
Halma Ventures Limited	(1)	United Kingdom	Ordinary shares	100*
Hanovia Limited	780/781 Buckingham Avenue, Slough, Berkshire, SL1 4LA	United Kingdom	Ordinary shares	100*
HFT Shanghai Co., Ltd	Floor 2, No. 1 Factory Building, No. 123, Lane 1165, Jindu Road, Minghang District, Shanghai, 201108	China	Ordinary shares	100
HWM-Water Limited	Ty Coch House, Llantarnam Park Way, Cwmbran, Gwent, NP44 3AW	United Kingdom	Ordinary shares	100*
Hydreka SAS	51, Avenue Rosa Parks, 69009, Lyon	France	Ordinary shares	100
Hyfire Wireless Fire Solutions Limited	B12a Holly Farm Business Park, Honiley, Kenilworth, Warwickshire, CV8 1NP	United Kingdom	Ordinary shares	100*
I.D. Infinity Development Cyprus Limited	8 Faleas Street, Agios Athanasios, 4101, Limassol	Cyprus	Common stock	100
Illumark GmbH	Hohenlindner Str. 11 c, 85622 Feldkirchen, Bavaria	Germany	Ordinary shares	100

Notes to the Company Accounts continued

C5 Investments continued

Subsidiaries continued

Name	Registered Address	Country	Class	Group %
Infinite Leap, Inc.	1022 5th St N, Fargo, ND 58102	United States	Common stock	100
Infowave Solutions Inc.	11495, N. Pennsylvania Street, Suite 240, Carmel, IN, 46032	United States	Common stock	100
InPipe GmbH	Jagerwinkel 1a, 6991 Riezlern	Austria	Ordinary shares	90
Instituto Cardios de Ensino e Pesquisa em Eletrocardiologia Não Invasiva e M.A.P.A.	Avenida Paulista, 509, 3º andar, conjuntos 308, 309 e 310, Sao Paulo	Brazil	Ordinary shares	100
International Light Technologies, Inc.	10 Technology Drive, Peabody, MA 01960	United States	Ordinary shares	100
Invenio Systems Limited	Ty Coch House Llantarnam Park Way, Cwmbran, NP44 3AW	United Kingdom	Ordinary shares	100*
Iso-Lok Limited	(1)	United Kingdom	Ordinary shares	100*
IZI Medical Products LLC	Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	United States	Ordinary shares	100
Keeler Instruments, Inc.	3222, Phoenixville Pike, Malvern, PA, 19355	United States	Ordinary shares	100
Keeler Limited	Clewer Hill Road, Windsor, Berks, SL4 4AA	United Kingdom	Ordinary shares	100*
Kirk Key Interlock Company, LLC	9048, Meridian Circle NW, North Canton, OH, 44720	United States	Ordinary shares	100
Labsphere, Inc.	231 Shaker Street, P. O. Box 70, North Sutton, NH, 03260	United States	Ordinary shares	100
Langer Instruments Corporation	7461, N. Business Park Drive, Tucson, AZ, 85743	United States	Ordinary shares	100
Limotec Besloten Vennootschap (BV)	Bosstraat 21, 8570 Anzegem (Vichte)	Belgium	Ordinary shares	100
Maxtec, LLC	2305, South 1070 West, Salt Lake City, UT, 84119	United States	Common stock	100
Meadowbridge Holdings Limited	(1)	United Kingdom	Ordinary shares	100*
Medicel AG	Dornierstrasse 11, CH – 9423 Altenrhein	Switzerland	A & B Preference & C Ordinary shares	100
MEDITECH Egészségügyi Szolgáltató, Műszerfejlesztő és Kereskedelmi Kft.	1184, Budapest, Mikszáth Kálmán utca 24, 1184	Hungary	Ordinary shares	100
MicroSurgical Technologies Germany GmbH	73, Neuenhaus Platz, Erkath, 40699	Germany	Ordinary shares	100
MicroSurgical Technology, Inc.	8415 154th Avenue NE, Redmond, WA, 98052	United States	Common stock	100
Mini-Cam Enterprises Limited	Unit 33, Ravenscraig Road, Little Hulton, Manchester, M38 9PU	United Kingdom	Ordinary shares	100*
Mini-Cam Holdings Limited	Unit 33, Ravenscraig Road, Little Hulton, Manchester, M38 9PU	United Kingdom	Ordinary shares	100*
Minicom Inc.	251, Little Falls Drive, Wilmington, New Castle County, DE, 19808	United States	Common stock	100
Minicom Limited	Unit 33, Ravenscraig Road, Little Hulton, Manchester, M38 9PU	United Kingdom	Ordinary shares	100*
Mistura Systems Limited	(1)	United Kingdom	Ordinary shares	100*
Morley Electronics Limited	The Bridges, Balliol Business Park, Newcastle Upon Tyne, Tyne and Wear, NE12 8EW	United Kingdom	Ordinary shares	100
Navtech Radar Limited	Home Farm, Ardington, Wantage, Oxfordshire, OX12 8PD	United Kingdom	Ordinary shares	100*
NB Products, Inc.	1551, Suite 105, Atlantic Blvd, Jacksonville, FL, 32207	United States	Common stock	100
Nisolio Investments Limited	8 Faleas Street, Agios Athanasios, 4101, Limassol	Cyprus	Common stock	100
NovaBone Products, LLC	13510, NW US Highway 441, Alachua, FL, 32615	United States	Common stock	100
Ocean Optics (Shanghai) Co., Ltd	Block B, 3rd Floor, No. 123, Lane 1165, Jindu Road, Minghang District, Shanghai	China	Ordinary shares	100
Ocean Optics Asia LLC	Suite 601, Kirin Tower, 666 Gubei Road, Shanghai, 200336	China	Common stock	100
Ocean Optics BV	Geograaf 24, 6921EW Duiven	Netherlands	Ordinary shares	100
Ocean Optics, Inc.	8060 Bryan Dairy Road, Largo, FL, 33777	United States	Ordinary shares	100
Oklahoma Safety Equipment Co, Inc.	1701, West Tacoma, P.O. Box 1327, Broken Arrow, OK, 74013	United States	Ordinary shares	100
Orca GmbH	1d, Hungenbach, Kuerten, 51515	Germany	Ordinary shares	100
P.J.K.A Investments Limited	8 Faleas Street, Agios Athanasios, 4101, Limassol	Cyprus	Common stock	100
Palintest Limited	Kingsway, Team Valley, Gateshead, Tyne & Wear, NE11 0NS	United Kingdom	Ordinary & Deferred shares	100*

C5 Investments continued
Subsidiaries continued

Name	Registered Address	Country	Class	Group %
Palmer Environmental Limited	(1)	United Kingdom	Ordinary shares	100*
Palmer Environmental Services Limited	(1)	United Kingdom	A & Ordinary shares	100*
PeriGen (Canada) Ltd	245, Victoria, Suite 600, Montreal, PQ, H3Z 2M6	Canada	Ordinary shares	100
PeriGen Solutions Ltd	2, Azrieli Rishonim, Nim Boulevard, POB 110, Rishon LeZion, 7510002	Israel	Ordinary shares	100
PeriGen, Inc.	100, Regency Forest Dr Ste 200, Cary, NC 27518	United States	Common stock	100
Perma Pure India Private Limited	Plot No. A/147, Road No. 24, Wagle Industrial Estate, Thane West, Thane 400064, Maharashtra, THANE 400064	India	Ordinary shares	100
Perma Pure, LLC	1001 New Hampshire Ave, Lakewood, NJ, 08701	United States	Ordinary shares	100
Pixelteq, Inc.	8060, Bryan Dairy Road, Largo, FL, 33777	United States	Ordinary shares	100
Power Equipment Limited	(1)	United Kingdom	Preference & Ordinary shares	100*
Radcom (Technologies) Limited	Ty Coch House, Llantarnam Park Way, Cwmbran, Gwent, NP44 3AW	United Kingdom	Ordinary shares	100*
RadioMed Corporation	Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	United States	Common stock	100
Radio-Tech Limited	(1)	United Kingdom	Ordinary shares	100*
Ramtech Electronics Limited	Ramtech House, Castlebridge Office Village, Castle Marina Road, Nottingham, NG7 1TN	United Kingdom	Ordinary shares	100
Ramtech North America, Inc.	5126, Royal Atlanta Drive, Tucker, GA 30084	United States	Ordinary shares	100
Ramtech Overseas Limited	Ramtech House, Castlebridge Office Village, Castle Marina Road, Nottingham, NG7 1TN	United Kingdom	Ordinary shares	100
RCS Corrosion Services Sdn. Bhd	Level 21, Suite 21.01, The Garden South Tower, Mid Valley City, Lingkaran Syed Putra, Kuala Lumpur, Wilayah Persekutuan, 59200	Malaysia	Ordinary shares	100
RCS International Limited	(1)	United Kingdom	Ordinary shares	100
Repipe Lining Systems A/S	Livøvej 1A, 8800 Viborg	Denmark	Ordinary shares	100
Research Engineers Limited	(1)	United Kingdom	Ordinary shares	100*
Reten Acoustics Limited	(1)	United Kingdom	Ordinary shares	100*
Riester USA, LLC	507 Airport Boulevard, Suite 113, Morrisville, NC, 27560	United States	Ordinary shares	100
Robutec AG	Dornierstrasse 11, CH - 9423 Altenrhein	Switzerland	Ordinary shares	100
Rohrback Cosasco International Limited	OIL (Offshore Inc Limited) PO Box 957, Offshore Incorporations Centre, Road Town, Tortola	British Virgin Islands	Ordinary shares	100
Rohrback Cosasco System China Corporation	No. A, Apartment 15F, Building 1, Tianchen Plaza, Yi-12 Chaoyangmen North Street, Chaoyang District, Beijing, 100020	China	Common stock	100
Rohrback Cosasco Systems LLC	Gulf Consulting House	Saudi Arabia	Common stock	100
Rohrback Cosasco Systems Pte Ltd	Ardent Business Advisory, 146, Robinson Road, #12-01, Singapore, 068909	Singapore	Ordinary shares	100
Rohrback Cosasco Systems Pty Ltd	Unit 5, 17 Caloundra Road, Clarkson	Australia	Ordinary shares	100
Rohrback Cosasco Systems UK Limited	(1)	United Kingdom	Ordinary shares	100*
Rohrback Cosasco Systems, Inc	11841, Smith Avenue, Santa Fe Springs, CA, 90670	United States	Common stock	100
Rudolf Riester GmbH	Bruckstrasse 31, D-72417 Jungingen	Germany	Ordinary shares	100
S.E.R.V. Trayvou Interferrouillage SA	1 Ter, Rue du Marais Bat B, 93106 Montreuil, Cedex	France	Ordinary shares	100
SCP IR Acquisition LLC	Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801	United States	Common stock	100
Sensit Technologies EMEA S.r.l.	Via Tortona n. 33, Milano, 20144	Italy	Ordinary shares	100
Sensit Technologies, LLC	851, Transport Dr., Valparaiso, IN, 46383	United States	Common stock	100
Sensitron SRL	Cornaredo (MI) Viale Della Repubblica 48, Cap, 20007	Italy	Ordinary shares	100
Sensorex Corporation	11751 Markon Drive, Garden Grove, CA, 92841	United States	Common stock	100
Sensorex s.r.o.	Rudolfovska tř., 149/64, České Budějovice 4, 370 01 České Budějovice	Czech Republic	Ordinary shares	100
Sentric Safety Group Limited	(1)	United Kingdom	Ordinary shares	100*
Setco S.A.U.	56, Miquel Romeu, Hospitalet del Llobregat, Barcelona province	Spain	Ordinary shares	100

Notes to the Company Accounts continued

C5 Investments continued

Subsidiaries continued

Name	Registered Address	Country	Class	Group %
Shanghai Labsphere Optical Equipments Co., Ltd	Block 1, No. 123, Lane 1165, Jindu Road, Minhang District, Shanghai, 201108	China	Ordinary shares	100
Skyterra Investments Limited	8 Faleas Street, Agios Athanasios, 4101, Limassol	Cyprus	Common stock	100
Smart Process Safety China Ltd	Floor 2, Building 63, No. 421 Hongcao Road, Xuhui District, Shanghai	China	Ordinary shares	100
Smith Flow Control Limited	(1)	United Kingdom	Ordinary shares	100*
Sofis BV	J Keplerweg 14, 2408 AC Alphen aan den Rijn	Netherlands	Ordinary shares	100
Sofis GmbH	Hahnenkammstrasse 12, 63811 Stockstadt	Germany	Ordinary shares	100
Sofis Limited	Unit 7B, West Station Business Park, Spital Road, Maldon, CM9 6FF, England	United Kingdom	Ordinary shares	100*
Sofis, Inc.	13105, Northwest Freeway, Suite 1120, Houston, TX, 77040	United States	Ordinary shares	100
Sonar Research & Development Limited	(1)	United Kingdom	Ordinary shares	100*
Static Systems Group Limited	Heath Mill Road, Wombourne, Wolverhampton, WV5 8AN	United Kingdom	Ordinary shares	100
Static Systems Holdings Limited	Heath Mill Road, Wombourne, Wolverhampton, WV5 8AN	United Kingdom	Ordinary shares	100*
SunTech Group EB Trustee Limited	(1)	United Kingdom	Ordinary shares	100
SunTech Medical (USA), LLC	507 Airport Boulevard, Suite 117, Morrisville, NC, 27560	United States	Common stock	100
SunTech Medical Devices (Shenzhen) Co. Ltd	2-3/F, Block A, Jinxiongda Technology Park, Guanlan, Bao'an District, Shenzhen, Guangdong, 518110	China	Ordinary shares	100
SunTech Medical Group Limited	(1)	United Kingdom	Ordinary shares	100
SunTech Medical Ltd (Hong Kong)	8th Floor, Gloucester Tower, The Landmark, 15 Queen's Road Central	Hong Kong	Ordinary shares	100
SunTech Medical, Inc.	507 Airport Boulevard, Suite 117, Morrisville, NC, 27560	United States	Common stock	100
T.L. Jones Limited	BDO Christchurch Limited, 287-293 Durham Street, Christchurch Central, Christchurch, 8013	New Zealand	Ordinary shares	100
Talentum Developments Limited	9 Hunting Gate, Hitchin, Herts, SG4 0TJ	United Kingdom	Ordinary shares	100*
Telegan Gas Monitoring Limited	(1)	United Kingdom	Ordinary shares	100*
Thermocable (Flexible Elements) IRE Limited	Ground Floor, 71 Lower Baggot Street, Dublin, D02 P593,	Ireland	Ordinary shares	100
Thermocable (Flexible Elements) Limited	Pasture Lane, Clayton, Bradford, BD14 6LU	United Kingdom	Ordinary, Ordinary A & Ordinary B shares	100*
Thinketron Precision Equipment Company Limited	402, Jardine House, 1 Connaught Place, Central	Hong Kong	Ordinary shares	100
Value Added Solutions LLC	4 Precision Road, Danbury, CT, 06810	United States	Common stock	100
Visiometrics SL	Argenters, 8. Edifici 3, Parc Tecnològic del Vallès, 08290 Cerdanyola	Spain	Ordinary shares	100
Visual Performance Diagnostics, Inc.	26895, Aliso Creek Rd, Suite B223, Aliso Viejo, CA, 92656	United States	Common stock	100
Volk Optical Inc.	7893 Enterprise Drive, Mentor, OH, 44060	United States	Common stock	100.
WatchChild, LLC	100, Regency Forest Dr Ste 200, Cary, NC 27518	United States	Common stock	100
WEETECH Asia Pte. Ltd	205 Balestier Road, #02-06, The Mezzo, (329682)	Singapore	Ordinary shares	100
WEETECH B.V.	Eindstraat 53 B, 5151 AE Drunen	Netherlands	Common stock	100
WEETECH China Ltd	Room 265, Building 8, No.509, Huajing Road, Xuhui District, Shanghai	China	Ordinary shares	100
WEETECH GmbH	Hafenstraße 1, 97877 Wertheim	Germany	Ordinary shares	100
WEETECH Inc.	1300 North Skokie HWY, Ste 100, Gurnee, IL 60031	United States	Common stock	100
WEETECH SRL	Viale Abruzzi, 94, Milan (20131)	Italy	Common stock	100
Wilkinson & Simpson Limited	(1)	United Kingdom	Deferred & Ordinary shares	100*
Zonegreen 2013 Limited	Sir John Brown Building Davy Industrial Parl, Prince of Wales Road, Sheffield, South Yorkshire, S9 4eX	United Kingdom	Ordinary shares	100*
Zonegreen Limited	Sir John Brown Building Davy Industrial Parl, Prince of Wales Road, Sheffield, South Yorkshire, S9 4eX	United Kingdom	Ordinary A & C shares	100

* Directly held by the Company.

(1) Misbourne Court, Rectory Way, Amersham, Buckinghamshire HP7 0DE.

C6 Debtors

	31 March 2023 £m	31 March 2022 £m
Amounts falling due within more than one year:		
Amounts due from Group companies	1.0	1.2
Amounts falling due within one year:		
Amounts due from Group companies	1,024.6	800.0
Other debtors	0.2	0.7
Prepayments	7.8	5.4
	1,033.6	807.3

Amounts owed by Group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

C7 Borrowings

	31 March 2023 £m	31 March 2022 £m
Falling due within one year:		
Overdrafts	2.5	4.0
Unsecured loan notes	-	71.2
	2.5	75.2
Falling due after more than one year:		
Unsecured loan notes	376.9	35.0
Unsecured bank loans	300.4	252.6
	677.3	287.6
Total borrowings	679.8	362.8

The Company has two sources of long-term funding, which comprise:

- an unsecured five-year £550m Revolving Credit Facility, which expires in May 2027 and is therefore classified as expiring within two to five years (2022: within two to five years). Since the end of the year, the first one-year extension has been exercised, with the subsequent maturity date of May 2028. At 31 March 2023, £249.6m (2022: £297.4m) remained committed and undrawn, and
- unsecured loan notes completed in May 2022 and drawn on 12 July 2022 in a mix of Sterling, US Dollars, Euro and Swiss Francs with a 10 year final maturity, amortising from year four to year ten and an average maturity of seven years. In addition, unsecured loan notes of £35m completed in November 2015 and drawn on 6 January 2016 remain outstanding and mature in January 2026. At 31 March 2023, the outstanding loan notes totalled £376.9m (2022: £106.2m). The next tranche of loan notes is due in January 2026, as such all loan notes are classified as falling due after more than one year.

The bank overdrafts, which are unsecured, at 31 March 2023 and 31 March 2022 were drawn on uncommitted facilities which all expire within one year and were held pursuant to a Group pooling arrangement which offsets them against credit balances in subsidiary undertakings.

As part of our cash pooling arrangements UK companies have cross-guaranteed net overdraft facilities of £13.2m (2022: £13.2m). Total net overdrafts relating to cash pooling as at 31 March 2023 were £nil (2022: £nil). Total overdrafts for the Group as at 31 March 2023 were £1.0m (2022: £0.7m).

C8 Creditors: amounts falling due within one year

	31 March 2023 £m	31 March 2022 £m
Trade creditors	0.7	2.5
Amounts owing to Group companies	73.7	96.4
Other taxation and social security	0.6	1.5
Other creditors	0.9	1.1
Provision for contingent consideration	-	0.2
Accruals	23.7	21.0
	99.6	122.7

Amounts owed to Group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Notes to the Company Accounts continued

C9 Creditors: amounts falling due after more than one year

	31 March 2023 £m	31 March 2022 £m
Amounts owing to Group companies	12.7	12.7
Other creditors	1.2	0.7
	13.9	13.4
These liabilities fall due as follows:		
Within one to two years	1.2	0.7
Within two to five years	–	–
After more than five years	12.7	12.7

Amounts owed to Group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

C10 Deferred tax asset/(liability)

	Retirement benefit obligations £m	Short-term timing differences £m	Total £m
At 1 April 2022	(6.7)	1.3	(5.4)
(Charge)/credit to Profit and Loss account	(0.2)	0.4	0.2
Charge to comprehensive income	(0.3)	–	(0.3)
Charge to equity	–	(0.1)	(0.1)
At 31 March 2023	(7.2)	1.6	(5.6)
At 1 April 2021	1.6	1.3	2.9
(Charge)/credit to Profit and Loss account	(0.4)	0.2	(0.2)
Charge to comprehensive income	(7.9)	–	(7.9)
Charge to equity	–	(0.2)	(0.2)
At 31 March 2022	(6.7)	1.3	(5.4)

C11 Share capital

	Issued and fully paid	
	31 March 2023 £m	31 March 2022 £m
Ordinary shares of 10p each	38.0	38.0

The number of ordinary shares in issue at 31 March 2023 was 379,645,332 (2022: 379,645,332), including shares held by the Employee Benefit Trust of 1,901,415 (2022: 1,175,080).

C12 Reserves

The Capital redemption reserve was created on the repurchase and cancellation of the Company's own shares. Own shares are ordinary shares in Halma plc purchased by the Company and held to fulfil its obligations under the Group's share plans. Profits available for distributions are reduced by the value of Own shares.

Included in the profit and loss account are accumulated credits of £26.9m (2022: £19.2m) representing the provision for the value of unvested awards under the Group's equity settled share plans.

C13 Retirement benefits

The Company participates in, and is the sponsoring employer of, the Halma Group Pension Plan. The plan closed to new entrants in 2002/03 and to future benefit accrual in 2014/15. From that date, the former defined benefit members joined the Company's existing defined contribution plan (which has now been superseded by a defined contribution Master Trust with Aegon).

There is no contractual agreement or stated policy for charging the net defined benefit cost within the Group. In accordance with IAS 19 (Revised 2011), the Company contribution made to the defined benefit plan during the year ended 31 March 2023 was £4.4m (2022: £3.1m).

Net interest income on pension plan liabilities/assets of £0.9m (2022: net interest charge of £0.1m) was recognised in the Profit and Loss Account in respect of the Company defined benefit plan.

The net movement on actuarial gains and losses of the plan reported in the Company Statement of Comprehensive Income and Expenditure was as follows:

	Year ended 31 March 2023 £m	Year ended 31 March 2022 £m
Defined benefit obligations	52.1	24.3
Fair value of plan assets	(61.5)	3.3
Net actuarial (losses)/gains	(9.4)	27.6

The actual return on plan assets was a loss of £53.9m (2022: gain of £8.4m).

C13 Retirement benefits continued

The amount included in the Company Balance Sheet arising from the Company's obligations in respect of its defined benefit retirement plan is as follows:

	31 March 2023 £m	31 March 2022 £m
Present value of defined benefit obligations	(188.5)	(241.8)
Fair value of plan assets	217.2	268.5
Asset recognised in the Company Balance Sheet	28.7	26.7

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

	Year ended 31 March 2023 £m	Year ended 31 March 2022 £m
At beginning of year	(241.8)	(268.7)
Interest cost	(6.7)	(5.2)
Remeasurement gains/(losses):		
Actuarial gains arising from changes in financial assumptions	65.4	29.4
Actuarial losses arising from experience adjustments	(13.3)	(5.1)
Benefits paid	7.9	7.8
At end of year	(188.5)	(241.8)

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

	Year ended 31 March 2023 £m	Year ended 31 March 2022 £m
At beginning of year	268.5	260.4
Interest income	7.6	5.1
Actuarial (losses)/gains, excluding interest income	(61.5)	3.3
Contributions from the sponsoring companies	10.5	7.5
Benefits paid	(7.9)	(7.8)
At end of year	217.2	268.5

The cash contributions of £10.5m include a £1.3m contribution related to Texecom in respect of obligations under section 75 of the Pensions Act 1995 following its disposal in the prior year (see Note 30 to the Consolidated Accounts).

The plan's triennial actuarial valuation review, rather than the accounting basis, is used to evaluate the level of any cash payments into the plan. Based on this valuation, the Trustees having consulted with the Company, agreed past service deficit recovery payments to be made for the immediate future with the objective of funding the plans in excess of the Technical Provisions valuation. During the year ended 31 March 2023 the aggregate payments made since the last triennial actuarial valuation, coupled with the performance of the plan assets and movement in the liabilities resulted in the Halma Group Pension Plan being funded over the trustees' secondary funding target and closer to the expected current valuation on a solvency basis. As a result, it has been agreed with the trustees of the Halma Group Pension Plan that contributions will be suspended until April 2025, when they will either fall due or be superseded by cash contributions agreed with the trustees in respect of the latest triennial actuarial valuation.

Further details of Halma Group Pension Plan, including all disclosures required under FRS 101, are contained in note 29 to the Group accounts.

C14 Events subsequent to end of reporting period

On 4 May 2023, completing on 11 May 2023, Halma International Limited, a direct subsidiary of the Company, acquired the entire share capital of Sewertronics Sp. Z o.o. (Sewertronics), based in Rzeszów, Poland for a cash consideration of c.£36m (€41m) on a cash- and debt-free basis. Additional consideration of up to c.£16m (€18m) may be payable in cash, based on the fulfilment of certain conditions. As part of the acquisition a drawdown was made from the Company's Revolving Credit Facility of £26.7m (€30.3m).

There were no other known material non-adjusting events which occurred between the end of the reporting period and prior to the authorisation of these financial statements on 15 June 2023.

Summary 2014 to 2023

	2013/14 £m	2014/15 £m	(Note 5) 2015/16 £m	2016/17 £m
Revenue (note 1)	676.5	726.1	807.8	961.7
Overseas sales (note 1)	548.6	587.8	663.0	806.7
Profit before taxation, and adjustments (note 2)	140.2	153.6	166.0	194.0
Net tangible assets/capital employed	189.7	219.1	258.6	302.2
Borrowings (excluding overdrafts)	107.6	140.4	296.2	262.1
Cash and cash equivalents (net of overdrafts)	33.1	39.5	49.5	65.6
Number of employees (note 1)	4,999	5,328	5,604	5,771
Basic earnings per share (note 1)	28.14p	27.49p	28.76p	34.25p
Adjusted earnings per share (note 2)	28.47p	31.17p	34.26p	40.21p
Year-on-year increase in adjusted earnings per share	10.4%	9.5%	9.9%	17.4%
Return on Sales (notes 1 and 3)	20.7%	21.2%	20.6%	20.2%
Return on Capital Employed (restated – note 4)	76.6%	77.6%	72.4%	72.5%
Return on Total Invested Capital (restated – note 4)	16.7%	16.3%	15.6%	15.3%
Year-on-year increase in dividends per ordinary share (paid and proposed)	7%	7%	7%	7%
Ordinary share price at financial year end	579p	701p	912p	1024p
Market capitalisation at financial year end	2,192.6	2,661.3	3,462.4	3,887.6

All years are presented under IFRS.

Notes:

1 Continuing and discontinued operations.

2 Adjusted to remove the amortisation and impairment of acquired intangible assets and acquisition transaction costs, release of fair value adjustments to inventory, adjustments to contingent consideration (collectively 'acquisition items'), significant restructuring costs and profit or loss on disposal of operations. IFRS figures include results of operations up to the date of their sales or closure but exclude material discontinued and continuing profits on sales or closures of operations. In 2013/14 only, the effects of closure to future benefit accrual of the defined benefit pension plans have also been removed. In 2018/19, the adjustments also include the effect of equalising pension benefits for men and women in the Group's defined benefit pension plans.

3 Return on Sales is defined as profit before taxation, the amortisation and impairment of acquired intangible assets; acquisition items; restructuring costs, profit or loss on disposal of operations; the effect of equalising pension benefits for men and women in the defined benefit pension plans (2018/19 only); and the effects of closure to future benefit accrual of the defined benefit pension plans net of associated costs (2013/14 only) expressed as a percentage of revenue.

4 See note 3 to the Report and Accounts for the definitions of ROCE and ROTIC. The ROCE and ROTIC measures were restated in 2014/15 and for all prior years to use an average Capital Employed and Total Invested Capital respectively. This measure is considered to be more representative. From 2019/20 the measures include the impact of adopting IFRS 16 'Leases'. There is no material impact on either measure from its inclusion.

5 The 2015/16 figures were restated in 2016/17, as required by IFRS 3 (revised) 'Business Combinations', for material changes arising on the provisional accounting for acquisitions in 2014/15.

2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m
1,076.2	1,210.9	1,338.4	1,318.2	1,525.3	1,852.8
902.9	1,010.0	1,117.2	1,104.6	1,258.2	1,575.0
213.7	245.7	267.0	278.3	316.2	361.3
322.0	358.9	416.9	389.5	454.2	595.2
290.0	253.8	419.2	322.3	359.4	677.3
69.7	72.1	105.4	131.1	156.7	168.5
6,113	6,508	6,992	7,120	7,522	8,141
40.69p	44.78p	48.66p	53.61p	64.54p	62.04p
45.26p	52.74p	57.39p	58.67p	65.48p	76.34p
12.6%	16.5%	8.8%	2.2%	11.6%	16.6%
19.9%	20.3%	19.9%	21.1%	20.7%	19.5%
71.6%	75.1%	71.4%	70.9%	76.4%	71.5%
15.2%	16.1%	15.3%	14.4%	14.6%	14.8%
7%	7%	5%	7%	7%	7%
1179p	1672p	1921p	2374p	2510p	2229p
4,476.0	6,347.7	7,293.0	9,012.8	9,529.1	8,462.3

Shareholder Information

Financial calendar

Annual General Meeting	20 July 2023
2022/23 Final dividend payable	18 August 2023
2023/24 Half year end	30 September 2023
2023/24 Half year results	16 November 2023
2023/24 Interim dividend payable	February 2024
2023/24 Year end	31 March 2024
2023/24 Final results	June 2024

Dividend history

	2023	2022	2021	2020	2019
Interim	7.86p	7.35p	6.87p	6.54p	6.11p
Final	12.34p*	11.53p	10.78p	9.96p	9.60p
Total	20.20p	18.88p	17.65p	16.50p	15.71p

* Proposed.

Investor information

Visit our website, www.halma.com, for investor information and Company news. In addition to accessing financial data, you can view and download Annual and Half Year Reports, analyst presentations, find contact details for Halma senior executives and subsidiary companies and access links to Halma subsidiary websites. You can also subscribe to an email news alert service to automatically receive an email when significant announcements are made.

Shareholding information

Please contact our Registrar, Computershare, directly for all enquiries about your shareholding. Visit their Investor Centre website www.investorcentre.co.uk for online information about your shareholding (you will need your shareholder reference number which can be found on your share certificate or dividend confirmation), or telephone the Registrar direct using the dedicated telephone number for Halma shareholders: +44 (0)370 707 1046.

Dividend mandate

Shareholders can arrange to have their dividends paid directly into their bank or building society account by completing a bank mandate form. The advantages to using this service are: the payment is more secure than sending a cheque through the post; it avoids the inconvenience of paying in a cheque and reduces the risk of lost, stolen or out-of-date cheques.

A mandate form can be obtained from Computershare or you will find one on the reverse of your last dividend confirmation.

Dividend reinvestment plan

The Company operates a dividend reinvestment plan (DRIP) which offers shareholders the option to elect to have their cash dividends reinvested in Halma ordinary shares purchased in the market. You can register for the DRIP online by visiting Computershare's Investor Centre website (as above) or by requesting an application form direct from Computershare.

Shareholders who wish to elect for the DRIP for the forthcoming final dividend, but have not already done so, should return a DRIP application form to Computershare no later than 28 July 2023.

Electronic communications

All shareholder communications, including the Company's Annual Report and Accounts, are made available to shareholders on the Halma website and you may opt to receive email notification that documents and information are available to view and download rather than to receive paper copies through the post. Using electronic communications helps us to limit the amount of paper we use and assists us in reducing our costs.

If you would like to sign up for this service, visit Computershare's Investor Centre website. You may change the way you receive communications at any time by contacting Computershare.

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