Halma plc
Half Year Report 2016/17

Insight Opportunity Value

HALMA

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

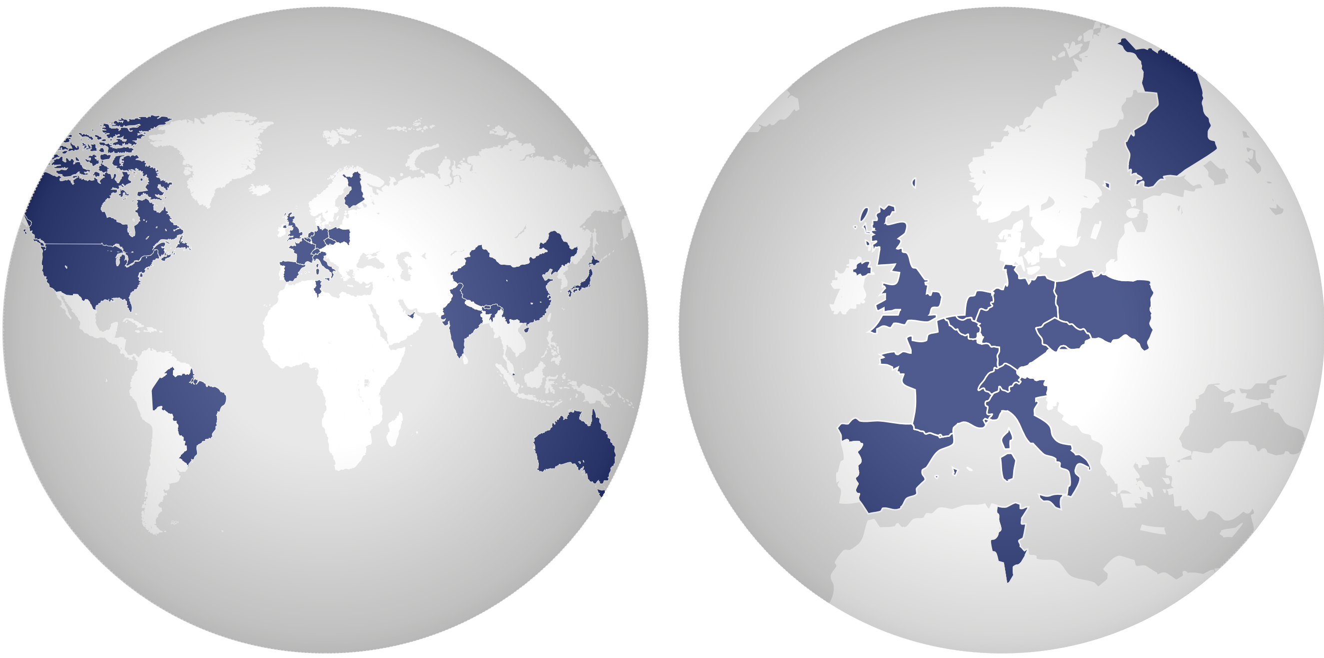
Halma employs over 5,600 people in nearly 50 businesses based in more than 20 countries.

Our companies and products have a core focus on safety, health and environmental markets.

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

Our technology is used to save lives, prevent injuries and protect people and assets around the world.

Our global presence



Highlights

Revenue

£442.1m
+16%

(2015/16: £379.7m)

Adjusted profit before taxation

£83.6m
+12%

(2015/16: £74.7m)

Interim dividend declared (per share)

5.33p
+7%

(2015/16: 4.98p)

Return on sales

18.9%

(2015/16: 19.7%)

Financial highlights

Continuing operations	2016	2015	Change
Revenue	£442.1m	£379.7m	+16%
Adjusted Profit before Taxation[1]	£83.6m	£74.7m	+12%
Adjusted Earnings per Share[2]	17.23p	15.19p	+13%
Statutory Profit before Taxation	£65.2m	£64.2m	+2%
Statutory Earnings per Share	13.79p	13.27p	+4%
Interim Dividend per Share[3]	5.33p	4.98p	+7%
Return on Sales[4]	18.9%	19.7%	
Return on Total Invested Capital[5]	13.8%	14.7%	
Net Debt	£237.3m	£93.4m	

Pro-forma information:

1. Adjusted to remove the amortisation of acquired intangible assets, acquisition items and profit or loss on disposal of operations and restructuring, totalling £18.4m (2015/16: £10.4m). 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 restructuring, 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 additional performance measures used by management. See note 9 to the Condensed Financial Statements for details.
6. The first half's trading in the current 2016/17 financial year included 26 weeks from 3 April to 1 October 2016. The first half's trading in the 2015/16 financial year included 27 weeks from 29 March to 3 October 2015.

Review of Operations

RECORD HALF YEAR RESULTS

Halma made good progress during the first half of the year. Revenue increased by 16% to £442m (2015/16: £380m) including a positive currency translation impact of 8%. Organic revenue growth at constant currency was 2% and 6% on a weekly average basis when adjusted for 27 weeks in the prior period[1] .

Adjusted[1] profit before taxation increased by 12% to £83.6m (2015/16: £74.7m) including a positive currency translation impact of 8%. Organic profit growth at constant currency was 2% and 6% on a weekly average basis[1].

Return on Sales[1] was 18.9% (2015/16: 19.7%). The slight reduction from the prior year was predominantly due to slower than expected progress from acquisitions made in 2015/16 coupled with increased investment across all sectors in innovation, international expansion, talent development and M&A resources. Excluding prior year acquisitions, Return on Sales was in line with the first half of last year.

STRONG FINANCIAL RESOURCES AND INCREASED INTERIM DIVIDEND

Cash generation remained strong and in November 2016, we increased our Revolving Credit Facility from £360m to £550m for a further five-year term. This combination of good cash generation, a healthy balance sheet and increasing financial resources provides us with the capacity we need to invest in organic growth and acquisitions to meet our growth objectives as well as to sustain our progressive dividend policy.

The Board has declared an increase of 7% in the interim dividend to 5.33p per share (2015/16: 4.98p per share). The interim dividend will be paid on 8 February 2017 to shareholders on the register on 30 December 2016. For the past 37 years we have increased our full year dividend by 5% or more each year.

REVENUE GROWTH IN ALL MAJOR REGIONS

In varied market conditions, we achieved revenue growth in all major regions supported by organic growth, favourable currency translation and acquisitions. Revenue from Asia Pacific rose by 17% including 7% organic constant currency growth – the highest of all our major regions. The USA also grew revenue strongly, increasing by 29% to contribute 36% of total revenue. There were low single-digit organic constant currency growth rates in the UK, Mainland Europe and the USA.

Revenue from regions outside the UK, Mainland Europe and the USA increased by 14% with the strong growth in Asia Pacific, an improved performance in South America and weaker demand in the Near and Middle East. Revenue from China was up by 17% to £29.9m (2015/16: £25.6m) with organic constant currency growth of 8% and increases in all four sectors reflecting the opportunity for continued growth in this market.

The tables below summarise revenue growth by region and by sector, including the underlying rates of organic growth at constant currency. Organic constant currency rates exclude the effect of currency translation and acquisitions but do not include any weekly average adjusted figures.

External revenue by destination

	Half year 2016/17		Half year 2015/16				
	£m	% of total	£m	% of total	Change £m	% growth	% organic growth at constant currency
United States of America	160.8	36%	124.5	33%	36.3	29%	3%
Mainland Europe	96.0	22%	85.2	22%	10.8	13%	2%
United Kingdom	72.9	16%	71.5	19%	1.4	2%	1%
Asia Pacific	69.7	16%	59.7	16%	10.0	17%	7%
Other countries	42.7	10%	38.8	10%	3.9	10%	(4%)
	442.1	100%	379.7	100%	62.4	16%	2%

External revenue by sector

	Half year 2016/17	Half year 2015/16			
	£m	£m	Change £m	% growth	% organic growth at constant currency
Process Safety	76.7	77.8	(1.1)	(1%)	(6%)
Infrastructure Safety	148.0	122.4	25.6	21%	5%
Medical	118.7	92.3	26.4	29%	4%
Environmental & Analysis	98.7	87.2	11.5	13%	4%
	442.1	379.7	62.4	16%	2%

ROBUST SECTOR TRADING PERFORMANCES

Infrastructure Safety revenue grew strongly by 21% to £148.0m (2015/16: £122.4m) including 5% organic constant currency growth, a 6% positive impact from currency translation and a 10% contribution from acquisitions in the prior year. There was growth in all major market segments with good growth in Fire and Door Safety and steadier progress in Security and Elevator Safety. These trends contributed to higher organic constant currency growth in the UK and Mainland Europe and solid growth rates in Asia Pacific and the USA.

Profit[2] increased by an impressive 30% to £32.0m (2015/16: £24.6m) including 17% organic constant currency growth, a 5% positive impact from currency translation and an 8% contribution from the prior year acquisitions. Return on Sales rose from 20.1% to 21.6% with organic improvement coming from a small increase in gross margins and good overhead cost control.

Firetrace, acquired in October 2015, performed below expectations after a delay in shipping a major contract, which is now expected to be released in the first half of 2017. However, we continued to invest in innovation, international expansion and talent management reflecting our confidence in its growth prospects.

The **Medical** sector's revenue was up by 29% to £118.7m (2015/16: £92.3m) including 4% organic constant current growth, an 11% positive currency translation impact and a 14% contribution from prior year acquisitions. There was growth in all major market segments with the strongest performances from the Patient Care businesses involved in vital signs monitoring and ophthalmology. Regionally, there was excellent organic constant currency growth in Asia Pacific and more modest growth in the UK and the USA. There was a decline in Mainland Europe due to lower demand from a major global ophthalmology OEM customer.

Profit[2] increased by 17% to £28.9m (2015/16: £24.6m) including 2% organic constant currency growth, a 10% positive currency translation impact and a 5% contribution from prior year acquisitions. Return on Sales was 24.3% (2015/16: 26.6%) with the majority of the decline due to the lower than average returns from Visiometrics and CenTrak, acquired in 2015/16. CenTrak's performance in the first half was adversely affected by a postponement in the roll-out of a major project in the USA due to third-party delays. We believe that shipments will recommence in the first half of 2017/18. CenTrak has continued to invest in new healthcare applications and geographic expansion and has a number of new pilot projects already underway, underlining its exciting growth potential.

The **Environmental & Analysis** sector revenue increased by 13% to £98.7m (2015/16: £87.2m) including 4% organic constant currency growth and a 9% positive impact from currency translation. There was strong organic constant currency growth in Asia Pacific and the USA, with a decline in both the UK and Mainland Europe.

Profit[2] increased by 9% to £16.0m (2015/16: £14.8m) including a 2% organic constant currency reduction and an 11% positive impact from currency translation. Return on Sales of 16.2% (2015/16: 16.9%) reflected steady performances from the Environmental, Water and Food Safety businesses but reduced profit from the Life Science and Research business.

In September 2016, and following the geographic consolidation of our photonics coatings business (Pixelteq) in 2014/15, we decided to transfer certain technology and assets into Ocean Optics (also based near Tampa, Florida, USA) which will be completed in early 2017. The restructuring of the Pixelteq business is expected to benefit the sector's full year adjusted profit by at least £0.5m in 2016/17 and £1.5m in 2017/18, also improving key returns metrics. This restructuring resulted in exceptional costs amounting to £2.1m, which are included within the adjustments[2] to the Income Statement. No further restructuring costs are expected in the second half year.

Process Safety revenue reduced by 1% to £76.7m (2015/16: £77.8m) including an organic constant currency decline of 6% and a positive currency translation impact of 5%. Trading conditions in energy and resource markets, which contribute around 40% of sector revenue, remained challenging and there was organic constant currency revenue decline in all major regions. The year-on-year comparatives will become more favourable during the second half of the year and recent order intake trends support a return to year-on-year growth.

Profit was 9% lower at £17.4m (2015/16: £19.1m) including an organic constant currency decline of 13% and a 4% positive currency translation impact. Return on Sales was 22.7%, compared with 24.5% last year. We continue to balance the need to control costs with investment for growth in non-energy related markets and expect sector profitability to improve in the second half of the year as the benefits of our market diversification efforts continue to emerge.

CONTINUED STRATEGIC INVESTMENT FOR GROWTH

Halma has achieved sustained success over a long period by building strong competitive positions in market niches with long-term growth drivers. Over many years, these fundamentals have been strengthened further by a relentless determination to increase strategic investment in innovation, international expansion and talent development both centrally and within each sector. Examples during the first half included:

- Our companies increased R&D expenditure by 16% to £23.0m (2015/16: £19.8m) representing 5.2% of Group revenue (2015/16: 5.2%) with higher rates of investment in the Infrastructure Safety and Environmental & Analysis sectors.
- All four sector boards recruited dedicated M&A resources.
- We successfully completed the first of our new flagship HPD Enterprise programmes which encourages our Sector Vice Presidents and MDs to think more entrepreneurially, particularly in the increasingly digital world.

CURRENCY VOLATILITY

Currency translation had a significant impact on the half year results and balance sheet. We report our results in Sterling with approximately 45% of Group revenue denominated in US Dollars and approximately 15% in Euros. Average exchange rates are used to translate results in the Income Statement. Sterling weakened in 2016/17, in particular following the result of the EU referendum in the UK, by an average 11% relative to the US Dollar and 12% against the Euro. This resulted in an 8% positive currency translation impact on Group revenue and profit. If exchange rates continue at current levels for the full year, we estimate that the currency translation impact will be approximately 10% positive year on year on both revenue and profit.

PENSION DEFICIT

On an IAS19 basis the deficit on the Group's defined benefit plans at the half year has increased to £94.0m (2 April 2016: £52.3m) before the related deferred tax asset. The value of plan assets increased in the half year but this was more than offset by the increase in liabilities caused by a reduction from 3.4% to 2.3% in the discount rate used to value liabilities following the result of the EU referendum. Earlier in 2016, increased contributions to the pension plans were agreed and these contributions will be reviewed at the next triennial plan valuations.

CASH FLOW AND BALANCE SHEET

Cash conversion (adjusted operating cash flow as a percentage of adjusted operating profit) was 84% (2015/16: 88%) just below our cash conversion target of 85%. As well as continued organic investment, dividend and tax payments increased this half year. Capital expenditure of £11.4m (2015/16: £9.0m) was up 27% as expected, with projects progressing across the Group and in particular in the Infrastructure Safety and Medical sectors.

Net debt at the end of the period was £237m (2 April 2016: £247m). The positive effect of cash generation was partially offset by a £12m increase in net debt due to the translation of debt denominated in US Dollar, Euro and Swiss Franc following the weakening of Sterling. Gearing (the ratio of net debt to EBITDA) at half year end was 1.17 times (2 April 2016: 1.27 times), comfortably within our typical operating range of up to 2 times gearing.

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 processes in place for identifying, evaluating and managing key risks. These risks, together with a description of our approach to mitigating them, are set out on pages 30 to 33 of the Annual Report and Accounts 2016, which is available on the Group's website at www.halma.com. The principal risks and uncertainties relate to operational, strategic, legal, financial, cyber, people and economic issues. See note 15 to the Condensed Financial Statements for further details.

The UK referendum decision in June 2016 to leave the European Union has added a new dimension to the uncertainties surrounding global economic growth. In the last financial year, approximately 10% of Group revenue came from direct sales between the UK and Mainland Europe. Our decentralised model with businesses in diverse markets and locations enables each Halma company to adapt quickly to changing trading conditions, such as weaker Sterling, offering competitive pricing opportunities for exports from the UK.

Halma has formed an executive working group that is tasked with assessing and monitoring the impacts on our business and to communicate updates and guidance as the Brexit process evolves. To date, the following principal risks have been identified as having an actual and/or potential impact on our business:

- Economic conditions – increased overall uncertainty including the specific impacts on growth, inflation, interest and FX rates.
- Defined benefit pension liability – movements in bond yields affecting discount rates which may increase the liability.
- Laws and regulations – potential changes to UK and EU based law and regulation including product approvals, patents and import/export tariffs.

The Directors do not consider that the principal risks and uncertainties have changed since the publication of the Annual Report and Accounts 2016 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 Group's delivery of its financial objectives. 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.

BOARD CHANGES

At the AGM in July 2016, Jane Aikman retired from the Board as a non-executive Director. Jane joined the Board in 2007 and we thank her for her contribution to our success, particularly as Chairman of the Audit Committee. Carole Cran, who was appointed as a non-executive Director in January 2016, has now assumed this role.

In September 2016, Jennifer Ward, Halma's Group Talent Director, was promoted to the Board as an executive Director. Since joining Halma in 2014, Jennifer has contributed significantly to the evolution of our growth strategy and talent development. Prior to Halma, she held senior positions with divisions of PayPal (an eBay company), Bank of America and Honeywell.

In October 2016, Jo Harlow joined the Board as a non-executive Director. Jo has global executive experience in consumer products encompassing strategy, innovation, product development and marketing including senior positions with Microsoft, Nokia, Reebok and Procter & Gamble.

Full biographies of both Jennifer and Jo can be found on our website, www.halma.com.

OUTLOOK

Halma has continued to make good progress, delivering record revenue, profit and dividends for shareholders. The diversity of our business and the evolution of our organisational model through our four sectors is enabling us to sustain growth in varied market conditions. Since the period end, order intake has continued to be ahead of revenue and order intake last year and we are benefiting from the currency tailwind due to the weakening of Sterling since June. Halma remains on track to make progress in the second half of the year in line with the Board's expectations.

Andrew Williams
Chief Executive

Kevin Thompson
Finance Director

1. See Highlights.
2. See note 2 to the Condensed Financial Statements.

Insight

Our market insight enables us to select businesses in industries with long-term growth drivers.

These ensure that the need for our products is sustained, through periods of significant macro-economic change.

Opportunity

We recognise the growth opportunities in the businesses we acquire and give business owners the opportunity to sell their business and retain all the good things that have made them successful. We then give them the opportunity to collaborate with other Halma businesses to accelerate and sustain growth.

Value

The combination of this vibrant acquisition activity and our organic investment enables us to deliver sustained dividend returns over a long period of time.

Creating long-term sustainable value

Business model objective

Our objective is to double 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.

What resources our business model relies on

Financial
Our strongly cash generative businesses support investment for growth

Product Innovation
Developing and delivering the right products across our markets

Human Capital
Investing in our people to enable talent leadership throughout our businesses

Intellectual Assets
Building competitive advantage through investment in R&D and new product development

Relationships
Empowering our businesses to work closely with customers, suppliers and each other

Sustainability
Minimising the impact that our operations have on the environment

What we do

Through innovation and acquisition, we have a portfolio of market-leading companies within our four sectors. Demand for our products is underpinned by resilient, long-term growth drivers.

Process Safety **Infrastructure Safety** **Medical** **Environmental & Analysis**

Competitive advantage

Each business builds strong application knowledge and technology by focusing on its specific market niche where there are often barriers to entry. 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.

A sustainable strategy

Our strategy
To acquire and grow businesses in relatively non-cyclical, specialised global niche markets. The technology and application know-how in each company delivers strong competitive advantage to sustain growth and high returns.

Our values
Achievement
Innovation
Empowerment
Customer satisfaction

Our investment priorities
Innovation
International expansion
Talent development

Driving value creation

Key beneficiaries of our value creation

Customers **Communities** **Employees** **Shareholders** **Suppliers** **Governments**

Measuring and protecting value creation

KPIs **Risks and uncertainties** **Sustainability** **Governance**

Independent review report to Halma plc

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the 26 week period ended 1 October 2016 which comprises the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income and Expenditure, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement and related notes 1 to 16. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

DIRECTORS' RESPONSIBILITIES

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' as adopted by the European Union.

OUR RESPONSIBILITY

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the 26 week period ended 1 October 2016 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

DELOITTE LLP
CHARTERED ACCOUNTANTS AND STATUTORY AUDITOR
LONDON, UK
22 November 2016

Condensed Financial Statements

Consolidated Income Statement

	Notes	Unaudited 26 weeks to 1 October 2016 Before adjustments* £000	Unaudited 26 weeks to 1 October 2016 Adjustments* (note 2) £000	Unaudited 26 weeks to 1 October 2016 Total £000	Unaudited 27 weeks to 3 October 2015 Before adjustments* £000	Unaudited 27 weeks to 3 October 2015 Adjustments* (note 2) £000	Unaudited 27 weeks to 3 October 2015 Total £000	Audited 53 weeks to 2 April 2016 Total £000
Continuing operations								
Revenue	2	**442,121**	**–**	**442,121**	379,657	–	379,657	807,805
Operating profit		**88,564**	**(18,405)**	**70,159**	77,657	(11,004)	66,653	142,943
Share of results of associates		**(43)**	**–**	**(43)**	(79)	–	(79)	(159)
Profit on disposal of operations		**–**	**–**	**–**	–	592	592	556
Finance income	3	**96**	**–**	**96**	128	–	128	217
Finance expense	4	**(4,987)**	**–**	**(4,987)**	(3,049)	–	(3,049)	(7,269)
Profit before taxation		**83,630**	**(18,405)**	**65,225**	74,657	(10,412)	64,245	136,288
Taxation	5	**(18,398)**	**5,385**	**(13,013)**	(17,170)	3,143	(14,027)	(27,447)
Profit for the period attributable to equity shareholders		**65,232**	**(13,020)**	**52,212**	57,487	(7,269)	50,218	108,841
Earnings per share	6							
From continuing operations								
Basic and diluted		**17.23p**		**13.79p**	15.19p		13.27p	28.76p
Dividends in respect of the period	7							
Dividends paid and proposed (£000)				**20,196**			18,855	48,472
Per share				**5.33p**			4.98p	12.81p

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

Consolidated Statement of Comprehensive Income and Expenditure

	Unaudited 26 weeks to 1 October 2016 £000	Unaudited 27 weeks to 3 October 2015 £000	Audited 53 weeks to 2 April 2016 £000
Profit for the period	**52,212**	50,218	108,841
Items that will not be reclassified subsequently to the Income Statement:			
Actuarial (losses)/gains on defined benefit pension plans	**(45,838)**	13,122	8,841
Tax relating to components of other comprehensive income that will not be reclassified	**9,168**	(2,625)	(2,304)
Items that may be reclassified subsequently to the Income Statement:			
Effective portion of changes in fair value of cash flow hedges	**(453)**	(343)	(990)
Exchange gains/(losses) on translation of foreign operations and net investment hedge	**57,825**	(14,096)	30,036
Exchange losses transferred to Income Statement on disposal of operation	**–**	22	22
Tax relating to components of other comprehensive income that may be reclassified	**91**	80	209
Other comprehensive income/(expense) for the period	**20,793**	(3,840)	35,814
Total comprehensive income for the period attributable to equity shareholders	**73,005**	46,378	144,655

Consolidated Balance Sheet

The exchange gains of £57,825,000 (27 weeks to 3 October 2015: losses of £14,096,000; 53 weeks to 2 April 2016: gain of £30,036,000) include gains of £16,267,000 (27 weeks to 3 October 2015: losses of £211,000; 53 weeks to 2 April 2016: gain of £9,336,000) which relate to net investment hedges.

	Notes	**Unaudited 1 October 2016 £000**	Unaudited 3 October 2015 £000	Audited 2 April 2016 £000
Non-current assets				
Goodwill		**586,940**	400,237	544,259
Other intangible assets		**235,473**	128,781	231,753
Property, plant and equipment		**103,417**	86,000	96,562
Interests in associates		**3,660**	3,763	3,722
Deferred tax asset		**52,725**	25,512	44,424
		982,215	644,293	920,720
Current assets				
Inventories		**113,757**	83,014	105,318
Trade and other receivables		**179,659**	143,144	183,619
Tax receivable		**474**	547	190
Cash and cash equivalents		**76,093**	133,716	53,938
Derivative financial instruments		**135**	173	1,131
		370,118	360,594	344,196
Total assets		**1,352,333**	1,004,887	1,264,916
Current liabilities				
Trade and other payables		**109,841**	90,721	122,791
Borrowings		**2,161**	–	4,748
Provisions		**5,571**	2,179	4,437
Tax liabilities		**12,446**	9,978	15,158
Derivative financial instruments		**1,920**	270	2,196
		131,939	103,148	149,330
Net current assets		**238,179**	257,446	194,866
Non-current liabilities				
Borrowings		**311,252**	227,103	295,908
Retirement benefit obligations	11	**94,024**	51,405	52,323
Trade and other payables		**11,387**	4,058	10,153
Provisions		**18,859**	2,534	18,510
Deferred tax liabilities		**94,304**	49,783	92,352
		529,826	334,883	469,246
Total liabilities		**661,765**	438,031	618,576
Net assets		**690,568**	566,856	646,340
Equity				
Share capital		**37,965**	37,965	37,965
Share premium account		**23,608**	23,608	23,608
Own shares		**(4,896)**	(6,452)	(8,219)
Capital redemption reserve		**185**	185	185
Hedging reserve		**(972)**	(92)	(610)
Translation reserve		**133,212**	31,255	75,387
Other reserves		**(9,481)**	(8,387)	(5,831)
Retained earnings		**510,947**	488,774	523,855
Shareholders' funds		**690,568**	566,856	646,340

Consolidated Statement of Changes in Equity

	For the 26 weeks ended 1 October 2016								
	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 2 April 2016 (audited)	37,965	23,608	(8,219)	185	(610)	75,387	(5,831)	523,855	646,340
Profit for the period	–	–	–	–	–	–	–	52,212	52,212
Other comprehensive income and expense:									
Exchange differences on translation of foreign operations	–	–	–	–	–	57,825	–	–	57,825
Actuarial losses on defined benefit pension plans	–	–	–	–	–	–	–	(45,838)	(45,838)
Effective portion of changes in fair value of cash flow hedges	–	–	–	–	(453)	–	–	–	(453)
Tax relating to components of other comprehensive income and expense	–	–	–	–	91	–	–	9,168	9,259
Total other comprehensive income and expense	–	–	–	–	(362)	57,825	–	(36,670)	20,793
Dividends paid	–	–	–	–	–	–	–	(29,609)	(29,609)
Share-based payments charge	–	–	–	–	–	–	3,110	–	3,110
Deferred tax on share-based payment transactions	–	–	–	–	–	–	(127)	–	(127)
Excess tax deductions related to share-based payments on exercised awards	–	–	–	–	–	–	–	1,159	1,159
Performance share plan awards vested	–	–	3,323	–	–	–	(6,633)	–	(3,310)
At 1 October 2016 (unaudited)	37,965	23,608	(4,896)	185	(972)	133,212	(9,481)	510,947	690,568

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 1 October 2016 the number of treasury shares held was 462,188 (3 October 2015: 940,421; 2 April 2016: 940,421) and the number of shares held by the Employee Benefit Trust was 262,417 (3 October 2015: 89,198; 2 April 2016: 311,444).

Consolidated Statement of Changes in Equity continued

	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 awards	–	–	–	–	–	–	–	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

Consolidated Statement of Changes in Equity continued

For the 53 weeks ended 2 April 2016

	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	–	–	–	–	–	–	–	108,841	108,841
Other comprehensive income and expense:									
Exchange differences on translation of foreign operations	–	–	–	–	–	30,036	–	–	30,036
Exchange losses transferred to Income Statement on disposal of operation	–	–	–	–	–	22	–	–	22
Actuarial gains on defined benefit pension plans	–	–	–	–	–	–	–	8,841	8,841
Effective portion of changes in fair value of cash flow hedges	–	–	–	–	(990)	–	–	–	(990)
Tax relating to components of other comprehensive income and expense	–	–	–	–	209	–	–	(2,304)	(2,095)
Total other comprehensive income and expense	–	–	–	–	(781)	30,058	–	6,537	35,814
Dividends paid	–	–	–	–	–	–	–	(46,473)	(46,473)
Share-based payments charge	–	–	–	–	–	–	3,845	–	3,845
Deferred tax on share-based payment transactions	–	–	–	–	–	–	109	–	109
Excess tax deductions related to share-based payments on exercised awards	–	–	–	–	–	–	–	737	737
Purchase of Own shares	–	–	(3,003)	–	–	–	–	–	(3,003)
Performance share plan awards vested	–	–	3,234	–	–	–	(5,712)	–	(2,478)
At 2 April 2016 (audited)	37,965	23,608	(8,219)	185	(610)	75,387	(5,831)	523,855	646,340

Consolidated Cash Flow Statement

	Notes	**Unaudited 26 weeks to 1 October 2016 £000**	Unaudited 27 weeks to 3 October 2015 £000	Audited 53 weeks to 2 April 2016 £000
Net cash inflow from operating activities	8	**70,345**	61,886	149,273
Cash flows from investing activities				
Purchase of property, plant and equipment		**(10,728)**	(8,244)	(22,418)
Purchase of computer software		**(702)**	(778)	(1,669)
Purchase of other intangibles		**(209)**	(81)	(535)
Proceeds from sale of property, plant and equipment		**287**	468	2,364
Proceeds from sale of capitalised development costs		**–**	–	166
Development costs capitalised		**(4,814)**	(3,990)	(8,579)
Interest received		**96**	128	217
Acquisition of businesses, net of cash acquired	10	**(148)**	(12,902)	(202,575)
Disposal of operation, net of cash disposed		**–**	908	907
Net cash used in investing activities		**(16,218)**	(24,491)	(232,122)
Financing activities				
Dividends paid		**(29,609)**	(27,630)	(46,473)
Purchase of Own shares		**–**	(1,216)	(3,003)
Interest paid		**(3,489)**	(1,589)	(4,149)
Loan arrangement fee paid		**–**	–	(770)
Proceeds from bank borrowings		**–**	87,000	74,788
Repayment of bank borrowings		**–**	–	(97,000)
Proceeds from issue of loan notes		**–**	–	167,473
Net cash (used in)/from financing activities		**(33,098)**	56,565	90,866
Increase in cash and cash equivalents		**21,029**	93,960	8,017
Cash and cash equivalents brought forward		**49,526**	39,525	39,525
Exchange adjustments		**3,713**	231	1,984
Cash and cash equivalents carried forward		**74,268**	133,716	49,526

	Unaudited 1 October 2016 £000	Unaudited 3 October 2015 £000	Audited 2 April 2016 £000
Reconciliation of net cash flow to movement in net debt			
Increase in cash and cash equivalents	**21,029**	93,960	8,017
Net cash (inflow)/outflow from (drawdown)/repayment of bank borrowings	**–**	(87,000)	22,212
Proceeds from issue of loan notes	**–**	–	(167,473)
Loan notes issued in respect of acquisitions*	**–**	(263)	(288)
Loan notes repaid in respect of acquisitions*	**241**	368	367
Exchange adjustments	**(11,873)**	442	(8,659)
	9,397	7,507	(145,824)
Net debt brought forward	**(246,718)**	(100,894)	(100,894)
Net debt carried forward	**(237,321)**	(93,387)	(246,718)

* Of the £577,000 loan notes outstanding at the prior period end £241,000 was converted at par into cash on 14 May 2016. The remaining loan notes are outstanding. 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 26 weeks to 1 October 2016, was approved by the Directors on 22 November 2016.

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 53 weeks to 2 April 2016.

The figures shown for the 53 weeks to 2 April 2016 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 £550m five-year Revolving Credit Facility completed on 4 November 2016 of which £428m remains undrawn at the date of this report.

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.

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 26 weeks to 1 October 2016 £000	Unaudited 27 weeks to 3 October 2015 £000	Audited 53 weeks to 2 April 2016 £000
Process Safety	**76,743**	77,773	155,467
Infrastructure Safety	**147,988**	122,411	264,843
Medical	**118,664**	92,297	198,715
Environmental & Analysis	**98,797**	87,243	188,928
Inter-segmental sales	**(71)**	(67)	(148)
Revenue for the period	**442,121**	379,657	807,805

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. Revenue derived from the rendering of services was £14,034,000 (27 weeks to 3 October 2015: £12,165,000; 53 weeks to 2 April 2016: £25,134,000). All revenue was otherwise derived from the sale of products.

	Profit (all continuing operations)		
	Unaudited 26 weeks to 1 October 2016 £000	Unaudited 27 weeks to 3 October 2015 £000	Audited 53 weeks to 2 April 2016 £000
Segment profit before allocation of adjustments*			
Process Safety	**17,395**	19,090	39,557
Infrastructure Safety	**31,991**	24,591	56,167
Medical	**28,876**	24,579	51,695
Environmental & Analysis	**16,022**	14,767	34,527
	94,284	83,027	181,946
Segment profit after allocation of adjustments*			
Process Safety	**15,491**	17,393	36,095
Infrastructure Safety	**29,735**	23,707	50,965
Medical	**18,933**	18,826	34,747
Environmental & Analysis	**11,720**	12,689	30,413
Segment profit	**75,879**	72,615	152,220
Central administration costs	**(5,763)**	(5,449)	(8,880)
Net finance expense	**(4,891)**	(2,921)	(7,052)
Group profit before taxation	**65,225**	64,245	136,288
Taxation	**(13,013)**	(14,027)	(27,447)
Profit for the period	**52,212**	50,218	108,841

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

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 and restructuring 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 26 weeks ended 1 October 2016

		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 and restructuring £000**	**Total £000**
Process Safety	**(1,904)**	**–**	**–**	**–**	**(1,904)**	**–**	**(1,904)**
Infrastructure Safety	**(2,256)**	**–**	**–**	**–**	**(2,256)**	**–**	**(2,256)**
Medical	**(8,815)**	**–**	**(338)**	**(790)**	**(9,943)**	**–**	**(9,943)**
Environmental & Analysis	**(2,217)**	**–**	**15**	**–**	**(2,202)**	**(2,100)**	**(4,302)**
Total Segment & Group	**(15,192)**	**–**	**(323)**	**(790)**	**(16,305)**	**(2,100)**	**(18,405)**

The £338,000 charge to contingent consideration comprises a credit arising from a revision to the estimate of the payable for Value Added Solutions LLC (VAS) by £339,000 from £704,000 (US$1,000,000) to £411,000 (US$535,000) with exchange differences of £46,000, offset by a £677,000 charge arising from changes in the discount rate along with exchange differences on the payable for Visiometrics S.L. (Visiometrics) which is denominated in Euros.

The £790,000 charge relates to the release of the remaining fair value adjustments on revaluing the inventory of CenTrak on acquisition in the prior year.

The £2,100,000 charge relates to inventory and fixed asset write downs and severance costs arising on the restructuring of non-core operations in one of the Group's subsidiaries.

Unaudited for the 27 weeks ended 3 October 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 and restructuring £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 on the acquisitions of VAS, £114,000; and Firetrace USA LLC, £148,000.

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

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.

2 SEGMENTAL ANALYSIS CONTINUED

Audited for the 53 weeks ended 2 April 2016

		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 and restructuring £000	Total £000
Process Safety	(3,462)	–	–	–	(3,462)	–	(3,462)
Infrastructure Safety	(2,398)	(1,101)	(827)	(842)	(5,168)	(34)	(5,202)
Medical	(13,018)	(2,926)	(826)	(768)	(17,538)	590	(16,948)
Environmental & Analysis	(4,225)	–	111	–	(4,114)	–	(4,114)
Total Segment & Group	(23,103)	(4,027)	(1,542)	(1,610)	(30,282)	556	(29,726)

The transaction costs arose mainly on the prior year acquisitions of Firetrace in the Infrastructure Safety sector and VAS, Visiometrics and CenTrak in the Medical sector.

The £1,542,000 charge comprised changes in estimate of the deferred contingent consideration payable for Advanced Electronics in the Infrastructure Safety sector, ASL, a prior acquisition, in the Environmental & Analysis sector, and foreign exchange movements on the Visiometrics payable in the Medical sector. The Advanced payable was settled in full in the period.

The release of fair value adjustments to inventory related to the acquisitions of Firetrace and CenTrak.

The £590,000 profit on disposal relates to the disposal of 8.8% of the Group's ownership interest in Optomed Oy on 26 August 2015.

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 Annual Report and Accounts 2016.

Geographic information

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

	Revenue by destination		
	Unaudited 26 weeks to 1 October 2016 £000	Unaudited 27 weeks to 3 October 2015 £000	Audited 53 weeks to 2 April 2016 £000
United States of America	**160,807**	124,415	272,933
Mainland Europe	**95,965**	85,190	179,290
United Kingdom	**72,901**	71,520	144,821
Asia Pacific	**69,686**	59,736	124,992
Africa, Near and Middle East	**26,742**	25,419	55,712
Other countries	**16,020**	13,377	30,057
Group revenue	**442,121**	379,657	807,805

3 FINANCE INCOME

	Unaudited 26 weeks to 1 October 2016 £000	Unaudited 27 weeks to 3 October 2015 £000	Audited 53 weeks to 2 April 2016 £000
Interest receivable	**96**	128	217

4 FINANCE EXPENSE

	Unaudited 26 weeks to 1 October 2016 £000	Unaudited 27 weeks to 3 October 2015 £000	Audited 53 weeks to 2 April 2016 £000
Interest payable on loans and overdrafts	**3,463**	1,580	4,104
Amortisation of finance costs	**325**	265	561
Net interest charge on pension plan liabilities	**832**	1,008	2,013
Other interest payable	**25**	9	45
	4,645	2,862	6,723
Fair value movement on derivative financial instruments	**267**	187	508
Unwinding of discount on provisions	**75**	–	38
	4,987	3,049	7,269

5 TAXATION

The total Group tax charge for the 26 weeks to 1 October 2016 of £13,013,000 (27 weeks to 3 October 2015: £14,027,000; 53 weeks to 2 April 2016: £27,447,000) comprises a current tax charge of £15,032,000 (27 weeks to 3 October 2015: £15,280,000; 53 weeks to 2 April 2016: £30,685,000) and a deferred tax credit of £2,019,000 (27 weeks to 3 October 2015: £1,253,000; 53 weeks to 2 April 2016: £3,238,000). The tax charge is based on the estimated effective tax rate for the year.

The tax charge includes £12,253,000 (27 weeks to 3 October 2015: £12,270,000; 53 weeks to 2 April 2016: £25,014,000) in respect of overseas tax.

6 EARNINGS PER ORDINARY SHARE

Basic and diluted earnings per ordinary share are calculated using the weighted average of 378,549,906 (3 October 2015: 378,390,374; 2 April 2016: 378,412,359) shares in issue during the period (net of shares purchased by the Company and held as treasury and Employee Benefit Trust shares). All remaining share options were exercised during the year ended March 2015, accordingly there are no dilutive potential ordinary shares.

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 restructuring, 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 26 weeks to 1 October 2016 £000	Unaudited 27 weeks to 3 October 2015 £000	Audited 53 weeks to 2 April 2016 £000
Earnings from continuing operations	**52,212**	50,218	108,841
Amortisation of acquired intangible assets (after tax)	**10,383**	7,351	16,102
Acquisition transaction costs (after tax)	**–**	171	2,941
Release of fair value adjustments to inventory (after tax)	**490**	–	998
Adjustments to contingent consideration (after tax)	**300**	339	1,315
Loss/(profit) on disposal of operations and restructuring (after tax)	**1,847**	(592)	(556)
Adjusted earnings	**65,232**	57,487	129,641

	Per ordinary share		
	Unaudited 26 weeks to 1 October 2016 pence	Unaudited 27 weeks to 3 October 2015 pence	Audited 53 weeks to 2 April 2016 pence
Earnings from continuing operations	**13.79**	13.27	28.76
Amortisation of acquired intangible assets (after tax)	**2.74**	1.94	4.26
Acquisition transaction costs (after tax)	**–**	0.05	0.78
Release of fair value adjustments to inventory (after tax)	**0.13**	–	0.26
Adjustments to contingent consideration (after tax)	**0.08**	0.09	0.35
Loss/(profit) on disposal of operations and restructuring (after tax)	**0.49**	(0.16)	(0.15)
Adjusted earnings	**17.23**	15.19	34.26

7 DIVIDENDS

	Per ordinary share		
	Unaudited 26 weeks to 1 October 2016 pence	Unaudited 27 weeks to 3 October 2015 pence	Audited 53 weeks to 2 April 2016 pence
Amounts recognised as distributions to shareholders in the period			
Final dividend for the year to 2 April 2016 (28 March 2015)	**7.83**	7.31	7.31
Interim dividend for the year to 2 April 2016	**–**	–	4.98
	7.83	7.31	12.29
Dividends in respect of the period			
Interim dividend for the year to 1 April 2017 (2 April 2016)	**5.33**	4.98	4.98
Final dividend for the year to 2 April 2016	**–**	–	7.83
	5.33	4.98	12.81

	Unaudited 26 weeks to 1 October 2016 £000	Unaudited 27 weeks to 3 October 2015 £000	Audited 53 weeks to 2 April 2016 £000
Amounts recognised as distributions to shareholders in the period			
Final dividend for the year to 2 April 2016 (28 March 2015)	**29,628**	27,630	27,629
Interim dividend for the year to 2 April 2016	**–**	–	18,844
	29,628	27,630	46,473
Dividends in respect of the period			
Interim dividend for the year to 1 April 2017 (2 April 2016)	**20,196**	18,855	18,844
Final dividend for the year to 2 April 2016	**–**	–	29,628
	20,196	18,855	48,472

8 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

	Unaudited 26 weeks to 1 October 2016 £000	Unaudited 27 weeks to 3 October 2015 £000	Audited 53 weeks to 2 April 2016 £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 or loss on disposal of operations	**70,159**	66,653	142,943
Depreciation of property, plant and equipment	**8,743**	7,387	15,245
Amortisation of computer software	**696**	610	1,348
Amortisation of capitalised development costs and other intangibles	**3,508**	2,347	5,202
Amortisation of acquired intangible assets	**15,192**	10,403	23,103
Share-based payment expense (less than)/in excess of amounts paid	**(695)**	(1,052)	1,899
Additional payments to pension plans	**(5,104)**	(3,241)	(7,728)
Loss on restructuring of operation	**2,057**	–	–
Loss/(profit) on sale of property, plant and equipment and computer software	**14**	35	(1,345)
Operating cash flows before movement in working capital	**94,570**	83,142	180,667
Increase in inventories	**(2,350)**	(4,525)	(4,809)
Decrease/(increase) in receivables	**12,680**	11,661	(8,786)
(Decrease)/increase in payables and provisions	**(18,104)**	(12,398)	7,844
Revision to estimate of contingent consideration payable	**323**	339	1,543
Cash generated from operations	**87,119**	78,219	176,459
Taxation paid	**(16,774)**	(16,333)	(27,186)
Net cash inflow from operating activities	**70,345**	61,886	149,273

	Unaudited 1 October 2016 £000	Unaudited 3 October 2015 £000	Audited 2 April 2016 £000
Analysis of cash and cash equivalents			
Cash and bank balances	**76,093**	133,716	53,938
Overdrafts (included in current Borrowings)	**(1,825)**	–	(4,412)
Cash and cash equivalents	**74,268**	133,716	49,526

	At 2 April 2016 £000	**Reclass £000**	**Cash flow £000**	**Loan notes repaid £000**	**Exchange adjustments £000**	**At 1 October 2016 £000**
Analysis of net debt						
Cash and bank balances	53,938	**–**	**18,442**	**–**	**3,713**	**76,093**
Overdrafts	(4,412)	**–**	**2,587**	**–**	**–**	**(1,825)**
Cash and cash equivalents	49,526	**–**	**21,029**	**–**	**3,713**	**74,268**
Loan notes falling due within one year*	(336)	**(241)**	**–**	**241**	**–**	**(336)**
Loan notes falling due after more than one year*	(172,112)	**241**	**–**	**–**	**(7,644)**	**(179,515)**
Bank loans falling due after more than one year	(123,796)	**–**	**–**	**–**	**(7,942)**	**(131,738)**
Total net debt	(246,718)	**–**	**21,029**	**241**	**(11,873)**	**(237,321)**

* £241,000 of the £577,000 loan notes outstanding at the beginning of the period was converted at par into cash on 14 May 2016. The remaining loan notes are outstanding. 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.

9 ADDITIONAL PERFORMANCE MEASURES

Return on Total Invested Capital (ROTIC)

	Unaudited 26 weeks to 1 October 2016 £000	Unaudited 27 weeks to 3 October 2015 £000	Audited 53 weeks to 2 April 2016 £000
Post-tax profit before adjustments**	**65,232**	57,487	129,641
Shareholders' funds	**690,568**	566,856	646,340
Add back retirement benefit obligations	**94,024**	51,405	52,323
Less associated deferred tax assets	**(17,506)**	(10,000)	(9,619)
Cumulative amortisation of acquired intangible assets	**136,963**	93,137	112,478
Historical adjustments to goodwill***	**89,549**	89,549	89,549
Total Invested Capital	**993,598**	790,947	891,071
Average Total Invested Capital*	**942,335**	783,554	833,616
Return on Total Invested Capital (annualised)	**13.8%**	14.7%	15.6%

Return on Capital Employed (ROCE)

	Unaudited 26 weeks to 1 October 2016 £000	Unaudited 27 weeks to 3 October 2015 £000	Audited 53 weeks to 2 April 2016 £000
Operating profit before adjustments, but after share of results of associates**	**88,521**	77,578	173,066
Computer software costs within intangible assets	**3,353**	2,981	3,215
Capitalised development costs within intangible assets	**25,985**	17,397	23,540
Other intangibles within intangible assets	**1,099**	453	903
Property, plant and equipment	**103,417**	86,000	96,562
Inventories	**113,757**	83,014	105,318
Trade and other receivables	**179,659**	143,144	183,619
Trade and other payables	**(109,841)**	(90,721)	(122,791)
Provisions	**(5,571)**	(2,179)	(4,437)
Net tax liabilities	**(11,972)**	(9,431)	(14,968)
Non-current trade and other payables	**(11,387)**	(4,058)	(10,153)
Non-current provisions	**(18,859)**	(2,534)	(18,510)
Add back contingent purchase consideration	**18,500**	841	17,075
Capital Employed	**288,140**	224,907	259,373
Average Capital Employed*	**273,757**	222,028	239,261
Return on Capital Employed (annualised)	**64.7%**	69.9%	72.3%

* The ROTIC and ROCE measures are 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 2015 Total Invested Capital and Capital Employed balances were £776,160,000 and £219,148,000 respectively.

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

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

9 ADDITIONAL PERFORMANCE MEASURES CONTINUED

Organic growth

Organic growth measures the change in revenue and profit from continuing Group operations. The calculation equalises the effect of acquisitions by:

i. removing from the year of acquisition their entire revenue and profit before taxation, and
ii. in the following year, removing the revenue and profit for the number of months equivalent to the pre-acquisition period in the prior year.

The resultant effect is that the acquisitions are removed from organic results for one full year of ownership.

The results of disposals 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 26 weeks to 1 October 2016 £000	Unaudited 27 weeks to 3 October 2015 £000	**% growth**	**Unaudited 26 weeks to 1 October 2016 £000**	Unaudited 27 weeks to 3 October 2015 £000	**% growth**
Continuing operations	**442,121**	379,657	**16.5%**	**83,630**	74,657	**12.0%**
Acquired and disposed revenue/profit	**(25,428)**	–		**(1,510)**	–	
Organic growth	**416,693**	379,657	**9.8%**	**82,120**	74,657	**10.0%**
Constant currency adjustment	**(29,072)**	–		**(5,978)**	–	
Organic growth at constant currency	**387,621**	379,657	**2.1%**	**76,142**	74,657	**2.0%**

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

Adjusted operating profit

	Unaudited 26 weeks to 1 October 2016 £000	Unaudited 27 weeks to 3 October 2015 £000	Audited 53 weeks to 2 April 2016 £000
Operating profit	**70,159**	66,653	142,943
Add back:			
Acquisition items	**1,113**	601	7,179
Loss on restructuring of operations	**2,100**	–	–
Amortisation of acquired intangible assets	**15,192**	10,403	23,103
Adjusted operating profit	**88,564**	77,657	173,225

Adjusted operating cash flow

	Unaudited 26 weeks to 1 October 2016 £000	Unaudited 27 weeks to 3 October 2015 £000	Audited 53 weeks to 2 April 2016 £000
Net cash from operating activities (note 8)	**70,345**	61,886	149,273
Add back:			
Taxation paid	**16,774**	16,333	27,186
Proceeds from sale of property, plant and equipment	**287**	468	2,364
Proceeds from sale of capitalised development costs	**–**	–	166
Share awards vested not settled by Own shares*	**3,310**	2,477	2,478
Less:			
Purchase of property, plant and equipment	**(10,728)**	(8,244)	(22,418)
Purchase of computer software and other intangibles	**(911)**	(859)	(2,204)
Development costs capitalised	**(4,814)**	(3,990)	(8,579)
Adjusted operating cash flow	**74,263**	68,071	148,266
Cash conversion % (adjusted operating cash flow/adjusted operating profit)	**84%**	88%	86%

* See Consolidated Statement of Changes in Equity.

10 ACQUISITIONS

In the provisional accounting for acquisitions, 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.

During the period ended 1 October 2016 adjustments were made to the fair values of acquired assets and liabilities included in the provisional accounting for the prior year acquisitions of Firetrace and Visiometrics.

The provisional accounting was updated for non-material changes to certain provisions and inventory valuations and for adjustments to the related deferred tax balances. The initial consideration for CenTrak was also adjusted following the finalisation of the working capital adjustment payable. The combined adjustments made for each acquisition resulted in a net adjustment to goodwill of £230,000. All adjustments to the provisional accounting were made within the goodwill measurement period, relevant to each acquisition, as defined by IFRS 3 (revised) Business Combinations.

As at the date of approval of these Condensed Financial Statements the accounting for Firetrace is complete. The accounting for Visiometrics and CenTrak remains provisional. The measurement window for these acquisitions expires in December 2016 and February 2017 respectively.

Adjustments on prior year acquisitions

	Fair value adjustments £000
Current assets	
Inventories	**(103)**
Trade and other receivables	**(123)**
Total assets	**(226)**
Current liabilities	
Provisions	**(84)**
Non-current liabilities	
Deferred tax	**(15)**
Total liabilities	**(99)**
Net assets of businesses acquired	**(325)**
Initial consideration adjustment	**(555)**
Goodwill arising on prior year acquisition	**(230)**

10 ACQUISITIONS CONTINUED

Analysis of cash outflow in the Consolidated Cash Flow Statement

	Unaudited 26 weeks to 1 October 2016 £000	Unaudited 27 weeks to 3 October 2015 £000	Audited 53 weeks to 2 April 2016 £000
Initial cash consideration paid	**–**	3,228	187,601
Initial cash consideration adjustment on prior year acquisitions	**(166)**	–	–
Cash acquired on acquisitions	**–**	–	(1,830)
Deferred contingent consideration paid in relation to current year acquisitions	**–**	–	6,558
Deferred contingent consideration paid and loan notes repaid in cash in relation to prior year acquisitions*	**314**	9,674	10,246
Net cash outflow relating to acquisitions (per Consolidated Cash Flow Statement)	**148**	12,902	202,575

* The £314,000 comprises £241,000 loan notes and £73,000 contingent consideration paid in respect of prior period acquisitions all of which had been provided in the prior period's financial statements.

11 RETIREMENT BENEFITS

The Group's significant defined benefit plans are for the qualifying employees of its UK subsidiaries. The defined benefit obligation at 1 October 2016 of £94,024,000 (3 October 2015: £51,405,000; 2 April 2016: £52,323,000) has been estimated based on the latest triennial actuarial valuations updated to reflect current assumptions regarding discount rates, inflation rates and asset values. The latest triennial valuations were carried out at 1 December 2014 for the Halma Group Pension Plan and 1 April 2015 for the Apollo Pension and Life Assurance Plan.

The discount rate assumption was set at 2.3% (3 October 2015: 3.75%; 2 April 2016: 3.4%). All other assumptions are materially unchanged.

In addition, the defined benefit plan assets have been updated to reflect deficit reduction payments in the period totalling £5,160,000 (3 October 2015: £3,300,000; 2 April 2016: £7,800,000). The UK plans are closed to future accrual.

12 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

As at 1 October 2016, 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 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 the Group's fixed rate loan notes arising from the United States Private Placement completed in January 2016 is estimated to be £186,023,000. 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.

As at 1 October 2016, the total forward foreign currency contracts outstanding were £28,876,000. 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 £135,000 (3 October 2015: £173,000; 2 April 2016: £1,131,000) asset and £1,920,000 (3 October 2015: £270,000; 2 April 2016: £2,196,000) 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

On 4 November 2016 the Group completed the refinancing of its £360,000,000 multi-currency revolving credit facility (RCF). The facility which was due to expire in November 2018 is increased to £550,000,000 in Sterling, US Dollar, Euro and Swiss Franc and runs to October 2021 with the potential for a further two years extension with the agreement of the syndicate of banks.

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 Annual Report and Accounts 2016.

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 30 to 33 in the Annual Report and Accounts 2016, 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 United Kingdom's referendum decision on 23 June 2016 to leave the European Union has added an increased level of uncertainty to global economic growth. The Group has formed an executive working group that is tasked with assessing and monitoring the impacts and communicating updates and guidance as matters progress. The following principal risks have been, and are likely to continue to be impacted following the Referendum result:

a) Economic conditions – increased uncertainty, potential impact on growth and inflation, with variability in interest and FX rates

b) Defined benefit pension liability – increased risk as a consequence of the movements in bond yields affecting discount rates which may increase the liability

c) Laws and regulations – potential changes to UK and EU based law and regulation including product approvals, patent regulations and import/export tariffs

Approximately 10% of Group revenue comes from direct sales between the UK and Mainland Europe. Our decentralised model, with businesses in diverse markets and locations together with our autonomous, close-to-market decision making enables our companies to adapt more quickly than many of our competitors, for example with a weaker Sterling offering pricing opportunities for exports from the UK. Weak Sterling is also generally positive for the Group with the translation of non-Sterling revenues into Sterling for reporting purposes.

15 PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

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 11% relative to the US Dollar, and by 12% against the Euro, resulting in an 8% positive currency impact on reported revenue and 8% 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
22 November 2016

KEVIN THOMPSON
FINANCE DIRECTOR

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