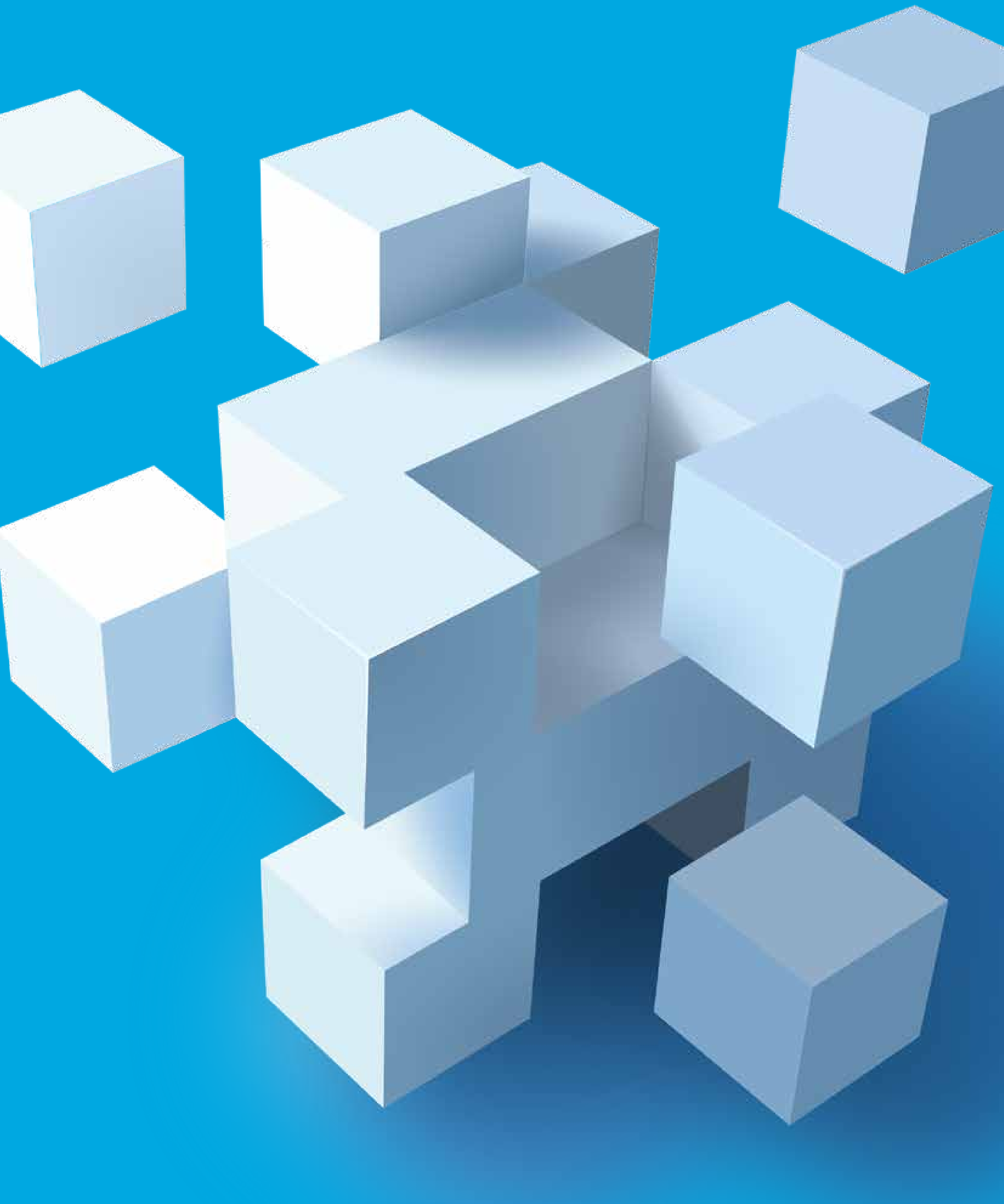
Building on success

Halma plc Half Year Report 2015/16

HALMA



Financial Highlights

Revenue

£379.7m

+11%

(2014/15: £340.9m)

Adjusted profit before taxation

£74.7m

+8%

(2014/15: £69.0m)

Return on Sales

19.7%

(2014/15: 20.2%)

Interim dividend declared (per share)

4.98p

+7%

(2014/15: 4.65p)

Continuing operations	2015	2014	Change
Revenue	£379.7m	£340.9m	+11%
Adjusted Profit before Taxation[1]	£74.7m	£69.0m	+8%
Statutory Profit before Taxation	£64.2m	£61.2m	+5%
Adjusted Earnings per Share[2]	15.19p	14.05p	+8%
Statutory Earnings per Share	13.27p	12.57p	+6%
Interim Dividend per Share[3]	4.98p	4.65p	+7%
Return on Sales[4]	19.7%	20.2%	
Return on Total Invested Capital[5]	14.7%	15.6%	
Net Debt	£93.4m	£136.3m	

Pro-forma Information:

1 Adjusted to remove the amortisation of acquired intangible assets, acquisition items and profit or loss on disposal of operations of £10.4m charge (2014/15: £7.8m charge). See note 2 to the Condensed Financial Statements for details.

2 Adjusted to remove the amortisation of acquired intangible assets, acquisition items, profit or loss on disposal of operations, and the associated taxation thereon. See note 6 to the Condensed Financial Statements for details.

3 Interim dividend declared per share.

4 Return on Sales is defined as adjusted[1] profit before taxation from continuing operations expressed as a percentage of revenue from continuing operations.

5 Organic growth rates and Return on Total Invested Capital (ROTIC) are non-GAAP performance measures used by management in measuring the returns achieved from the Group's asset base. ROTIC is now calculated using the average Total Invested Capital. The prior period has been restated. See note 9 to the Condensed Financial Statements for details.

Who We Are

Halma employs over 5,400 people in nearly 50 subsidiary businesses based in 23 countries. Our companies and products are diverse but we have a core focus on safety, health and environmental markets.

Through innovation and acquisition, we have developed a portfolio of market-leading companies within our four sectors: Process Safety, Infrastructure Safety, Medical, and Environmental & Analysis.

Our technology is used to save lives, prevent injuries, and protect people and assets around the world. On energy pipelines, in airports and even underground, our products are detecting hazards, stopping accidents and actively ensuring safety.

We develop products that secure and protect the elements critical to healthy lives. They analyse air for pollutants and water for drinking. They make medical diagnosis faster, treatments more effective, and even give sight back to the blind.

Our business is protecting life and improving quality of life for people worldwide.

Review of Operations

Record half year results

Halma has made excellent progress during the first half of this year. Revenue for the half year increased by 11% to £380m (2014/15: £341m) including a positive currency translation impact of 3%. Organic revenue growth at constant currency was an impressive 7%.

Adjusted[1] profit before taxation increased by 8% to £74.7m (2014/15: £69.0m) after a positive currency translation impact of 2%. Organic constant currency profit growth was 4%.

Profitability remained strong with Return on Sales[1] of 19.7% (2014/15: 20.2%), well within our 18% to 22% target range. Gross margin (revenue less direct material and direct labour) also remained strong across the Group.

These results once again demonstrate Halma's ability to sustain growth and high returns. Demand for our products is underpinned by the long-term market growth drivers of increasing safety regulation, increasing demand for healthcare and increasing demand for life-critical resources. These external growth drivers are supplemented by a relentless commitment to increasing investment in innovation, international expansion and talent development enabling us to grow above our end-market rates.

7% dividend increase

The Board declares an increase of 7% in the interim dividend to 4.98p per share (2014/15: 4.65p per share). The interim dividend will be paid on 10 February 2016 to shareholders on the register on 4 January 2016. For the past 36 years we have increased our full year dividend by 5% or more each year.

Revenue growth in all major regions

The table below shows the pattern of revenue growth in each region including the underlying rates of organic growth at constant currency which are calculated by excluding the effect of currency, acquisitions and disposals. Despite varied market conditions we achieved revenue growth in all major regions. The USA performed very strongly and increased by 20% with Mainland Europe, the UK and Asia Pacific also showing good progress.

Revenue from outside our traditional home markets in the USA, Mainland Europe and the UK grew by 9%, contributing 26.0% of total revenue (2014/15: 26.5%). There was strong growth in Near and Middle East while revenue was lower in South America, mainly due to weakness in the energy markets impacting our Process Safety sector. In Asia Pacific, good growth in India, South Korea and China more than offset a weaker performance in Australasia.

Revenue growth in all four sectors

The Infrastructure Safety and Medical sectors continued their well-established record of growth. Tough trading conditions in Process Safety were more than compensated for by the expected recovery in our Environmental & Analysis sector.

Process Safety revenue increased by 6% to £78m (2014/15: £74m) with positive contributions of 1% from currency translation and 6% from prior year acquisitions. Organic constant currency revenue declined by 1%, reflecting the tougher conditions in the oil and gas market, which contributes just under half of the sector revenue. Geographically, organic constant currency revenue growth was strongest in the USA and Near and Middle East with organic revenue decline in Asia Pacific and South America.

Profit[2] was 7% lower at £19.1m (2014/15: £20.4m), including an organic constant currency decline of 14%. Despite this, Return on Sales remained strong at 24.5% (2014/15: 27.8%), with those businesses already serving diverse markets, such as Gas Detection and Trapped-Key Interlocks, performing well. We do not expect the oil and gas market to improve in the near future and therefore we are balancing tight control of overheads with the need to invest to further increase diversification both regionally and by end market.

Infrastructure Safety had a good first half with revenue up by 9% to £122m (2014/15: £113m) with organic constant currency growth of 8%. The Fire and Automatic Door Sensor businesses made good progress, while Elevator Safety and Security performed less well. Overall, the rates of organic constant currency growth were higher in the USA, Mainland Europe and the UK than the less mature

External revenue by destination	Half year 2015/16		Half year 2014/15				
	£m	**% of total**	£m	% of total	**Change £m**	**% growth**	**% organic growth at constant currency**
United States of America	**124.5**	**33%**	104.1	31%	**20.4**	**20%**	**10%**
Mainland Europe	**85.2**	**22%**	79.2	23%	**6.0**	**8%**	**10%**
United Kingdom	**71.5**	**19%**	67.2	20%	**4.3**	**6%**	**5%**
Asia Pacific	**59.7**	**16%**	56.3	16%	**3.4**	**6%**	**1%**
Other countries	**38.8**	**10%**	34.1	10%	**4.7**	**14%**	**6%**
	379.7	**100%**	340.9	100%	**38.8**	**11%**	**7%**

External revenue by sector	Half year 2015/16	Half year 2014/15			
	£m	£m	**Change £m**	**% growth**	**% organic growth at constant currency**
Process Safety	**77.8**	73.6	**4.2**	**6%**	**(1%)**
Infrastructure Safety	**122.4**	112.7	**9.7**	**9%**	**8%**
Medical	**92.3**	78.4	**13.9**	**18%**	**12%**
Environmental & Analysis	**87.2**	76.2	**11.0**	**14%**	**10%**
	379.7	340.9	**38.8**	**11%**	**7%**

markets, such as Asia Pacific and South America, although market conditions were stronger in Near and Middle East.

Profit[2] improved by 8% to £24.6m (2014/15: £22.8m) including organic constant currency growth of 7%. Return on Sales was 20.1% (2014/15: 20.3%). The sector achieved volume growth while maintaining gross margins, reflecting the benefits of increasing investment in new product development. In addition to this, the recent acquisition of the fire suppression business, Firetrace (see below), gives us confidence for growth to continue in the second half.

The **Medical** sector performed strongly. Revenue grew by 18% to £92m (2014/15: £78m) including organic constant currency revenue growth of 12%. All three businesses (Ophthalmology, Vital Signs Monitoring and Fluidics) made excellent progress. There was revenue growth in all major geographic regions including double-digit growth in Mainland Europe, Asia Pacific and the USA, which represents almost half of sector revenue.

Profit[2] rose by a very impressive 18% to £24.6m (2014/15: £20.9m) including an organic constant currency increase of 13%. Return on Sales was unchanged at 26.6% (2014/15: 26.6%) with a slight improvement in gross margins. This encouraging underlying trading momentum should enable our Medical sector to continue to make good progress in the second half.

Environmental & Analysis made an encouraging recovery after a tough time last year. Revenue increased by 14% to £87m (2014/15: £76m) including organic constant currency growth of 10%. The Water, Photonics and Environmental Monitoring businesses all increased revenue. There was also growth in all major geographic regions, with double-digit organic growth rates in the USA and Mainland Europe (at constant currency).

Profit[2] increased by 25% to £14.8m (2014/15: £11.9m) including organic constant currency growth of 18%. As with revenue, there was a useful contribution from all three business segments even though the benefit from the UK water utilities beginning their next five-year investment cycle will not start to be felt until the second half of the year. Consequently, this sector is well placed to continue its encouraging recovery in the second half.

VAS LLC and Firetrace USA LLC acquisitions completed

In May 2015, we completed the purchase of Value Added Solutions, LLC (VAS), based in Connecticut, USA, which designs and manufactures fluidic assemblies for life sciences and analytical instruments. VAS has been integrated with one of our Medical sector companies, Diba Industries, which is also based in Connecticut, USA. The initial cash consideration was US$5m (£3m).

In October 2015, Halma acquired Firetrace USA, LLC, based near Phoenix, Arizona. Firetrace designs and manufactures customised fire suppression systems for confined spaces serving a range of end markets including transportation, process machinery, computer server hubs, defence and aerospace. This stand-alone addition to our Infrastructure Safety sector brings fire suppression technology to our long-standing and successful fire detection business. The initial consideration was US$110m (£73m).

These transactions demonstrate our ability to find attractive, high quality businesses within our existing sectors which fit both our financial and operating characteristics. Under the leadership of our four Sector Chief Executives, our acquisition pipeline is steadily becoming more balanced across all sectors. This more focused effort should strengthen further the current acquisition pipeline and ensure we continue to deliver this important component of our growth strategy.

Continued strategic investment for growth

Despite the varied and challenging trading environment, Halma has continued to deliver organic growth above the rate of its end markets for more than a decade through our businesses gaining market share, growing internationally and diversifying into new market niches. Achieving this sustained success over such a long period has required a relentless determination to increase strategic investment in innovation, international expansion and talent development both centrally and within individual sectors.

Our companies increased R&D expenditure by 21% to £19.8m (2014/15: £16.4m) with increases in all sectors, and representing 5.2% of Group revenue. However, our investment in innovation is not restricted to new product development and we encourage our businesses to collaborate and share best practice in all areas of their businesses as we believe this is a very effective catalyst for broader business innovation. This is exemplified by the biennial Halma Innovation and Technology Exposition (HITE) event which was held in April this year in Barcelona.

Currency volatility

Halma reports its results in Sterling with approximately 40% of Group revenue denominated in US Dollars and 10% in Euros. In the half year, Sterling weakened on average by 8% relative to the US Dollar and strengthened 12% against the Euro, resulting in a 3% positive currency translation impact on revenue and 2% positive impact on profit as noted above. If exchange rates continue at current levels for the full year, we estimate that the currency translation impact will be broadly neutral year on year.

Funding capacity increased via US Private Placement

Cash generation remains strong. Cash conversion (adjusted operating cash flow as a percentage of adjusted operating profit) was 88% (2014/15: 87%), ahead of our 85% cash conversion target. Net debt at the end of the period reduced to £93m (March 2015: £101m) having continued organic investment, increased dividend and taxation payments and completed one acquisition. Capital expenditure of £9.0m (2014/15: £9.9m) showed a good underlying increase but was lower due to greater property expenditure in the prior year. Gross cash balances were untypically high at £134m due mainly to holding cash at the half year end for completion of the Firetrace acquisition immediately after.

On 2 November 2015 a US Private Placement was agreed for $250m, in a mix of Sterling, US Dollars, and Euros, at a weighted average interest rate of 2.5% over the outstanding borrowing period of five, seven and ten years. Funds will be drawn down in January 2016. This underpins Group funding with the diversification of term debt in addition to the existing syndicated bank facility of £360m which runs to November 2018.

Gearing (the ratio of net debt to EBITDA) at half year end was 0.5 times, increasing to 0.9 times following the Firetrace acquisition. We feel comfortable operating with up to 1.25 times gearing, and would be prepared to exceed this level temporarily if the timing of acquisitions required it.

Risks and uncertainties

A number of potential risks and uncertainties exist which could have a material impact on the Group's performance over the second half of the financial year and could cause actual results to differ materially from expected and historical results. The Group has in place processes for identifying, evaluating and managing key risks. These risks, together with a description of the approach to mitigating them, are set out on pages 28 to 31 of the 2015 Annual Report and Accounts, which is available on the Group's website at www.halma.com. The principal risks and uncertainties

Review of Operations continued

relate to operational, strategic, legal, financial, people and economic issues. See note 15 to the Condensed Financial Statements for further details.

The Directors do not consider that the principal risks and uncertainties have changed since the publication of the 2015 Annual Report and Accounts and confirm that they remain relevant for the second half of the financial year. As part of their ongoing assessment of risk throughout the period the Directors have considered the above risks in the context of the new Executive Board structure and the Group's delivery of its financial objectives. Macro-economic uncertainty and movements in foreign exchange rates continue to remain a risk to financial performance.

Going concern

After conducting a review of the Group's financial resources the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the Condensed Financial Statements.

The Directors have adopted the requirements of the updated UK Corporate Governance Code which are relevant for the first time for the current reporting period and will be reporting their first Viability Statement in the Annual Report and Accounts for the year ending 2 April 2016.

Board changes

Stephen Pettit retired from the Halma Board at our Annual General Meeting in July 2015. Stephen joined Halma in 2003 and served as our Senior Independent Director and Chairman of the Remuneration Committee. We would like to thank Stephen for his contribution over more than a decade, during which time our business has grown and changed substantially. His willingness to support both the Board and the businesses in any way he could is greatly appreciated. Tony Rice succeeds Stephen as Senior Independent Director and Remuneration Committee Chairman.

Outlook

Halma has made strong progress in the first half, achieving record revenue and profit in varied market conditions. The diversity of our products, customers and end-market niches is a cornerstone of our success. We continue to capitalise on this foundation by increasing our investment in innovation, international expansion and talent development every year. This, together with our agile organisational model, enables us to grow faster than our markets over the medium term for example by gaining market share or entering new market niches.

Since the period end, order intake has continued to be ahead of revenue and order intake last year. We have also completed the purchase of Firetrace, demonstrating our ability to supplement organic growth with high quality acquisitions. Halma remains on track to make progress in the second half of the year in line with our expectations.

Andrew Williams
Chief Executive

Kevin Thompson
Finance Director

[1] See Financial Highlights.

[2] See note 2 to the Condensed Financial Statements.

Investment Proposition

Halma delivers sustained shareholder value. We consistently achieve record profits, high returns, and strong cash flows with low levels of balance sheet gearing. We have a 36-year track record of growing dividend payments by 5% or more every year.

Our strategy is to have a diverse group of businesses building strong competitive advantage in specialised safety, health and environmental technology markets with resilient growth drivers. These growth drivers include increasing Health and Safety regulation, demand for healthcare and demand for life-critical resources. They ensure that the need for our products is sustained, in both developed and developing regions, through periods of significant macro-economic change.

Organic growth generates the resources we use to fund acquisitions and keep increasing dividends. We generate organic growth by increasing levels of investment in people development, new product development and in establishing platforms for our businesses to grow in international markets.

Our portfolio consists of small to medium-sized manufacturing businesses operating in 23 countries and we have major operations in Europe, the USA and Asia. Our principal customer sectors are commercial and public buildings, utilities, healthcare/medical, science/environment, process industries and energy/resources. This market diversity contributes to our ability to sustain growth through economic cyclicality.

We manage the mix of businesses in our Group to ensure we can sustain strong growth and returns over the long term. We acquire businesses to accelerate penetration of more attractive market niches, we merge businesses when market characteristics change and we exit markets which offer less attractive long-term growth and returns through carefully planned disposals.

Halma's resilient market qualities, sustained investment in organic growth and active portfolio management position us strongly to maintain high levels of performance and create shareholder value in the future.

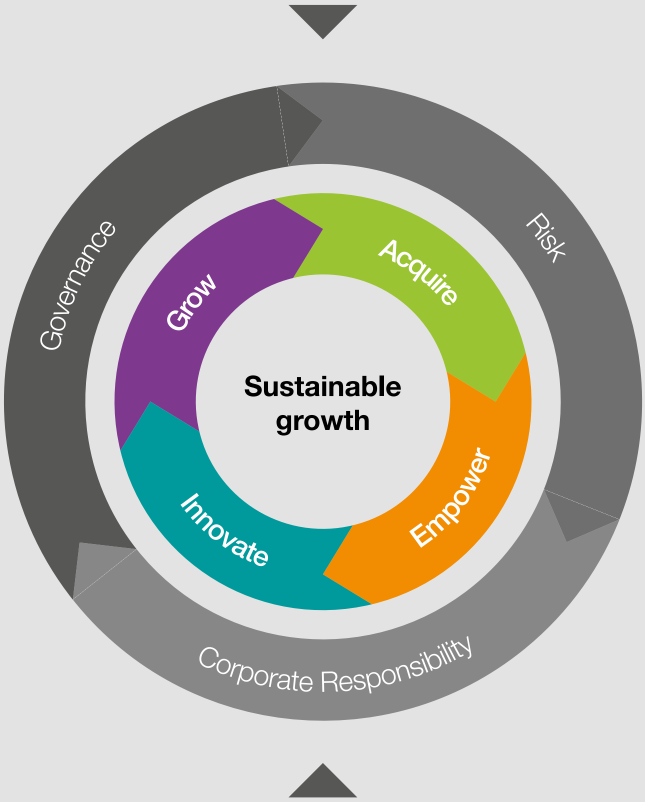
Business Model and Strategy

Business model

What is Halma's growth objective?

Our business model objective is to double Group revenue and profit every five years.

We aim to achieve this through a mix of acquisitions and organic growth. Return on Sales in excess of 18% and Return on Capital Employed over 45% ensure that cash generation is strong enough to sustain investment for growth and increase dividends without the need for high levels of external funding.



Strategy

How do we grow?

We operate in relatively non-cyclical, specialised global niche markets. Our technology and application know-how deliver strong competitive advantage to sustain growth and high returns. Our chosen markets have significant barriers to entry. Demand for our products is underpinned by resilient, long-term growth drivers.

We place our operational resources close to our customers through autonomous locally managed businesses. We reinvest cash into acquiring high performance businesses in, or close to, our existing markets.

Governance

Halma is committed to maintaining the highest standards of corporate governance and ensuring values and behaviours are consistent across the business. Halma promotes open and transparent discussion and constructive challenge across the Group to ensure best practice is maintained. That governance culture is integral to our strategy and decision-making processes for the benefit of our shareholders.

Risk

Group risk is mitigated by means of an operating structure which spreads the Group's activities across a number of autonomous subsidiary companies. Each of these companies is led by a high-quality board of directors including a finance executive. Group companies operate under a system of robust controls which address our principal risks and uncertainties.

Corporate Responsibility

Halma companies are involved in the manufacture of a wide range of products that protect and improve the quality of life for people worldwide. Halma has developed meaningful key performance indicators (KPIs) that reflect the importance the Group places on corporate responsibility and enable the Board to monitor the Group's progress in meeting its objectives and responsibilities in these areas.

Condensed Financial Statements

Condensed Consolidated Income Statement

	Notes	Unaudited 27 weeks to 3 October 2015			Unaudited 26 weeks to 27 September 2014			Audited 52 weeks to 28 March 2015
		Before adjustments* £000	**Adjustments* (note 2) £000**	**Total £000**	Before adjustments* £000	Adjustments* (note 2) £000	Total £000	Total £000
Continuing operations								
Revenue	2	**379,657**	**–**	**379,657**	340,903	–	340,903	726,134
Operating profit		**77,657**	**(11,004)**	**66,653**	71,425	(9,275)	62,150	137,063
Share of results of associates		**(79)**	**–**	**(79)**	65	–	65	64
Profit on disposal of operations		**–**	**592**	**592**	–	1,430	1,430	1,430
Finance income	3	**128**	**–**	**128**	64	–	64	167
Finance expense	4	**(3,049)**	**–**	**(3,049)**	(2,536)	–	(2,536)	(5,113)
Profit before taxation		**74,657**	**(10,412)**	**64,245**	69,018	(7,845)	61,173	133,611
Taxation	5	**(17,170)**	**3,143**	**(14,027)**	(15,874)	2,243	(13,631)	(29,610)
Profit for the period attributable to equity shareholders		**57,487**	**(7,269)**	**50,218**	53,144	(5,602)	47,542	104,001
Earnings per share	6							
From continuing operations								
Basic		**15.19p**		**13.27p**	14.05p		12.57p	27.49p
Diluted				**13.27p**			12.56p	27.48p
Dividends in respect of the period	7							
Dividends paid and proposed (£000)				**18,855**			17,599	45,229
Per share				**4.98p**			4.65p	11.96p

* Adjustments include the amortisation of acquired intangible assets, acquisition items, profit or loss on disposal of operations, and the associated taxation thereon.

Consolidated Statement of Comprehensive Income and Expenditure

	Unaudited 27 weeks to 3 October 2015 £000	Unaudited 26 weeks to 27 September 2014 £000	Audited 52 weeks to 28 March 2015 £000
Profit for the period	**50,218**	47,542	104,001
Items that will not be reclassified subsequently to the Income Statement:			
Actuarial gains/(losses) on defined benefit pension plans	**13,122**	(9,663)	(34,795)
Tax relating to components of other comprehensive income that will not be reclassified	**(2,625)**	1,865	6,791
Items that may be reclassified subsequently to the Income Statement:			
Effective portion of changes in fair value of cash flow hedges	**(343)**	4	71
Exchange (losses)/gains on translation of foreign operations and net investment hedge	**(14,096)**	(2,587)	30,900
Exchange losses transferred to Income Statement on disposal of operation	**22**	–	189
Tax relating to components of other comprehensive income that may be reclassified	**80**	(1)	(23)
Other comprehensive (expense)/income for the period	**(3,840)**	(10,382)	3,133
Total comprehensive income for the period attributable to equity shareholders	**46,378**	37,160	107,134

The exchange losses of £14,096,000 (26 weeks to 27 September 2014: losses of £2,587,000; 52 weeks to 28 March 2015: gains of £30,900,000) include losses of £211,000 (26 weeks to 27 September 2014: gains of £103,000; 52 weeks to 28 March 2015: gains of £862,000) which relate to net investment hedges.

Consolidated Balance Sheet

	Unaudited 3 October 2015 £000	Unaudited 27 September 2014 £000	Audited 28 March 2015 £000
Non-current assets			
Goodwill	**400,237**	385,593	406,190
Other intangible assets	**128,781**	138,686	138,691
Property, plant and equipment	**86,000**	78,359	86,303
Interests in associates	**3,763**	4,216	4,236
Deferred tax asset	**25,512**	22,020	28,596
	644,293	628,874	664,016
Current assets			
Inventories	**83,014**	77,720	79,734
Trade and other receivables	**143,144**	135,225	156,464
Tax receivable	**547**	703	20
Cash and cash equivalents	**133,716**	49,177	41,230
Derivative financial instruments	**173**	622	1,069
	360,594	263,447	278,517
Total assets	**1,004,887**	892,321	942,533
Current liabilities			
Trade and other payables	**90,721**	85,004	102,717
Borrowings	**–**	5,225	1,705
Provisions	**2,179**	11,003	11,746
Tax liabilities	**9,978**	12,382	12,405
Derivative financial instruments	**270**	338	636
	103,148	113,952	129,209
Net current assets	**257,446**	149,495	149,308
Non-current liabilities			
Borrowings	**227,103**	180,228	140,419
Retirement benefit obligations	**51,405**	44,209	66,790
Trade and other payables	**4,058**	3,335	3,756
Provisions	**2,534**	1,631	1,549
Deferred tax liabilities	**49,783**	51,310	51,862
	334,883	280,713	264,376
Total liabilities	**438,031**	394,665	393,585
Net assets	**566,856**	497,656	548,948
Equity			
Share capital	**37,965**	37,960	37,965
Share premium account	**23,608**	23,548	23,608
Own shares*	**(6,452)**	(4,885)	(8,450)
Capital redemption reserve	**185**	185	185
Hedging reserve	**(92)**	126	171
Translation reserve	**31,255**	11,653	45,329
Other reserves	**(8,387)**	(6,468)	(4,073)
Retained earnings	**488,774**	435,537	454,213
Shareholders' funds	**566,856**	497,656	548,948

* Referred to in prior periods as Treasury shares.

Consolidated Statement of Changes in Equity

For the 27 weeks ended 3 October 2015

	Share capital £000	Share premium account £000	Own shares £000	Capital redemption reserve £000	Hedging reserve* £000	Translation reserve* £000	Other reserves £000	Retained earnings £000	Total £000
At 28 March 2015 (audited)	**37,965**	**23,608**	**(8,450)**	**185**	**171**	**45,329**	**(4,073)**	**454,213**	**548,948**
Profit for the period	–	–	–	–	–	–	–	50,218	50,218
Other comprehensive income and expense:									
Exchange differences on translation of foreign operations	–	–	–	–	–	(14,096)	–	–	(14,096)
Exchange losses transferred to Income Statement on disposal of operation	–	–	–	–	–	22	–	–	22
Actuarial gains on defined benefit pension plans	–	–	–	–	–	–	–	13,122	13,122
Effective portion of changes in fair value of cash flow hedges	–	–	–	–	(343)	–	–	–	(343)
Tax relating to components of other comprehensive income and expense	–	–	–	–	80	–	–	(2,625)	(2,545)
Total other comprehensive income and expense	–	–	–	–	(263)	(14,074)	–	10,497	(3,840)
Dividends paid	–	–	–	–	–	–	–	(27,630)	(27,630)
Share-based payments charge**	–	–	–	–	–	–	1,952	–	1,952
Deferred tax on share-based payment transactions	–	–	–	–	–	–	(575)	–	(575)
Excess tax deductions related to share-based payments on exercised options	–	–	–	–	–	–	–	1,476	1,476
Purchase of Employee Benefit Trust shares**	–	–	(1,216)	–	–	–	–	–	(1,216)
Performance share plan awards vested**	–	–	3,214	–	–	–	(5,691)	–	(2,477)
At 3 October 2015 (unaudited)	**37,965**	**23,608**	**(6,452)**	**185**	**(92)**	**31,255**	**(8,387)**	**488,774**	**566,856**

* The presentation of the hedging and translation reserves, which were previously netted, has been amended to show the two reserves and their movements in the period separately. The comparatives have been adjusted to reflect this amended presentation. There has been no impact on Shareholders' funds in any period.

** The purchase of Employee Benefit Trust shares/treasury shares and performance share plan awards vested were shown net in Own shares in prior periods, as were the share-based payments charge and performance share plan awards vested in Other reserves. The prior period comparatives have been adjusted to show these gross amounts. There has been no impact on Shareholders' funds in any period.

Own shares are ordinary shares in Halma plc purchased by the Company and held to fulfil the Company's obligations under the Company's share plans. As at 3 October 2015 the number of treasury shares held was 940,421 (27 September 2014: 853,631; 28 March 2015: 1,371,785) and the number of shares held by the Employee Benefit Trust was 89,198 (27 September 2014 and 28 March 2015: nil).

Condensed Statement of Changes in Equity continued

For the 26 weeks ended 27 September 2014

	Share capital £000	Share premium account £000	Own shares £000	Capital redemption reserve £000	Hedging reserve* £000	Translation reserve* £000	Other reserves £000	Retained earnings £000	Total £000
At 29 March 2014 (audited)	37,902	22,778	(7,054)	185	123	14,240	(2,745)	420,571	486,000
Profit for the period	–	–	–	–	–	–	–	47,542	47,542
Other comprehensive income and expense:									
Exchange differences on translation of foreign operations	–	–	–	–	–	(2,587)	–	–	(2,587)
Actuarial losses on defined benefit pension plans	–	–	–	–	–	–	–	(9,663)	(9,663)
Effective portion of changes in fair value of cash flow hedges	–	–	–	–	4	–	–	–	4
Tax relating to components of other comprehensive income and expense	–	–	–	–	(1)	–	–	1,865	1,864
Total other comprehensive income and expense	–	–	–	–	3	(2,587)	–	(7,798)	(10,382)
Share options exercised	58	770	–	–	–	–	–	–	828
Dividends paid	–	–	–	–	–	–	–	(25,800)	(25,800)
Share-based payments charge**	–	–	–	–	–	–	1,929	–	1,929
Deferred tax on share-based payment transactions	–	–	–	–	–	–	(441)	–	(441)
Excess tax deductions related to share-based payments on exercised options	–	–	–	–	–	–	–	1,022	1,022
Purchase of treasury shares**	–	–	(3,042)	–	–	–	–	–	(3,042)
Performance share plan awards vested**	–	–	5,211	–	–	–	(5,211)	–	–
At 27 September 2014 (unaudited)	37,960	23,548	(4,885)	185	126	11,653	(6,468)	435,537	497,656

* The presentation of the hedging and translation reserves, which were previously netted, has been amended to show the two reserves and their movements in the period separately. The comparatives have been adjusted to reflect this amended presentation. There has been no impact on Shareholders' funds in any period.

** The purchase of Employee Benefit Trust shares/treasury shares and performance share plan awards vested were shown net in Own shares in prior periods, as were the share-based payments charge and performance share plan awards vested in Other reserves. The prior period comparatives have been adjusted to show these gross amounts. There has been no impact on Shareholders' funds in any period.

Condensed Statement of Changes in Equity continued

For the 52 weeks ended 28 March 2015

	Share capital £000	Share premium account £000	Own shares £000	Capital redemption reserve £000	Hedging reserve* £000	Translation reserve* £000	Other reserves £000	Retained earnings £000	Total £000
At 29 March 2014 (audited)	37,902	22,778	(7,054)	185	123	14,240	(2,745)	420,571	486,000
Profit for the period	–	–	–	–	–	–	–	104,001	104,001
Other comprehensive income and expense:									
Exchange differences on translation of foreign operations	–	–	–	–	–	30,900	–	–	30,900
Exchange losses transferred to Income Statement on disposal of operation	–	–	–	–	–	189	–	–	189
Actuarial losses on defined benefit pension plans	–	–	–	–	–	–	–	(34,795)	(34,795)
Effective portion of changes in fair value of cash flow hedges	–	–	–	–	71	–	–	–	71
Tax relating to components of other comprehensive income and expense	–	–	–	–	(23)	–	–	6,791	6,768
Total other comprehensive income and expense	–	–	–	–	48	31,089	–	(28,004)	3,133
Share options exercised	63	830	–	–	–	–	–	–	893
Dividends paid	–	–	–	–	–	–	–	(43,399)	(43,399)
Share-based payments charge**	–	–	–	–	–	–	3,828	–	3,828
Deferred tax on share-based payment transactions	–	–	–	–	–	–	291	–	291
Excess tax deductions related to share-based payments on exercised options	–	–	–	–	–	–	–	1,044	1,044
Purchase of treasury shares**	–	–	(6,843)	–	–	–	–	–	(6,843)
Performance share plan awards vested**	–	–	5,447	–	–	–	(5,447)	–	–
At 28 March 2015 (audited)	37,965	23,608	(8,450)	185	171	45,329	(4,073)	454,213	548,948

* The presentation of the hedging and translation reserves, which were previously netted, has been amended to show the two reserves and their movements in the period separately. The comparatives have been adjusted to reflect this amended presentation. There has been no impact on Shareholders' funds in any period.

** The purchase of Employee Benefit Trust shares/treasury shares and performance share plan awards vested were shown net in Own shares in prior periods, as were the share-based payments charge and performance share plan awards vested in Other reserves. The prior period comparatives have been adjusted to show these gross amounts. There has been no impact on Shareholders' funds in any period.

Consolidated Cash Flow Statement

	Notes	**Unaudited 27 weeks to 3 October 2015 £000**	Unaudited 26 weeks to 27 September 2014 £000	Audited 52 weeks to 28 March 2015 £000
Net cash inflow from operating activities	8	**61,886**	61,924	137,231
Cash flows from investing activities				
Purchase of property, plant and equipment		**(8,244)**	(9,419)	(22,164)
Purchase of computer software		**(778)**	(473)	(1,021)
Purchase of other intangibles		**(81)**	(268)	(382)
Proceeds from sale of property, plant and equipment		**468**	543	1,411
Development costs capitalised		**(3,990)**	(3,239)	(7,213)
Interest received		**128**	64	134
Acquisition of businesses, net of cash acquired	10	**(12,902)**	(87,145)	(87,743)
Disposal of business, net of cash disposed	11	**908**	4,221	4,248
Net cash used in investing activities		**(24,491)**	(95,716)	(112,730)
Financing activities				
Dividends paid		**(27,630)**	(25,800)	(43,399)
Proceeds from issue of share capital		**–**	828	893
Purchase of own shares		**(1,216)**	(3,042)	(6,843)
Interest paid		**(1,589)**	(1,499)	(3,118)
Proceeds from borrowings		**87,000**	152,435	68,962
Repayment of borrowings		**–**	(77,367)	(35,341)
Net cash from/(used in) financing activities		**56,565**	45,555	(18,846)
Increase in cash and cash equivalents		**93,960**	11,763	5,655
Cash and cash equivalents brought forward		**39,525**	33,126	33,126
Exchange adjustments		**231**	(329)	744
Cash and cash equivalents carried forward		**133,716**	44,560	39,525

	Unaudited 3 October 2015 £000	Unaudited 27 September 2014 £000	Audited 28 March 2015 £000
Reconciliation of net cash flow to movement in net debt			
Increase in cash and cash equivalents	**93,960**	11,763	5,655
Cash inflow from drawdowns of borrowings	**(87,000)**	(75,068)	(33,621)
Net debt acquired	**–**	(468)	(468)
Loan notes issued*	**(263)**	(608)	(657)
Loan notes repaid*	**368**	2,731	2,731
Exchange adjustments	**442**	(130)	(38)
	7,507	(61,780)	(26,398)
Net debt brought forward	**(100,894)**	(74,496)	(74,496)
Net debt carried forward	**(93,387)**	(136,276)	(100,894)

* £368,000 of the £657,000 loan notes issued in the prior period was converted at par into cash on 17 July 2015. The remaining loan notes are outstanding. Loan notes totalling £263,000 were issued on 15 April 2015 and 16 July 2015 as part of the consideration payable in relation to the acquisition of Advanced Electronics Limited on 14 May 2014. The loan notes, which attract interest of 1%, are convertible into cash by the holder at par on each anniversary of the acquisition date until 14 May 2019.

Notes to the Condensed Financial Statements

1 Basis of preparation

General information

The Half Year Report, which includes the Interim Management Report and Condensed Financial Statements for the 27 weeks to 3 October 2015, has not been audited or reviewed by the Group's Auditor and was approved by the Directors on 17 November 2015.

The Report has been prepared in accordance with International Accounting Standard 34, applying the accounting policies and presentation that were applied in the preparation of the Group's statutory accounts for the 52 weeks to 28 March 2015.

The figures shown for the 52 weeks to 28 March 2015 are based on the Group's statutory accounts for that period and do not constitute the Group's statutory accounts for that period as defined in Section 434 of the Companies Act 2006. These statutory accounts, which were prepared under International Financial Reporting Standards, have been filed with the Registrar of Companies. The audit report on those accounts was not qualified, did not include a reference to any matters to which the Auditor drew attention by way of emphasis without qualifying the report, and did not contain statements under Sections 498 (2) or (3) of the Companies Act 2006.

The Report has been prepared solely to provide additional information to shareholders as a body to assess the Board's strategies and the potential for those strategies to succeed. It should not be relied on by any other party or for any other purpose.

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

The Directors believe the Group is well placed to manage its business risks successfully. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current committed facilities, which includes a £360m five-year revolving credit facility due to expire in November 2018 and the recently agreed United States Private Placement of $250m which matures over intervals of five, seven and ten years up to 2026 with funds to be drawn in January 2016.

With this in mind, the Directors have a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the half year Condensed Financial Statements.

Notes to the Condensed Financial Statements continued

2 Segmental analysis

Sector analysis

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

Segment revenue and results

	Revenue (all continuing operations)		
	Unaudited 27 weeks to 3 October 2015 £000	Unaudited 26 weeks to 27 September 2014 £000	Audited 52 weeks to 28 March 2015 £000
Process Safety	**77,773**	73,579	158,372
Infrastructure Safety	**122,411**	112,693	234,063
Medical	**92,297**	78,464	169,333
Environmental & Analysis	**87,243**	76,256	164,412
Inter-segmental sales	**(67)**	(89)	(46)
Revenue for the period	**379,657**	340,903	726,134

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

	Profit (all continuing operations)		
	Unaudited 27 weeks to 3 October 2015 £000	Unaudited 26 weeks to 27 September 2014 £000	Audited 52 weeks to 28 March 2015 £000
Segment profit before allocation of adjustments*			
Process Safety	**19,090**	20,439	44,772
Infrastructure Safety	**24,591**	22,821	49,992
Medical	**24,579**	20,847	45,385
Environmental & Analysis	**14,767**	11,861	27,403
	83,027	75,968	167,552
Segment profit after allocation of adjustments*			
Process Safety	**17,393**	18,187	40,280
Infrastructure Safety	**23,707**	23,165	49,585
Medical	**18,826**	15,227	31,981
Environmental & Analysis	**12,689**	11,590	25,699
Segment profit	**72,615**	68,169	147,545
Central administration costs	**(5,449)**	(4,478)	(8,988)
Costs to close the defined benefit pension plan to future accrual in the prior period	**–**	(46)	–
Net finance expense	**(2,921)**	(2,472)	(4,946)
Group profit before taxation	**64,245**	61,173	133,611
Taxation	**(14,027)**	(13,631)	(29,610)
Profit for the period	**50,218**	47,542	104,001

* Adjustments include the amortisation of acquired intangible assets, acquisition items and profit or loss on disposal of operations.

The accounting policies of the reportable segments are the same as the Group's accounting policies. For acquisitions after 3 April 2010, acquisition transaction costs and adjustments to contingent purchase consideration are recognised in the Consolidated Income Statement. Segment profit before these acquisition costs, the amortisation of acquired intangible assets and the profit or loss on disposal of continuing operations is disclosed separately above as this is the measure reported to the Chief Executive for the purpose of allocation of resources and assessment of segment performance.

2 Segmental analysis continued

These adjustments are analysed as follows:

	Unaudited for the 27 weeks ended 3 October 2015					
		Acquisition items				
	Amortisation of acquired intangibles £000	Transaction costs £000	Adjustments to contingent consideration £000	Total amortisation charge and acquisition items £000	Disposal of operations (note 11) £000	Total £000
Process Safety	**(1,697)**	**–**	**–**	**(1,697)**	**–**	**(1,697)**
Infrastructure Safety	**(411)**	**(148)**	**(325)**	**(884)**	**–**	**(884)**
Medical	**(6,217)**	**(114)**	**(14)**	**(6,345)**	**592**	**(5,753)**
Environmental & Analysis	**(2,078)**	**–**	**–**	**(2,078)**	**–**	**(2,078)**
Total Segment & Group	**(10,403)**	**(262)**	**(339)**	**(11,004)**	**592**	**(10,412)**

The transaction costs arose mainly on the acquisitions of Value Added Solutions LLC (see note 10) and Firetrace USA, LLC (Firetrace) (see note 13), which were acquired on 19 May 2015 and 5 October 2015 respectively.

The £325,000 charge to contingent consideration related to the revision of the estimate of the remaining Advanced Electronics Limited payable. The payable was settled during the period.

The £592,000 profit on disposal relates to the disposal of 8.8% of the Group's ownership interest in Optomed Oy on 26 August 2015. See note 11 for further details.

	Unaudited for the 26 weeks ended 27 September 2014						
		Acquisition items					
	Amortisation of acquired intangibles £000	Transaction costs £000	Adjustments to contingent consideration £000	Total amortisation charge and acquisition items £000	Disposal of operations (note 11) £000	Effects of closure to future benefit accrual of defined benefit pension plans* £000	Total £000
Process Safety	(1,344)	(908)	–	(2,252)	–	–	(2,252)
Infrastructure Safety	(354)	(386)	–	(740)	1,084	–	344
Medical	(5,962)	(4)	–	(5,966)	346	–	(5,620)
Environmental & Analysis	(1,935)	–	1,664	(271)	–	–	(271)
Total Segment	(9,595)	(1,298)	1,664	(9,229)	1,430	–	(7,799)
Central administration costs	–	–	–	–	–	(46)	(46)
Total Group	(9,595)	(1,298)	1,664	(9,229)	1,430	(46)	(7,845)

* The £46,000 relates to the costs to close the defined benefit pension plan to future accrual in the prior period.

The transaction costs arose on the acquisitions of Rohrback Cosasco Systems Inc., £908,000; Advanced Electronics Limited, £386,000; and Plasticspritzerei AG, £4,000.

The £1,664,000 credit to contingent consideration related to the revision of the estimate of the remaining ASL Holdings Limited payable from £2,500,000 to £836,000, after payment of £1,000,000 in May 2014.

Within the Infrastructure Safety segment, the £1,084,000 profit relates to the disposal, on 30 May 2014, of Monitor Elevator Products, Inc. Within the Medical segment, the £346,000 profit comprises the disposal, on 2 May 2014, of the Group's 50% ownership interest in PSRM Immobilien AG (£131,000) and, on 14 July 2014, of 10.72% of its ownership interest in Optomed Oy (£215,000).

Notes to the Condensed Financial Statements continued

2 Segmental analysis continued

	Audited for the 52 weeks ended 28 March 2015						
		Acquisition items					
	Amortisation of acquired intangibles £000	Transaction costs £000	Adjustments to contingent consideration £000	Release of fair value adjustments to inventory £000	Total amortisation charge and acquisition items £000	Disposal of operations (note 11) £000	Total £000
Process Safety	(3,026)	(928)	–	(538)	(4,492)	–	(4,492)
Infrastructure Safety	(765)	(486)	(102)	(130)	(1,483)	1,076	(407)
Medical	(12,156)	(21)	(1,581)	–	(13,758)	354	(13,404)
Environmental & Analysis	(4,007)	–	2,303	–	(1,704)	–	(1,704)
Total Segment & Group	(19,954)	(1,435)	620	(668)	(21,437)	1,430	(20,007)

The £1,581,000 charge to contingent consideration in the Medical sector related mainly to the revision in the estimate of the MST payable from $6,504,000 to $9,061,000. The £2,303,000 credit to contingent consideration in the Environmental & Analysis sector related to the further revision of the estimate of the remaining ASL Holdings Limited payable.

The total assets and liabilities of all four segments have not been disclosed as there have been no material changes to those disclosed in the 2015 Annual Report and Accounts.

Geographic information

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

	Revenue by destination		
	Unaudited 27 weeks to 3 October 2015 £000	Unaudited 26 weeks to 27 September 2014 £000	Audited 52 weeks to 28 March 2015 £000
United States of America	**124,415**	104,110	223,374
Mainland Europe	**85,190**	79,216	167,363
United Kingdom	**71,520**	67,225	138,312
Asia Pacific	**59,736**	56,248	116,842
Africa, Near and Middle East	**25,419**	19,055	44,037
Other countries	**13,377**	15,049	36,206
Group revenue	**379,657**	340,903	726,134

3 Finance income

	Unaudited 27 weeks to 3 October 2015 £000	Unaudited 26 weeks to 27 September 2014 £000	Audited 52 weeks to 28 March 2015 £000
Interest receivable	**128**	64	134
Fair value movement on derivative financial instruments	**–**	–	33
	128	64	167

4 Finance expense

	Unaudited 27 weeks to 3 October 2015 £000	Unaudited 26 weeks to 27 September 2014 £000	Audited 52 weeks to 28 March 2015 £000
Interest payable on bank loans and overdrafts	**1,580**	1,499	3,090
Amortisation of finance costs	**265**	265	530
Net interest charge on pension plan liabilities	**1,008**	701	1,419
Other interest payable	**9**	–	28
	2,862	2,465	5,067
Fair value movement on derivative financial instruments	**187**	49	–
Unwinding of discount on provisions	**–**	22	46
	3,049	2,536	5,113

5 Taxation

The total Group tax charge for the 27 weeks to 3 October 2015 of £14,027,000 (26 weeks to 27 September 2014: £13,631,000; 52 weeks to 28 March 2015: £29,610,000) comprises a current tax charge of £15,280,000 (26 weeks to 27 September 2014: £14,608,000; 52 weeks to 28 March 2015: £33,523,000) and a deferred tax credit of £1,253,000 (26 weeks to 27 September 2014: £977,000; 52 weeks to 28 March 2015: £3,913,000). The tax charge is based on the estimated effective tax rate for the year.

The tax charge includes £12,270,000 (26 weeks to 27 September 2014: £10,620,000; 52 weeks to 28 March 2015: £24,064,000) in respect of overseas tax.

6 Earnings per ordinary share

Basic earnings per ordinary share are calculated using the weighted average of 378,390,374 (27 September 2014: 378,115,425; 28 March 2015: 378,328,541) shares in issue during the period (net of shares purchased by the Company and held as treasury and Employee Benefit Trust shares). Diluted earnings per ordinary share are calculated using 378,390,374 (27 September 2014: 378,383,111; 28 March 2015: 378,475,804) shares which includes dilutive potential ordinary shares of nil (27 September 2014: 267,686; 28 March 2015: 147,263). Dilutive potential ordinary shares are calculated from those exercisable share options where the exercise price is less than the average price of the Company's ordinary shares during the period.

Adjusted earnings are calculated as earnings from continuing operations excluding the amortisation of acquired intangible assets, acquisition items, profit or loss on disposal of operations, and associated taxation thereon.

The Directors consider that adjusted earnings represent a more consistent measure of underlying performance. A reconciliation of earnings and the effect on basic earnings per share figures is as follows:

	Unaudited 27 weeks to 3 October 2015 £000	Unaudited 26 weeks to 27 September 2014 £000	Audited 52 weeks to 28 March 2015 £000
Earnings from continuing operations	**50,218**	47,542	104,001
Costs to close the defined benefit pension plan to future accrual (after tax)	**–**	36	–
Amortisation of acquired intangible assets (after tax)	**7,351**	6,801	14,121
Acquisition transaction costs (after tax)	**171**	1,286	1,423
Release of fair value adjustments to inventory (after tax)	**–**	–	474
Adjustments to contingent consideration (after tax)	**339**	(1,664)	(1,162)
Profit on disposal of operations (after tax)	**(592)**	(857)	(945)
Adjusted earnings	**57,487**	53,144	117,912

			Per ordinary share
	Unaudited 27 weeks to 3 October 2015 pence	Unaudited 26 weeks to 27 September 2014 pence	Audited 52 weeks to 28 March 2015 pence
Earnings from continuing operations	**13.27**	12.57	27.49
Costs to close the defined benefit pension plan to future accrual (after tax)	**–**	0.01	–
Amortisation of acquired intangible assets (after tax)	**1.94**	1.80	3.73
Acquisition transaction costs (after tax)	**0.05**	0.34	0.38
Release of fair value adjustments to inventory (after tax)	**–**	–	0.13
Adjustments to contingent consideration (after tax)	**0.09**	(0.44)	(0.31)
Profit on disposal of operations (after tax)	**(0.16)**	(0.23)	(0.25)
Adjusted earnings	**15.19**	14.05	31.17

7 Dividends

	Per ordinary share		
	Unaudited 27 weeks to 3 October 2015 £000	Unaudited 26 weeks to 27 September 2014 £000	Audited 52 weeks to 28 March 2015 £000
Amounts recognised as distributions to shareholders in the period			
Final dividend for the year to 28 March 2015 (29 March 2014)	**7.31**	6.82	6.82
Interim dividend for the year to 28 March 2015	**–**	–	4.65
	7.31	6.82	11.47
Dividends in respect of the period			
Interim dividend for the year to 2 April 2016 (28 March 2015)	**4.98**	4.65	4.65
Final dividend for the year to 28 March 2015	**–**	–	7.31
	4.98	4.65	11.96

	Unaudited 27 weeks to 3 October 2015 £000	Unaudited 26 weeks to 27 September 2014 £000	Audited 52 weeks to 28 March 2015 £000
Amounts recognised as distributions to shareholders in the period			
Final dividend for the year to 28 March 2015 (29 March 2014)	**27,630**	25,800	25,800
Interim dividend for the year to 28 March 2015	**–**	–	17,599
	27,630	25,800	43,399
Dividends in respect of the period			
Interim dividend for the year to 2 April 2016 (28 March 2015)	**18,855**	17,599	17,599
Final dividend for the year to 28 March 2015	**–**	–	27,630
	18,855	17,599	45,229

8 Notes to the Consolidated Cash Flow Statement

	Unaudited 27 weeks to 3 October 2015 £000	Unaudited 26 weeks to 27 September 2014 £000	Audited 52 weeks to 28 March 2015 £000
Reconciliation of profit from operations to net cash inflow from operating activities			
Profit on continuing operations before finance income and expense, share of results of associates and profit on disposal of operations	**66,653**	62,150	137,063
Depreciation of property, plant and equipment	**7,387**	6,822	14,005
Amortisation of computer software	**610**	568	1,211
Amortisation of capitalised development costs and other intangibles	**2,347**	2,829	5,505
Impairment of capitalised development costs	**–**	–	236
Amortisation of acquired intangible assets	**10,403**	9,595	19,954
Share-based payment expense (less than)/in excess of amounts paid	**(1,052)**	2,079	3,803
Additional payments to pension plans	**(3,241)**	(3,250)	(6,560)
Loss/(profit) on sale of property, plant and equipment and computer software	**35**	(114)	(590)
Operating cash flows before movement in working capital	**83,142**	80,679	174,627
Increase in inventories	**(4,525)**	(3,037)	(1,097)
Decrease/(increase) in receivables	**11,661**	6,073	(10,656)
(Decrease)/increase in payables and provisions	**(12,398)**	(7,318)	5,801
Revision to estimate of contingent consideration payable	**339**	(1,664)	(620)
Cash generated from operations	**78,219**	74,733	168,055
Taxation paid	**(16,333)**	(12,809)	(30,824)
Net cash inflow from operating activities	**61,886**	61,924	137,231

	Unaudited 3 October 2015 £000	Unaudited 27 September 2014 £000	Audited 28 March 2015 £000
Analysis of cash and cash equivalents			
Cash and bank balances	**133,716**	49,177	41,230
Overdrafts (included in current Borrowings)	**–**	(4,617)	(1,705)
Cash and cash equivalents	**133,716**	44,560	39,525

	At 28 March 2015 £000	**Cash flow £000**	**Loan notes issued £000**	**Loan notes repaid £000**	**Exchange adjustments £000**	**At 3 October 2015 £000**
Analysis of net debt						
Cash and bank balances	41,230	**92,255**	**–**	**–**	**231**	**133,716**
Overdrafts	(1,705)	**1,705**	**–**	**–**	**–**	**–**
Cash and cash equivalents	39,525	**93,960**	**–**	**–**	**231**	**133,716**
Loan notes falling due after more than one year*	(657)	**–**	**(263)**	**368**	**–**	**(552)**
Bank loans falling due after more than one year	(139,762)	**(87,000)**	**–**	**–**	**211**	**(226,551)**
Total net debt	(100,894)	**6,960**	**(263)**	**368**	**442**	**(93,387)**

* £368,000 of the £657,000 loan notes issued in the prior period was converted at par into cash on 17 July 2015. The remaining loan notes are outstanding. Loan notes totalling £263,000 were issued on 15 April 2015 and 16 July 2015 as part of the consideration payable in relation to the acquisition of Advanced Electronics Limited on 14 May 2014. The loan notes, which attract interest of 1%, are convertible into cash by the holder at par on each anniversary of the acquisition date until 14 May 2019.

Cash flows attributable to bank loans falling due after more than one year comprise drawdowns of £87,000,000 and repayments of £nil.

Notes to the Condensed Financial Statements continued

9 Non-GAAP measures

Return on Total Invested Capital (ROTIC)

	Unaudited 27 weeks to 3 October 2015 £000	(Restated)* Unaudited 26 weeks to 27 September 2014 £000	Audited 52 weeks to 28 March 2015 £000
Post-tax profit before adjustments**	**57,487**	53,144	117,912
Shareholders' funds	**566,856**	497,656	548,948
Add back retirement benefit obligations	**51,405**	44,209	66,790
Less associated deferred tax assets	**(10,000)**	(8,718)	(13,085)
Cumulative amortisation of acquired intangible assets	**93,137**	70,080	83,958
Historical adjustments to goodwill***	**89,549**	89,549	89,549
Total Invested Capital	**790,947**	692,776	776,160
Average Total Invested Capital	**783,554**	679,563	721,255
Return on Total Invested Capital (annualised)	**14.7%**	15.6%	16.3%

Return on Capital Employed (ROCE)

	Unaudited 27 weeks to 3 October 2015 £000	(Restated)* Unaudited 26 weeks to 27 September 2014 £000	Audited 52 weeks to 28 March 2015 £000
Operating profit before adjustments, but after share of results of associates**	**77,578**	71,490	158,564
Computer software costs within intangible assets	**2,981**	2,862	2,835
Capitalised development costs within intangible assets	**17,397**	15,150	15,865
Other intangibles within intangible assets	**453**	404	450
Property, plant and equipment	**86,000**	78,359	86,303
Inventories	**83,014**	77,720	79,734
Trade and other receivables	**143,144**	135,225	156,464
Trade and other payables	**(90,721)**	(85,004)	(102,717)
Provisions	**(2,179)**	(11,003)	(11,746)
Net tax liabilities	**(9,431)**	(11,679)	(12,385)
Non-current trade and other payables	**(4,058)**	(3,335)	(3,756)
Non-current provisions	**(2,534)**	(1,631)	(1,549)
Add back contingent purchase consideration	**841**	8,700	9,650
Capital Employed	**224,907**	205,768	219,148
Average Capital Employed	**222,028**	197,738	204,428
Return on Capital Employed (annualised)	**69.9%**	72.3%	77.6%

* The ROTIC and ROCE measures are now expressed as a percentage of the average of the current period's and prior year's Total Invested Capital and Capital Employed respectively. Using an average as the denominator is considered to be more representative. The March 2014 Total Invested Capital and Capital Employed balances were £666,350,000 and £189,707,000 respectively.
** Adjustments include the amortisation of acquired intangible assets, acquisition items and profit or loss on disposal of operations.
*** Includes goodwill amortised prior to 3 April 2004 and goodwill taken to reserves.

Notes to the Condensed Financial Statements continued

9 Non-GAAP measures continued

Organic growth

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

	Revenue			Adjusted profit* before taxation		
	Unaudited 27 weeks to 3 October 2015 £000	Unaudited 26 weeks to 27 September 2014 £000	**% growth**	**Unaudited 27 weeks to 3 October 2015 £000**	Unaudited 26 weeks to 27 September 2014 £000	**% growth**
Continuing operations	**379,657**	340,903		**74,657**	69,018	
Acquired and disposed revenue/profit	**(6,139)**	(1,094)		**(1,273)**	64	
Organic growth	**373,518**	339,809	**9.9%**	**73,384**	69,082	**6.2%**
Constant currency adjustment	**(9,192)**	–		**(1,703)**	–	
Organic growth at constant currency	**364,326**	339,809	**7.2%**	**71,681**	69,082	**3.8%**

* Adjustments include the amortisation of acquired intangible assets, acquisition items, and profit or loss on disposal of operations.

Adjusted operating profit

	Unaudited 27 weeks to 3 October 2015 £000	Unaudited 26 weeks to 27 September 2014 £000	Audited 52 weeks to 28 March 2015 £000
Operating profit	**66,653**	62,150	137,063
Add back:			
Acquisition items	**601**	(366)	1,483
Costs to close the defined benefit pension plan to future accrual	**–**	46	–
Amortisation of acquired intangible assets	**10,403**	9,595	19,954
Adjusted operating profit	**77,657**	71,425	158,500

Adjusted operating cash flow

	Unaudited 27 weeks to 3 October 2015 £000	Unaudited 26 weeks to 27 September 2014 £000	Audited 52 weeks to 28 March 2015 £000
Net cash from operating activities (note 8)	**61,886**	61,924	137,231
Add back:			
Taxation paid	**16,333**	12,809	30,824
Proceeds from sale of property, plant and equipment	**468**	543	1,411
Share awards vested not settled by own shares*	**2,477**	–	–
Less:			
Purchase of property, plant and equipment	**(8,244)**	(9,419)	(22,164)
Purchase of computer software and other intangibles	**(859)**	(741)	(1,403)
Development costs capitalised	**(3,990)**	(3,239)	(7,213)
Adjusted operating cash flow	**68,071**	61,877	138,686
Cash conversion % (adjusted operating cash flow/adjusted operating profit)	**88%**	87%	87%

* See Consolidated Statement of Changes in Equity.

10 Acquisitions

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

On 19 May 2015 the Group acquired the entire membership interest of Value Added Solutions, LLC (VAS) for an initial consideration of $5,000,000. Below is the summary of the assets and liabilities acquired and the purchase consideration.

Value Added Solutions, LLC

	Book value £000	Fair value adjustments £000	Total £000
Non-current assets			
Intangible assets	**2**	**1,808**	**1,810**
Property, plant and equipment	**26**	**212**	**238**
Current assets			
Inventories	**22**	**7**	**29**
Trade and other receivables	**193**	**(8)**	**185**
Total assets	**243**	**2,019**	**2,262**
Current liabilities			
Trade and other payables	**(23)**	**(6)**	**(29)**
Provisions	**(9)**	**(2)**	**(11)**
Total liabilities	**(32)**	**(8)**	**(40)**
Net assets of businesses acquired	**211**	**2,011**	**2,222**

	£000
Initial consideration paid (all cash)	**3,228**
Deferred contingent purchase consideration estimated to be paid	**645**
Total consideration	**3,873**
Goodwill arising on current year acquisition	**1,651**

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

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

The goodwill arising on acquisition is expected to be deductible for tax purposes. The maximum deferred contingent consideration payable is $1,500,000 (£968,000). The current provision represents management's best estimate of the likely payable based on performance observed to date. The deferred contingent consideration is payable based on annualised gross margin for an eighteen month performance period to 1 October 2016.

VAS will operate as a 'bolt-on' to Diba Industries Inc., within Halma's Medical sector. Diba Industries creates innovative fluid handling solutions that are invaluable to device OEMs, while VAS specialises in precision plastic machining, production of thermally bonded manifolds, and fluid component integrations. VAS will add complementary expertise, capabilities, and products that will allow Diba to provide broader solutions to its existing customers, as well as expand its customer base. VAS's production facility is located in Berlin, CT (USA), approximately one hour from Diba Industries' headquarters.

VAS contributed £322,000 of revenue and £11,000 of profit after tax for the period ended 3 October 2015. If it had been held since the start of the financial period, it is estimated the Group's reported revenue and profit after tax would have been £158,000 and £22,000 higher respectively.

The fair value adjustments made resulted in net adjustments to goodwill, which exclude acquired intangibles recognised and deferred tax thereon, of £207,000. 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 £1,107,000; technology-related intangibles of £701,000; with residual goodwill arising of £1,651,000. The goodwill represents:

a) the technical expertise of the acquired workforce;

b) the opportunity to leverage this expertise across some of Halma's businesses; and

c) the ability to exploit the Group's existing customer base.

Notes to the Condensed Financial Statements continued

10 Acquisitions continued

As at the date of approval of this Report, the initial acquisition accounting for VAS is provisional. It is common for certain provisions, inventory valuations, intangible asset valuations and deferred tax balances to be revised during the goodwill measurement period, which expires in May 2016. Revisions are made only if new information about conditions existing at the acquisition date becomes available during the measurement period, as defined by IFRS 3 (revised) 'Business Combinations'. The accounting for all prior period acquisitions is completed.

Analysis of cash outflow in the Consolidated Cash Flow Statement

	Unaudited 27 weeks to 3 October 2015 £000	Unaudited 26 weeks to 27 September 2014 £000	Audited 52 weeks to 28 March 2015 £000
Initial cash consideration paid	**3,228**	90,828	90,828
Cash acquired on acquisitions	**–**	(9,619)	(9,619)
Deferred contingent consideration paid in relation to current year acquisitions	**–**	1,955	2,601
Deferred contingent consideration paid and loan notes repaid in cash in relation to prior year acquisitions*	**9,674**	3,981	3,933
Net cash outflow relating to acquisitions (per Consolidated Cash Flow Statement)	**12,902**	87,145	87,743

* The £9,674,000 comprises £368,000 loan notes and £9,306,000 contingent purchase consideration paid in respect of prior period acquisitions, all but £339,000 of which had been provided in the prior year's financial statements.

11 Disposal of subsidiary and interests in associates

On 26 August 2015 the Group disposed of 9,176 shares in Optomed Oy (Optomed), representing 8.8% of its ownership interest in the associate. Consideration received was €1,236,000 (£908,000). This transaction resulted in a profit on disposal of £592,000. The Group's residual interest in Optomed is 28.6%. As one of the largest shareholders, the Group continues to exercise significant influence, but not control, over the company and so continues to apply the equity method of accounting for its interest in Optomed.

In the prior periods the profit on disposal related to the disposal by the Group, of its subsidiary Monitor Elevator Products, Inc., its 50% ownership interest in PSRM Immobilien AG and another partial disposal of Optomed Oy. Further details are provided on page 149 of the 2015 Annual Report and Accounts.

12 Fair values of financial assets and liabilities

As at 3 October 2015 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 and fixed rate borrowings approximate to the carrying value because interest rates are reset to market rates at intervals of less than one year.

The fair value of 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.

As at 3 October 2015, the total forward foreign currency contracts outstanding were £98,389,000. The contracts 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.

The fair values of the forward contracts are disclosed as a £173,000 (27 September 2014: £622,000; 28 March 2015: £1,069,000) asset and £270,000 (27 September 2014: £338,000; 28 March 2015: £636,000) liability in the Consolidated Balance Sheet.

Any movements in the fair values of the contracts are recognised in equity until the hedge transaction occurs, when gains/losses are recycled to finance income or finance expense.

13 Subsequent events

Acquisition of Firetrace USA, LLC

On 5 October 2015, the Group acquired the entire interest in Firetrace USA, LLC and its subsidiary companies for cash consideration of $110,000,000, adjustable based on the closing date net assets. No deferred contingent consideration is payable.

Firetrace, based in Scottsdale, Arizona, USA, designs and manufactures automatic fire detection and suppression systems for installation in small enclosed environments to protect people and critical assets. It will continue to operate out of its current facilities and existing management will remain in place. Firetrace will become part of the Infrastructure Safety sector and further extends the Group's product offering within the fire protection industry. Due to the proximity of the acquisition to the date of the approval of this Half Year Report it is impractical to provide further information, including full IFRS 3 'Business Combinations' disclosures.

United States Private Placement

On 2 November 2015, the Group completed a United States Private Placement of $250,000,000. The Placement will take effect on 6 January 2016. The Placement includes Sterling, Euro and US Dollar borrowings at a weighted average fixed interest rate of 2.5%. The bonds mature at five, seven and ten year intervals.

Notes to the Condensed Financial Statements continued

14 Other matters

Seasonality

The Group's financial results have not historically been subject to significant seasonal trends.

Equity and borrowings

Issues and repurchases of Halma plc's ordinary shares and drawdowns and repayments of borrowings are shown in the Consolidated Cash Flow Statement.

Related party transactions

There were no significant changes in the nature and size of related party transactions for the period to those reported in the 2015 Annual Report and Accounts.

15 Principal risks and uncertainties

A number of potential risks and uncertainties exist that could have a material impact on the Group's performance over the second half of the financial year and could cause actual results to differ materially from expected and historical results.

The Group has in place processes for identifying, evaluating and managing key risks. These risks, together with a description of the approach to mitigating them, are set out on pages 28 to 31 in the 2015 Annual Report and Accounts, which is available on the Group's website at www.halma.com.

The principal risks and uncertainties relate to:

- Globalisation
- Competition
- Economic conditions
- Funding, treasury and pension deficit
- Cyber security/Information Technology/Business interruption
- Acquisitions
- Laws and regulations
- Succession planning and staff quality
- Research & Development and Intellectual Property strategy

The Directors consider that the principal risks and uncertainties noted above continue to be relevant to the Group. As part of their ongoing assessment of risk throughout the period the Directors have considered the above risks in the context of the new Executive Board structure and the Group's delivery of its financial objectives. Movements in foreign exchange rates also remain a risk to financial performance. We mitigate the risk to demand by operating in markets underpinned by regulatory drivers (where customer spending is often non-discretionary), maintaining a diverse product portfolio and targeting continued growth in developing markets. In addition, Halma's model of autonomy allows local management to change strategy quickly when reacting to variable market conditions.

Although the Group uses forward foreign exchange contracts to mitigate its transactional currency exposure risk, it does not hedge the translation of its currency profits. In the first half of the year, Sterling weakened on average by 8% relative to the US Dollar, and strengthened 12% against the Euro, resulting in a 3% positive currency impact on reported revenue and 2% on reported profit.

16 Responsibility statement

We confirm that to the best of our knowledge:

a) these Condensed Financial Statements have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' as adopted by the European Union;

b) this Half Year Report includes a fair review of the information required by Disclosure and Transparency Rule (DTR) 4.2.7R (indication of important events during the period and description of principal risks and uncertainties for the remainder of the financial year); and

c) this Half Year Report includes a fair review of the information required by DTR 4.2.8R (disclosure of related party transactions and changes therein).

By order of the Board

Andrew Williams
Chief Executive
17 November 2015

Kevin Thompson
Finance Director

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Adam Meyers	
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Kevin Thompson	
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Secretary

Carol Chesney

Executive Board

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Kevin Thompson	*Finance Director*
Charles Dubois	*Sector Chief Executive, Environmental & Analysis*
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