

HALMA

Halma plc
Half Year Report 2017/18

**Global
strength,
local
agility.**



Our purpose and strategy

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

Our companies have a core focus on safety, health and the environment and our products provide innovative solutions for many of the key problems facing the world today.

Our strategy is 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.

Highlights

Revenue (£m)

£506.3m +15%
(2016/17: £442.1m)

Adjusted profit before taxation (£m)

£94.5m +13%
(2016/17: £83.6m)

Interim dividend declared (per share)

5.71p +7%
(2016/17: 5.33p)

Return on sales (%)

18.7%
(2016/17: 18.9%)

Continuing operations	2017	2016	Change
Revenue	£506.3m	£442.1m	+15%
Adjusted Profit before Taxation ^{1,5}	£94.5m	£83.6m	+13%
Adjusted Earnings per Share ^{2,5}	19.37p	17.23p	+12%
Statutory Profit before Taxation	£76.8m	£65.2m	+18%
Statutory Earnings per Share	16.27p	13.79p	+18%
Interim Dividend per Share ³	5.71p	5.33p	+7%
Return on Sales ⁴	18.7%	18.9%	
Return on Total Invested Capital ⁵	13.4%	13.8%	
Net Debt	£181.0m	£237.3m	

Pro-forma information:

- Adjusted to remove the amortisation and impairment of acquired intangible assets, acquisition items, restructuring costs and profit or loss on disposal of operations, totalling £17.7m (2016/17: £18.4m). See note 2 to the Condensed Financial Statements for details.
- Adjusted to remove the amortisation and impairment of acquired intangible assets, acquisition items, restructuring costs, profit or loss on disposal of operations, and the associated taxation thereon. See note 6 to the Condensed Financial Statements for details.
- Interim dividend declared per share.
- Return on Sales is defined as adjusted¹ profit before taxation from continuing operations expressed as a percentage of revenue from continuing operations.
- Adjusted Profit before Taxation¹, Adjusted Earnings per Share², organic growth rates and Return on Total Invested Capital (ROTIC) are alternative performance measures used by management. See notes 2, 6 and 9 to the Condensed Financial Statements for details.

Review of Operations

Record half year results

Halma made strong progress during the first half of the year. Revenue increased by 15% to £506m (2016/17: £442m) including a positive currency translation impact of 5%. Organic revenue growth at constant currency was 9%.

Adjusted profit before taxation¹ increased by 13% to £94.5m (2016/17: £83.6m) including a positive currency translation impact of 5%. Organic profit growth at constant currency was 8%.

Return on Sales¹ remained strong at 18.7% (2016/17: 18.9%). The Gross Margin % was very slightly below the prior year, with two sectors up and two down.

Our companies increased R&D expenditure by 19% to £27.3m (2016/17: £23.0m) representing

5.4% of Group revenue (2016/17: 5.2%) with higher rates of investment in the Medical and Environmental & Analysis sectors.

The Board has declared an increase of 7% in the interim dividend to 5.71p per share (2016/17: 5.33p per share). The interim dividend will be paid on 7 February 2018 to shareholders on the register on 29 December 2017. For the past 38 years we have increased our full year dividend by 5% or more each year.

Widespread revenue growth

We achieved revenue growth across all major regions including organic growth at constant currency in each region.

Asia Pacific revenue increased by 20%, including 14% organic constant currency growth. All sectors grew with Infrastructure Safety and

Environmental & Analysis sectors delivering the strongest growth. Sales to Asia Pacific exceeded those to the UK for the first time.

The USA remains our largest sales destination contributing 36% of total revenue, growing 13% in the half year, 6% at organic constant currency.

Revenue in Mainland Europe increased by 14% and in the UK by 9% with both regions achieving 9% organic constant currency growth. Growth in the Near and Middle East, Canada and Brazil contributed to the strong growth in Other regions.

The tables below summarise revenue growth by destination 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.

External revenue by destination

	Half year 2017/18		Half year 2016/17		Change £m	% growth	% organic growth at constant currency
	£m	% of total	£m	% of total			
United States of America	181.8	36%	160.8	36%	21.0	13%	6%
Mainland Europe	109.0	21%	96.0	22%	13.0	14%	9%
United Kingdom	79.8	16%	72.9	16%	6.9	9%	9%
Asia Pacific	83.9	17%	69.7	16%	14.2	20%	14%
Other regions	51.8	10%	42.7	10%	9.1	21%	14%
	506.3	100%	442.1	100%	64.2	15%	9%

External revenue by sector

	Half year 2017/18	Half year 2016/17	Change £m	% growth	% organic growth at constant currency
	£m	£m			
Process Safety	88.8	76.7	12.1	16%	12%
Infrastructure Safety	167.9	148.0	19.9	13%	10%
Medical	133.3	118.7	14.6	12%	5%
Environmental & Analysis	116.5	98.8	17.7	18%	11%
Inter-segmental revenue	(0.2)	(0.1)	(0.1)	–	–
	506.3	442.1	64.2	15%	9%

Strong revenue growth in all sectors

Infrastructure Safety revenue increased by 13% to £167.9m (2016/17: £148.0m) including 10% organic constant currency growth and a 3% positive impact from currency translation. There was growth in all major market segments with strong growth in People & Vehicle flow. These trends contributed to double-digit organic constant currency increases in Asia Pacific, Mainland Europe and Other regions with steady growth in the UK. Weaker demand in our Fire businesses resulted in a mid single-digit organic constant currency revenue decline in the USA.

Profit² grew by 12% to £35.7m (2016/17: £32.0m) including 9% organic constant currency growth and a 3% positive impact from currency translation. Return on Sales was a healthy 21.4% (2016/17: 21.6%). R&D expenditure increased by 7% to £9.4m (2016/17: £8.8m). The sector is expected to make continued progress in the second half.

In November 2017, following the period end, we acquired Setco as a bolt-on for our global Elevator Safety business, Avire. Setco is based in Barcelona, Spain and adds new wireless communications technology which is highly complementary to Avire's existing product range and new product development roadmap.

Medical revenue was up by 12% to £133.3m (2016/17: £118.7m) including 5% organic constant currency growth, a 1% benefit from acquisitions in the last year and a 6% positive impact from currency translation. Our Ophthalmology and Sensors businesses progressed well. We saw weaker performance in our Patient Assessment businesses but our acquisitions of CasMed and Cardios during the first half add new blood pressure monitoring technology and geographic presence to this market segment. The integration of both businesses is proceeding well.

There was healthy single-digit organic constant currency revenue growth in the UK, the USA and Other regions. Organic constant currency revenue was slightly up in Asia Pacific and slightly down in Mainland Europe.

Profit² was £28.7m, which was marginally below the prior year's £28.9m. This included 6% organic constant currency decline and a 6% positive impact from currency translation. Return on Sales reduced from 24.3% in 2016/17 to 21.6%, due to both a drop in Gross Margin % mainly due to mix effect and an increase in overhead spend. The majority of this overhead spend was targeted investment in sales, marketing and new product development, where R&D spend grew by 25% to £5.9m (2016/17: £4.7m).

The sector has taken action to control discretionary costs, which is expected to improve profitability during the second half of the year.

Environmental & Analysis revenue rose by 18% to £116.5m (2016/17: £98.8m) including 11% organic constant currency growth, a 2% benefit from acquisitions and a 5% positive impact from currency translation. There was growth in all main business segments with a strong performance in Spectroscopy & Photonics. Organic constant currency revenue from the UK and Asia Pacific increased significantly. There was steadier organic growth from the USA and small organic declines from Mainland Europe and Other regions.

Profit² improved by an impressive 36% to £21.8m (2016/17: £16.0m). Organic constant currency profit growth was 27% and there was a 2% benefit from acquisitions in the last year. Currency translation had a 7% positive impact. Return on Sales improved significantly from 16.2% up to 18.7%, as a result of revenue growth this year and the trading impact (and benefit) of restructuring completed in the first half of last year. There was an improvement in the Gross Margin % and increased investment in new product development. R&D spend increased by 33% to £8.9m (2016/17: £6.7m) to represent 7.6% of revenue.

The integration of FluxData, acquired in January 2017, is proceeding well. Companies both inside and outside the sector are exploring collaborative projects using their multi-spectral imaging technologies. Following the half year end, the acquisition of

Mini-Cam in October 2017 added new waste water pipeline monitoring solutions to our group of Water businesses.

The sector is well positioned to make progress in the second half, albeit with a stronger prior year comparator.

Process Safety revenue increased by 16% to £88.8m (2016/17: £76.7m). There was organic constant currency growth of 12% and a 4% benefit from currency translation. The Safety Interlocks and Pressure Relief segments had good growth. Gas Detection was in line with the prior year. There was organic constant currency growth in all major regions, with particularly high growth in the USA and Other regions. There was good progress in Mainland Europe and Asia Pacific with steadier growth from the UK.

Profit² increased by 16% to £20.2m (2016/17: £17.4m) including 13% organic constant currency growth and a 3% positive impact from currency translation. Return on Sales improved marginally to 22.8% (2016/17: 22.7%). R&D spend was up 11% to £3.1m (2016/17: £2.8m). The sector continues to benefit from increased market diversification and improved demand from the USA onshore energy market while other segments of the Oil and Gas market remain depressed. Despite the tougher comparators, the sector is well placed to make progress in the second half.

Four acquisitions completed

In July 2017, we acquired Cas Medical Systems, Inc's (CasMed) non-invasive blood pressure monitoring product line for an initial cash consideration of \$4.5m (£3.4m) with up to a further \$2m (£1.5m) payable based on achievement of certain sales targets.

In August 2017, we completed the acquisition of Cardios Sistemas Comercial e Industrial Ltda (Cardios) located in Brazil. The initial cash consideration was R\$50m (£12.4m) with further payment of up to R\$5m (£1.2m) payable based on future growth.

Review of Operations continued

In October 2017, following the period end, we acquired Mini-Cam Enterprises Limited and its subsidiaries (Mini-Cam). The initial consideration was £62m, on a cash and debt-free basis, with up to a further £23.1m payable based on annualised profit growth to the end of March 2020.

In November 2017, we acquired Setco S.A. for a cash consideration of €17m (£15.1m). Consolidated 31 December 2016 profit, adjusted to IFRS, was €1.7m (£1.5m).

These transactions demonstrate our ability to find attractive, high quality businesses both in, and adjacent to, our existing sectors. The pipeline of potential acquisitions has continued to build across all sectors during the year.

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

Halma has always had a strong sense of purpose to make a positive impact on people's lives.

This core belief has helped us to build strong competitive positions in market niches with long-term growth drivers and has contributed to our sustained success.

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.

The desire to make a positive difference to people's lives is encompassed in our newly articulated purpose of 'Growing a safer, cleaner and healthier future for everyone, every day'. This refined purpose statement will help to provide greater alignment across the Group as we confront the challenges and opportunities of the 4th Industrial Revolution, where technologies and industries are converging to create new value.

Our portfolio of companies means that we are uniquely positioned to take advantage of these opportunities. As we continue to evolve our strategy we will ensure that we use our ecosystem to leverage the diverse skills and assets we have at our disposal to create even more value for the Group.

This means that in addition to our commitment to continuing to grow our Core, we are exploring new ways to help our companies to add growth opportunities which require a Convergence of technologies and capabilities between two or more businesses and new business models.

In addition, we are building a stronger network of internal and external partnerships to provide us with a greater insight into new digital growth strategies or technologies at the Edge of our current strategic horizons.

Currency impacts

Currency translation had a positive impact on the half year results. 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 during the first half of 2017/18 and has remained relatively weak in the period since. This resulted in a 5% positive currency translation impact on Group revenue and profit in the first half of 2017/18 relative to 2016/17. In the second half of 2017/18, if exchange rates remain at current levels, we expect the positive currency impact seen in the first half to reverse, resulting in a small positive impact for the year as a whole.

Pension deficit

On an IAS19 basis the deficit on the Group's defined benefit plans at the half year has reduced to £66.8m (1 April 2017: £74.9m) before the related deferred tax asset. The value of plan liabilities reduced due to an increase in the discount rate used to value those liabilities and further employer contributions also reduced the plan deficit. There will be a triennial valuation of the two UK defined benefit pension plans as at December 2017 and April 2018, leading to a review of the amount and timing of future employer contributions to reduce the pension deficit.

Cash flow and funding

Cash conversion (adjusted operating cash flow as a percentage of adjusted operating profit) was 84% (2016/17: 84%) just below our cash conversion target of 85%. Working capital increased more than in the first half of the prior year with higher rates of underlying revenue growth and

inventory for new products. As well as continued organic investment, dividend and tax payments increased this half year. Capital expenditure of £10.1m (2016/17: £11.4m) was 12% lower than the prior year due primarily to less property related expenditure.

Net debt at the end of the period was £181m (1 April 2017: £196m). Gearing (the ratio of net debt to EBITDA) at half year end was 0.8 times (1 April 2017: 0.86 times), comfortably within our typical operating range of up to 2 times gearing.

In November 2017 we extended the £550m Revolving Credit Facility, put in place in November 2016, by a further year to 2022. The combination of good cash generation, a healthy balance sheet and committed external 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.

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 22 to 27 of the Annual Report and Accounts 2017, 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 and the subsequent triggering of Article 50 in March 2017 mean that the UK is now scheduled to leave the European Union by the end of March 2019. This decision has created a new dimension to the uncertainties surrounding global economic growth.

In 2016/17, approximately 10% of Group revenue came from direct sales between the UK and Mainland Europe.

To date, the following Brexit 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 currency 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
- Talent: mobility of the workforce

Halma has an executive working group to assess and monitor the potential impact on us of Brexit, to communicate updates and support our businesses in preparing for the range of possible outcomes.

Our decentralised model, with businesses in diverse markets and locations, will enable each Halma company to adapt quickly to changing trading conditions. This agility, together with the regulation driven demand for many of our products and services, will help us to mitigate any adverse impact and also take advantage of the opportunities presented by the decision to leave the European Union.

In 2017/18, the Board commissioned an external review of Halma's cyber related control framework. This review highlighted the strengths of our existing structure and identified further improvements in cyber controls and assurance.

The Directors do not consider that the principal risks and uncertainties have changed since the publication of the Annual Report and Accounts 2017 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

In July 2017, the Board announced that Marc Ronchetti, currently Group Financial Controller, will succeed Kevin Thompson as Group Finance Director. The transition process is underway and it is anticipated that it will be completed no later than 31 July 2018.

Outlook

Halma has continued to make strong 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. 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, page 1.
- 2 See note 2 to the Condensed Financial Statements.

Independent review report to Halma plc

Report on the Half Year Report

Our conclusion

We have reviewed Halma plc's half year financial information (the "interim financial statements") in the Half Year Report of Halma plc for the 6 months ended 30 September 2017. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

What we have reviewed

The interim financial statements comprise:

- the Consolidated Balance Sheet as at 30 September 2017;
- the Consolidated Income Statement and Consolidated Statement of Comprehensive Income and Expenditure for the period then ended;
- the Consolidated Cash Flow Statement for the period then ended;
- the Consolidated Statement of Changes in Equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the half year report have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The Half Year Report, including the interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half year report in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the interim financial statements in the half year report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What a review of interim financial statements involves

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 enquiries, 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, 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.

We have read the other information contained in the half year report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

PricewaterhouseCoopers LLP

Chartered Accountants

Uxbridge

21 November 2017

Condensed Financial Statements

Consolidated Income Statement

	Notes	Unaudited 6 months to 30 September 2017			Unaudited 26 weeks to 1 October 2016			Audited 52 weeks to 1 April 2017
		Before adjustments* £000	Adjustments* (note 2) £000	Total £000	Before adjustments* £000	Adjustments* (note 2) £000	Total £000	Total £000
Continuing operations								
Revenue	2	506,329	–	506,329	442,121	–	442,121	961,662
Operating profit		99,489	(17,722)	81,767	88,564	(18,405)	70,159	167,070
Share of results of associates		(112)	–	(112)	(43)	–	(43)	(81)
Finance income	3	106	–	106	96	–	96	494
Finance expense	4	(4,942)	–	(4,942)	(4,987)	–	(4,987)	(9,780)
Profit before taxation		94,541	(17,722)	76,819	83,630	(18,405)	65,225	157,703
Taxation	5	(21,083)	5,979	(15,104)	(18,398)	5,385	(13,013)	(28,014)
Profit for the period attributable to equity shareholders		73,458	(11,743)	61,715	65,232	(13,020)	52,212	129,689
Earnings per share from continuing operations	6							
Basic and diluted		19.37p		16.27p	17.23p		13.79p	34.25p
Dividends in respect of the period	7							
Dividends paid and proposed (£000)				21,678			20,183	51,916
Per share				5.71p			5.33p	13.71p

* Adjustments include the amortisation and impairment of acquired intangible assets; acquisition items; restructuring costs; profit on disposal of operations; and the associated taxation thereon.

Consolidated Statement of Comprehensive Income and Expenditure

	Unaudited 6 months to 30 September 2017 £000	Unaudited 26 weeks to 1 October 2016 £000	Audited 52 weeks to 1 April 2017 £000
Profit for the period	61,715	52,212	129,689
Items that will not be reclassified subsequently to the Income Statement:			
Actuarial gains/(losses) on defined benefit pension plans	3,506	(45,838)	(31,059)
Tax relating to components of other comprehensive income that will not be reclassified	(667)	9,168	6,082
Items that may be reclassified subsequently to the Income Statement:			
Effective portion of changes in fair value of cash flow hedges	(265)	(453)	1,197
Exchange (losses)/gains on translation of foreign operations and net investment hedge	(36,687)	57,825	74,810
Tax relating to components of other comprehensive income that may be reclassified	51	91	(233)
Other comprehensive (expense)/income for the period	(34,062)	20,793	50,797
Total comprehensive income for the period attributable to equity shareholders	27,653	73,005	180,486

The exchange losses of £36,687,000 (26 weeks to 1 October 2016 gains: £57,825,000; 52 weeks to 1 April 2017 gains: £74,810,000) include gains of £6,915,000 (26 weeks to 1 October 2016 losses: £16,267,000; 52 weeks to 1 April 2017 losses: £21,305,000) which relate to net investment hedges.

Consolidated Balance Sheet

	Notes	Unaudited 30 September 2017 £000	Unaudited 1 October 2016 £000	Audited 1 April 2017 £000
Non-current assets				
Goodwill		586,757	586,940	603,553
Other intangible assets		216,420	235,473	234,430
Property, plant and equipment		102,620	103,417	106,016
Interests in associates		3,431	3,660	3,553
Deferred tax asset		55,340	52,725	56,866
		964,568	982,215	1,004,418
Current assets				
Inventories		124,231	113,757	118,780
Trade and other receivables		203,408	179,659	212,236
Tax receivable		386	474	124
Cash and cash equivalents		71,671	76,093	66,827
Derivative financial instruments	12	592	135	598
		400,288	370,118	398,565
Total assets		1,364,856	1,352,333	1,402,983
Current liabilities				
Trade and other payables		125,730	109,841	134,816
Borrowings		180	2,161	1,351
Provisions		4,752	5,571	6,776
Tax liabilities		14,897	12,446	16,055
Derivative financial instruments	12	410	1,920	315
		145,969	131,939	159,313
Net current assets		254,319	238,179	239,252
Non-current liabilities				
Borrowings		252,481	311,252	261,918
Retirement benefit obligations	11	66,825	94,024	74,856
Trade and other payables		11,383	11,387	11,221
Provisions		16,888	18,859	16,917
Deferred tax liabilities		95,995	94,304	100,121
		443,572	529,826	465,033
Total liabilities		589,541	661,765	624,346
Net assets		775,315	690,568	778,637
Equity				
Share capital		37,965	37,965	37,965
Share premium account		23,608	23,608	23,608
Own shares		(3,669)	(4,896)	(7,263)
Capital redemption reserve		185	185	185
Hedging reserve		140	(972)	354
Translation reserve		113,510	133,212	150,197
Other reserves		(10,294)	(9,481)	(6,323)
Retained earnings		613,870	510,947	579,914
Shareholders' funds		775,315	690,568	778,637

Consolidated Statement of Changes in Equity

	For the 6 months to 30 September 2017								
	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 1 April 2017 (audited)	37,965	23,608	(7,263)	185	354	150,197	(6,323)	579,914	778,637
Profit for the period	-	-	-	-	-	-	-	61,715	61,715
Other comprehensive income and expense:									
Exchange differences on translation of foreign operations	-	-	-	-	-	(36,687)	-	-	(36,387)
Actuarial gains on defined benefit pension plans	-	-	-	-	-	-	-	3,506	3,506
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	(265)	-	-	-	(265)
Tax relating to components of other comprehensive income and expense	-	-	-	-	51	-	-	(667)	(616)
Total other comprehensive income and expense	-	-	-	-	(214)	(36,687)	-	2,839	(34,062)
Dividends paid	-	-	-	-	-	-	-	(31,733)	(31,733)
Share-based payments charge	-	-	-	-	-	-	3,532	-	3,532
Deferred tax on share-based payment transactions	-	-	-	-	-	-	(563)	-	(563)
Excess tax deductions related to share-based payments on exercised awards	-	-	-	-	-	-	-	1,135	1,135
Performance share plan awards vested	-	-	3,594	-	-	-	(6,940)	-	(3,346)
At 30 September 2017 (unaudited)	37,965	23,608	(3,669)	185	140	113,510	(10,294)	613,870	775,315

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 30 September 2017 the number of treasury shares held was 3,990 (1 October 2016: 462,188; 1 April 2017: 462,188) and the number of shares held by the Employee Benefit Trust was 421,991 (1 October 2016: 262,417 and 1 April 2017: 512,417).

Consolidated Statement of Changes in Equity continued

For the 26 weeks to 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

Consolidated Statement of Changes in Equity continued

For the 52 weeks to 1 April 2017

	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	–	–	–	–	–	–	–	129,689	129,689
Other comprehensive income and expense:									
Exchange differences on translation of foreign operations	–	–	–	–	–	74,810	–	–	74,810
Actuarial losses on defined benefit pension plans	–	–	–	–	–	–	–	(31,059)	(31,059)
Effective portion of changes in fair value of cash flow hedges	–	–	–	–	1,197	–	–	–	1,197
Tax relating to components of other comprehensive income and expense	–	–	–	–	(233)	–	–	6,082	5,849
Total other comprehensive income and expense	–	–	–	–	964	74,810	–	(24,977)	50,797
Dividends paid	–	–	–	–	–	–	–	(49,788)	(49,788)
Share-based payments charge	–	–	–	–	–	–	6,076	–	6,076
Deferred tax on share- based payment transactions	–	–	–	–	–	–	65	–	65
Excess tax deductions related to share-based payments on exercised awards	–	–	–	–	–	–	–	1,135	1,135
Purchase of Own shares	–	–	(2,368)	–	–	–	–	–	(2,368)
Performance share plan awards vested	–	–	3,324	–	–	–	(6,633)	–	(3,309)
At 1 April 2017 (audited)	37,965	23,608	(7,263)	185	354	150,197	(6,323)	579,914	778,637

Consolidated Cash Flow Statement

	Notes	Unaudited 6 months to 30 September 2017 £000	Unaudited 26 weeks to 1 October 2016 £000	Audited 52 weeks to 1 April 2017 £000
Net cash inflow from operating activities	8	76,025	70,345	172,493
Cash flows from investing activities				
Purchase of property, plant and equipment		(9,134)	(10,728)	(21,875)
Purchase of computer software		(972)	(702)	(2,479)
Purchase of other intangibles		(117)	(209)	(281)
Proceeds from sale of property, plant and equipment		1,177	287	1,495
Development costs capitalised		(5,034)	(4,814)	(10,731)
Interest received		106	96	211
Acquisition of businesses, net of cash acquired	10	(17,086)	(148)	(9,972)
Net cash used in investing activities		(31,060)	(16,218)	(43,632)
Cash flows from financing activities				
Dividends paid		(31,733)	(29,609)	(49,788)
Purchase of Own shares		–	–	(2,368)
Interest paid		(3,545)	(3,489)	(7,023)
Loan arrangement fee paid		–	–	(2,656)
Proceeds from bank borrowings		30,748	–	–
Repayment of bank borrowings		(33,300)	–	(54,761)
Net cash used in financing activities		(37,830)	(33,098)	(116,596)
Increase in cash and cash equivalents		7,135	21,029	12,265
Cash and cash equivalents brought forward		65,637	49,526	49,526
Exchange adjustments		(1,106)	3,713	3,846
Cash and cash equivalents carried forward		71,666	74,268	65,637
		Unaudited 6 months to 30 September 2017 £000	Unaudited 26 weeks to 1 October 2016 £000	Audited 52 weeks to 1 April 2017 £000
Reconciliation of net cash flow to movement in net debt				
Increase in cash and cash equivalents		7,135	21,029	12,265
Net cash outflow from repayment of bank borrowings		2,552	–	54,761
Loan notes repaid in respect of acquisitions		161	241	241
Exchange adjustments		5,604	(11,873)	(16,991)
		15,452	9,397	50,276
Net debt brought forward		(196,442)	(246,718)	(246,718)
Net debt carried forward		(180,990)	(237,321)	(196,442)

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 6 months to 30 September 2017, was approved by the Directors on 21 November 2017.

Effective from this financial year, the Group changed its reporting basis from weeks to calendar months. The Half Year Report is prepared for the 6 month period to 30 September 2017 and the Annual Report will be prepared for the year to 31 March 2018. For the current financial year, 26 weeks is equivalent to 6 months so there is no difference between presentation on a weekly or calendar months basis.

Basis of preparation

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 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 1 April 2017, with the exception of the policy for taxes on income, which in the interim period is accrued using the effective tax rate that would be applicable to expected total income for the financial year.

The figures shown for the 52 weeks to 1 April 2017 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.

Standards and interpretations not yet applied

At the date of authorisation of this Half Year Report, the following Standards and Interpretations that are potentially relevant to the Group, and which have not been applied in these financial statements, were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

- IFRS 9 'Financial Instruments: Classification and measurement' – effective for accounting periods beginning on or after 1 January 2018.
- IFRS 15 'Revenue from Contracts with Customers' – effective for accounting periods beginning on or after 1 January 2018.
- IFRS 16 'Leases' – effective for accounting periods beginning on or after 1 January 2019.
- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions – effective for accounting periods beginning on or after 1 January 2018.
- Annual Improvements 2014-2016 Cycle – effective for accounting periods beginning on or after 1 January 2018.
- IFRIC Interpretation 22: Foreign Currency Transactions and Advance Consideration – effective for accounting periods beginning on or after 1 January 2018.
- IFRIC Interpretation 23: Uncertainty over Income Tax Treatments – effective for accounting periods beginning on or after 1 January 2019.
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures – effective for accounting periods beginning on or after 1 January 2019.

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group with the exception of IFRS 9 'Financial Instruments', IFRS 15 'Revenue from Contracts with Customers', and IFRS 16 'Leases' where our review of the impact is ongoing as described below.

Notes to the Condensed Financial Statements continued

1 Basis of preparation continued

(a) IFRS 15 'Revenue from Contracts with Customers'

For the Group, transition to IFRS 15 will take effect from 1 April 2018. The half year results for FY18/19 will be IFRS 15 compliant with the first Annual Report published in accordance with IFRS 15 being the 31 March 2019 report. The Group plans to adopt a fully retrospective transition approach and so comparatives for the year ended 31 March 2018 will be restated.

IFRS 15 sets out the requirements for recognising revenue from contracts with customers. The standard requires entities to apportion revenue earned from contracts to individual promises, or performance obligations, on a stand-alone selling price basis, based on a five-step model.

The Group is making good progress in quantifying the full impact of this standard. Having performed an impact assessment in FY16/17, during the first half of FY17/18 the Group has been working through a comprehensive transition exercise at each of its subsidiaries. The autonomous nature of the Group means that each subsidiary sets its own terms and conditions and operating procedures and as such this was the appropriate level for the transition exercise. The transition exercise has involved scoping the Group's revenues to identify revenue streams with like commercial terms and performing sample contract reviews to determine the appropriate revenue recognition under IFRS 15. To ensure a consistent approach to the exercise and consistent judgements, the exercise has been supported from the centre through setting the approach to transition, and providing appropriate tools and guidance, including a revised Group Accounting Manual.

The review and conclusion of this exercise is ongoing, including reviewing the consistency of judgements between companies and review by the Group's auditor. Based on the initial views of the companies we do not expect there to be a material change in the timing or quantum of revenue recognition.

The following areas of potential differences were identified from our initial impact assessment which are being investigated as part of our transition exercise:

- Certain companies across the Group provide a product which involves an element of customisation. Currently under IAS 18 the revenue recognition for such product is at a point in time on transfer of the risk and reward of the transaction to the customer. IFRS 15 requires that for such transactions, where certain criteria are met, revenue is recognised over time. Based on the review of specific contract terms against the requirements of IFRS 15 we do not currently expect the criteria of IFRS 15 to be met and as such do not expect there to be material change in the timing or quantum of revenue recognition in relation to these arrangements.
- Certain companies across the Group arrange shipping and handling on behalf of their customers but, based on assessment of all terms and conditions, determine control of goods to pass on despatch. Accordingly shipping and handling is a separate performance obligation under IFRS 15 and revenue is only recognised when the performance obligation is fulfilled. Having reviewed the terms of the arrangements we do not currently expect there to be a material change in the timing or quantum of revenue recognition.
- Many of our companies have warranty arrangements with their customers. Having reviewed the details of the warranty arrangements, these have been determined to be of an assurance nature and as such there is no material change in accounting required by IFRS 15.
- Many of the companies have variable consideration arrangements with their customers. Having reviewed the details of these arrangements against IFRS 15 and current accounting practices, we do not currently expect there to be a material change in the timing or quantum of revenue recognition.
- Sales commissions and other third-party sales acquisition costs resulting directly from securing contracts with customers are required to be recognised as an asset under IFRS 15 and recognised over the associated contract period where such contract is more than one year in length. Having reviewed the nature of the arrangements we do not currently expect there to be a change in the current accounting.

Notes to the Condensed Financial Statements continued

1 Basis of preparation continued

(b) IFRS 9 'Financial Instruments'

For the Group, transition to IFRS 9 will take effect from 1 April 2018. The half year results for FY18/19 will be IFRS 9 compliant with the first Annual Report published in accordance with IFRS 9 being the 31 March 2019 report. There is no requirement to restate comparatives.

IFRS 9 provides a new expected losses impairment model for financial assets, including trade receivables, and includes amendments to classification and measurement of financial instruments.

During this half year the Group has undertaken a high-level review of the impact of this new standard on its financial statements. The Group's use of financial instruments is limited to short-term trading balances such as receivables and payables, borrowings and derivatives used for hedging foreign exchange risks. We therefore expect that the impact of this standard will be limited to classification of financial instruments and the measurement of impairment of short-term financial assets using the expected losses impairment model.

Through the second half of the year we will be working to establish an appropriate impairment model and accompanying processes to be applied to receivables by our companies. However, the nature of the financial assets is such that we do not expect there will be a material change in level of impairment recognised compared to that based on current procedures.

(c) IFRS 16 'Leases'

For the Group, transition to IFRS 16 will take effect from 1 April 2019. The half year results for FY19/20 will be IFRS 16 compliant with the first Annual Report published in accordance with IFRS 16 being for the year ending 31 March 2020.

IFRS 16 provides a single model for lessees which recognises a right of use asset and lease liability for all leases which are longer than one year or which are not classified as low value. The distinction between finance and operating leases for lessees is removed.

The Group is currently assessing the impact of the new standard. The most significant impact currently identified will be that the Group's land and buildings leases will be brought on to the balance sheet. Further assessment of other leases is currently ongoing. The Group's future lease commitments for land and buildings as at 1 April 2017, which provides an indicator of the value to be brought on to the balance sheet, was £45m.

Going concern

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 (RCF) completed in November 2016 of which £477m remains undrawn at the date of this report. The RCF was extended to November 2022 following the period end.

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 6 months to 30 September 2017 £000	Unaudited 26 weeks to 1 October 2016 £000	Audited 52 weeks to 1 April 2017 £000
Process Safety	88,794	76,743	167,007
Infrastructure Safety	167,923	147,988	315,219
Medical	133,270	118,664	260,576
Environmental & Analysis	116,513	98,797	219,118
Inter-segmental sales	(171)	(71)	(258)
Revenue for the period	506,329	442,121	961,662

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 £23,399,000 (26 weeks to 1 October 2016: £14,034,000; 52 weeks to 1 April 2017: £39,011,000). All revenue was otherwise derived from the sale of products.

	Profit (all continuing operations)		
	Unaudited 6 months to 30 September 2017 £000	Unaudited 26 weeks to 1 October 2016 £000	Audited 52 weeks to 1 April 2017 £000
Segment profit before allocation of adjustments*			
Process Safety	20,247	17,395	40,243
Infrastructure Safety	35,736	31,991	65,129
Medical	28,730	28,876	66,704
Environmental & Analysis	21,776	16,022	41,698
	106,489	94,284	213,774
Segment profit after allocation of adjustments*			
Process Safety	18,227	15,491	36,243
Infrastructure Safety	33,177	29,735	60,342
Medical	17,469	18,933	45,804
Environmental & Analysis	19,894	11,720	35,084
Segment profit	88,767	75,879	177,473
Central administration costs	(7,112)	(5,763)	(10,484)
Net finance expense	(4,836)	(4,891)	(9,286)
Group profit before taxation	76,819	65,225	157,703
Taxation	(15,104)	(13,013)	(28,014)
Profit for the period	61,715	52,212	129,689

* Adjustments include the amortisation and impairment of acquired intangible assets; acquisition items; restructuring costs; 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 and impairment of acquired intangible assets, restructuring costs 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.

Notes to the Condensed Financial Statements continued

2 Segmental analysis continued

These adjustments are analysed as follows:

Unaudited for the 6 months to 30 September 2017

	Amortisation and impairment of acquired intangibles £000	Acquisition items			Total amortisation charge and acquisition items £000	Disposal of operations and restructuring £000	Total £000
		Transaction costs £000	Adjustments to contingent consideration £000	Release of fair value adjustments to inventory £000			
Process Safety	(2,020)	–	–	–	(2,020)	–	(2,020)
Infrastructure Safety	(2,456)	(103)	–	–	(2,559)	–	(2,559)
Medical	(9,941)	(826)	(494)	–	(11,261)	–	(11,261)
Environmental & Analysis	(2,899)	(3)	1,121	(101)	(1,882)	–	(1,882)
Total Segment & Group	(17,316)	(932)	627	(101)	(17,722)	–	(17,722)

The transaction costs arose mainly on the acquisitions of CasMed NIBP and Cardios during the period. Further detail on the acquisitions is contained in note 10.

The £627,000 adjustment to contingent consideration comprises a credit of £1,121,000 in Environmental & Analysis arising from a change in estimate of the payable for FluxData, Inc. (FluxData), a prior year acquisition, offset by £494,000 in Medical arising from exchange differences on the payables for Visiometrics S.L. (Visiometrics) which is denominated in Euros and for Cardios which is denominated in Brazilian Reals.

The £101,000 charge relates to the release of the remaining fair value adjustment on revaluing the inventory of FluxData on acquisition in the prior year.

Unaudited for the 26 weeks to 1 October 2016

	Amortisation and impairment of acquired intangibles £000	Acquisition items			Total amortisation charge and acquisition items £000	Disposal of operations and restructuring £000	Total £000
		Transaction costs £000	Adjustments to contingent consideration £000	Release of fair value adjustments to inventory £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 offset by a £677,000 charge arising from changes in the discount rate along with exchange differences on the payable for Visiometrics which is denominated in Euros.

The £790,000 charge relates to the release of the remaining fair value adjustment on revaluing the inventory of CenTrak Inc (CenTrak) on acquisition.

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, Pixelteq Inc (Pixelteq).

Notes to the Condensed Financial Statements continued

2 Segmental analysis continued

Audited for the 52 weeks to 1 April 2017

	Amortisation and impairment of acquired intangibles £000	Acquisition items			Total amortisation charge and acquisition items £000	Disposal of operations and restructuring £000	Total £000
		Transaction costs £000	Adjustments to contingent consideration £000	Release of fair value adjustments to inventory £000			
Process Safety	(4,000)	–	–	–	(4,000)	–	(4,000)
Infrastructure Safety	(4,784)	(3)	–	–	(4,787)	–	(4,787)
Medical	(30,702)	(95)	10,687	(790)	(20,900)	–	(20,900)
Environmental Analysis	(4,412)	(265)	14	(41)	(4,704)	(1,910)	(6,614)
Total Segment & Group	(43,898)	(363)	10,701	(831)	(34,391)	(1,910)	(36,301)

Included within amortisation and impairment of acquired intangibles in the Medical sector is £12,429,000 impairment to a customer relationship asset of Visiometrics. Related to this impairment, included within the Medical sector, there is a credit arising from a revision to the estimate of the deferred contingent consideration payable for Visiometrics of £10,087,000 (£12,002,000). The majority of this revision relates to deferred contingent consideration payable on sales to the same customer.

The transaction costs arose mainly on the acquisition of FluxData on 6 January 2017.

The £10,701,000 credit to contingent consideration comprises mainly the revision to estimate of the payable for Visiometrics discussed above. The remaining credit relates to the change in estimate to the payable for VAS by £356,000, and for ASL Holdings Limited (ASL) by £14,000 on final settlement of the payable, and a credit of £244,000 arising from exchange differences on the Visiometrics payable which is denominated in Euros.

The £831,000 charge relates to the release of the fair value adjustment on revaluing the inventories of CenTrak (£790,000) and FluxData (£41,000) on acquisition. All amounts have now been released in relation to CenTrak.

The £1,910,000 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, Pixelteq.

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 2017.

Geographic information

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

	Revenue by destination		
	Unaudited 6 months to 30 September 2017 £000	Unaudited 26 weeks to 1 October 2016 £000	Audited 52 weeks to 1 April 2017 £000
United States of America	181,808	160,807	345,295
Mainland Europe	109,011	95,965	210,342
United Kingdom	79,746	72,901	154,920
Asia Pacific	83,928	69,686	151,626
Africa, Near and Middle East	30,750	26,742	60,765
Other countries	21,086	16,020	38,714
Group revenue	506,329	442,121	961,662

Notes to the Condensed Financial Statements continued

3 Finance income

	Unaudited 6 months to 30 September 2017 £000	Unaudited 26 weeks to 1 October 2016 £000	Audited 52 weeks to 1 April 2017 £000
Interest receivable	106	96	211
Fair value movement on derivative financial instruments	–	–	283
	106	96	494

4 Finance expense

	Unaudited 6 months to 30 September 2017 £000	Unaudited 26 weeks to 1 October 2016 £000	Audited 52 weeks to 1 April 2017 £000
Interest payable on loans and overdrafts	3,470	3,463	6,977
Amortisation of finance costs	454	325	1,040
Net interest charge on pension plan liabilities	888	832	1,553
Other interest payable	75	25	126
	4,887	4,645	9,696
Fair value movement on derivative financial instruments	29	267	53
Unwinding of discount on provisions	26	75	31
	4,942	4,987	9,780

5 Taxation

The total Group tax charge for the 6 months to 30 September 2017 of £15,104,000 (26 weeks to 1 October 2016: £13,013,000; 52 weeks to 1 April 2017: £28,014,000) comprises a current tax charge of £17,991,000 (26 weeks to 1 October 2016: £15,032,000; 52 weeks to 1 April 2017: £34,766,000) and a deferred tax credit of £2,887,000 (26 weeks to 1 October 2016: £2,019,000; 52 weeks to 1 April 2017: £6,752,000). The tax charge is based on the estimated effective tax rate for the year.

The tax charge includes £14,885,000 (26 weeks to 1 October 2016: £12,253,000; 52 weeks to 1 April 2017: £27,525,000) in respect of overseas tax.

Notes to the Condensed Financial Statements continued

6 Earnings per ordinary share

Basic and diluted earnings per ordinary share are calculated using the weighted average of 379,219,351 (1 October 2016: 378,549,906; 1 April 2017: 378,685,730) shares in issue during the period (net of shares purchased by the Company and held as treasury and Employee Benefit Trust shares). There are no dilutive or potentially dilutive ordinary shares.

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

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

	Unaudited 6 months to 30 September 2017 £000	Unaudited 26 weeks to 1 October 2016 £000	Audited 52 weeks to 1 April 2017 £000
Earnings from continuing operations	61,715	52,212	129,689
Amortisation of acquired intangible assets (after tax)	11,832	10,383	21,452
Impairment of acquired intangible assets (after tax)	–	–	9,322
Acquisition transaction costs (after tax)	574	–	240
Release of fair value adjustments to inventory (after tax)	62	490	569
Adjustments to contingent consideration (after tax)	(725)	300	(10,650)
Disposal of operations and restructuring (after tax)	–	1,847	1,648
Adjusted earnings	73,458	65,232	152,270

	Per ordinary share		
	Unaudited 6 months to 30 September 2017 pence	Unaudited 26 weeks to 1 October 2016 pence	Audited 52 weeks to 1 April 2017 pence
Earnings from continuing operations	16.27	13.79	34.25
Amortisation of acquired intangible assets (after tax)	3.12	2.74	5.66
Impairment of acquired intangible assets (after tax)	–	–	2.46
Acquisition transaction costs (after tax)	0.15	–	0.06
Release of fair value adjustments to inventory (after tax)	0.02	0.13	0.15
Adjustments to contingent consideration (after tax)	(0.19)	0.08	(2.81)
Disposal of operations and restructuring (after tax)	–	0.49	0.44
Adjusted earnings	19.37	17.23	40.21

Notes to the Condensed Financial Statements continued

7 Dividends

	Unaudited 6 months to 30 September 2017 pence	Per ordinary share	
		Unaudited 26 weeks to 1 October 2016 pence	Audited 52 weeks to 1 April 2017 pence
Amounts recognised as distributions to shareholders in the period			
Final dividend for the year to 1 April 2017 (2 April 2016)	8.38	7.83	7.83
Interim dividend for the year to 1 April 2017	–	–	5.33
	8.38	7.83	13.16
Dividends in respect of the period			
Interim dividend for the year to 31 March 2018 (1 April 2017)	5.71	5.33	5.33
Final dividend for the year to 1 April 2017	–	–	8.38
	5.71	5.33	13.71

	Unaudited 6 months to 30 September 2017 £000	Unaudited	
		26 weeks to 1 October 2016 £000	Audited 52 weeks to 1 April 2017 £000
Amounts recognised as distributions to shareholders in the period			
Final dividend for the year to 1 April 2017 (2 April 2016)	31,733	29,605	29,605
Interim dividend for the year to 1 April 2017	–	–	20,183
	31,733	29,605	49,788
Dividends in respect of the period			
Interim dividend for the year to 31 March 2018 (1 April 2017)	21,678	20,183	20,183
Final dividend for the year to 1 April 2017	–	–	31,733
	21,678	20,183	51,916

Notes to the Condensed Financial Statements continued

8 Notes to the Consolidated Cash Flow Statement

	Unaudited 6 months to 30 September 2017 £000	Unaudited 26 weeks to 1 October 2016 £000	Audited 52 weeks to 1 April 2017 £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	81,767	70,159	167,070
Financial instruments at Fair value through profit or loss	(193)	–	–
Depreciation of property, plant and equipment	9,139	8,743	17,798
Amortisation of computer software	845	696	1,432
Amortisation of capitalised development costs and other intangibles	3,375	3,508	6,947
Impairment of intangibles	–	–	98
Amortisation of acquired intangible assets	17,316	15,192	31,469
Impairment of acquired intangible assets	–	–	12,429
Share-based payment expense in excess of/(less than) amounts paid	552	(695)	1,880
Additional payments to pension plans	(5,358)	(5,104)	(10,213)
Loss on restructuring of operation	–	2,057	1,252
(Profit)/loss on sale of property, plant and equipment and computer software	(522)	14	138
Operating cash flows before movement in working capital	106,921	94,570	230,300
Increase in inventories	(8,688)	(2,350)	(5,406)
Decrease/(increase) in receivables	4,007	12,680	(14,262)
(Decrease)/increase in payables and provisions	(8,106)	(18,104)	5,750
Revision to estimate of contingent consideration payable	(627)	323	(10,701)
Cash generated from operations	93,507	87,119	205,681
Taxation paid	(17,482)	(16,774)	(33,188)
Net cash inflow from operating activities	76,025	70,345	172,493

	Unaudited 30 September 2017 £000	Unaudited 1 October 2016 £000	Audited 1 April 2017 £000
Analysis of cash and cash equivalents			
Cash and bank balances	71,671	76,093	66,827
Overdrafts (included in current Borrowings)	(5)	(1,825)	(1,190)
Cash and cash equivalents	71,666	74,268	65,637

Notes to the Condensed Financial Statements continued

8 Notes to the Consolidated Cash Flow Statement continued

	At 1 April 2017 £000	Reclass £000	Cash flow £000	Net cash/(debt) acquired £000	Loan notes repaid £000	Exchange adjustments £000	At 30 September 2017 £000
Analysis of net debt							
Cash and bank balances	66,827	–	5,795	155	–	(1,106)	71,671
Overdrafts	(1,190)	–	1,185	–	–	–	(5)
Cash and cash equivalents	65,637	–	6,980	155	–	(1,106)	71,666
Loan notes falling due within one year	(161)	(175)	–	–	161	–	(175)
Loan notes falling due after more than one year	(181,157)	175	–	–	–	1,916	(179,066)
Bank loans falling due after more than one year	(80,761)	–	2,552	–	–	4,794	(73,415)
Total net debt	(196,442)	–	9,532	155	161	5,604	(180,990)

Overdrafts and Loan notes falling due within one year are included as current borrowings in the Consolidated Balance Sheet. Loan notes and Bank loans falling due after more than one year are included as non-current borrowings.

9 Alternative performance measures

The Board uses certain non-GAAP measures to help it effectively monitor the performance of the Group. The Directors consider that these represent a more consistent measure of underlying performance. These measures include Return on Total Invested Capital, Return on Capital Employed, Organic growth at constant currency, Adjusted operating profit and Adjusted operating cash flow.

Return on Total Invested Capital (ROTIC)

	Unaudited 6 months to 30 September 2017 £000	Unaudited 26 weeks to 1 October 2016 £000	Audited 52 weeks to 1 April 2017 £000
Profit after tax	61,715	52,212	129,689
Adjustments ³	11,743	13,020	22,581
Adjusted³ profit after tax	73,458	65,232	152,270
Shareholders' funds	775,315	690,568	778,637
Add back retirement benefit obligations	66,825	94,024	74,856
Less associated deferred tax assets	(12,424)	(17,506)	(13,947)
Cumulative amortisation of acquired intangible assets	179,650	136,963	168,031
Historical adjustments to goodwill ⁴	89,549	89,549	89,549
Total Invested Capital	1,098,915	993,598	1,097,126
Average Total Invested Capital²	1,098,021	942,335	994,099
Return on Total Invested Capital (annualised)¹	13.4%	13.8%	15.3%

Notes to the Condensed Financial Statements continued

9 Alternative performance measures continued

Return on Capital Employed (ROCE)

	Unaudited 6 months to 30 September 2017 £000	Unaudited 26 weeks to 1 October 2016 £000	Audited 52 weeks to 1 April 2017 £000
Profit before tax	76,819	65,225	157,703
Adjustments ³	17,722	18,405	36,301
Net finance costs	4,836	4,891	9,286
Adjusted operating profit³ after share of results of associates	99,377	88,521	203,290
Computer software costs within intangible assets	4,633	3,353	4,466
Capitalised development costs within intangible assets	30,027	25,985	28,782
Other intangibles within intangible assets	1,079	1,099	1,111
Property, plant and equipment	102,620	103,417	106,016
Inventories	124,231	113,757	118,780
Trade and other receivables	203,408	179,659	212,236
Trade and other payables	(125,730)	(109,841)	(135,257)
Provisions	(4,752)	(5,571)	(6,776)
Net tax liabilities	(14,511)	(11,972)	(15,931)
Non-current trade and other payables	(11,383)	(11,387)	(10,780)
Non-current provisions	(16,888)	(18,859)	(16,917)
Add back contingent purchase consideration	15,228	18,500	16,444
Capital Employed	307,962	288,140	302,174
Average Capital Employed²	305,068	273,394	280,411
Return on Capital Employed (annualised)¹	65.2%	64.8%	72.5%

1 The ROTIC and ROCE measures are calculated as annualised Adjusted profit after tax divided by Average Total Invested Capital and annualised Adjusted operating profit after share of results of associates divided by Average Capital Employed respectively.

2 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 2016 Total Invested Capital and Capital Employed balances were £891,071,000 and £259,648,000 respectively.

3 Adjustments set out in note 2 include the amortisation and impairment of acquired intangible assets; acquisition items; restructuring costs and profit or loss on disposal of operations, and where applicable, the associated taxation thereon.

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

Organic growth and constant currency

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

- removing from the year of acquisition their entire revenue and profit before taxation, and
- 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.

Constant currency measures the change in revenue and profit excluding the effects of currency movements. The measure restates the current year's revenue and profit at last year's exchange rates.

Organic growth at constant currency has been calculated below:

Notes to the Condensed Financial Statements continued

9 Alternative performance measures continued

Organic growth at constant currency

	Revenue			Adjusted profit* before taxation		
	Unaudited 6 months to 30 September 2017 £000	Unaudited 26 weeks to 1 October 2016 £000	% growth	Unaudited 6 months to 30 September 2017 £000	Unaudited 26 weeks to 1 October 2016 £000	% growth
Continuing operations	506,329	442,121	14.5%	94,541	83,630	13.0%
Acquired and disposed revenue/profit	(3,587)			(172)		
Organic growth	502,742	442,121	13.7%	94,369	83,630	12.8%
Constant currency adjustment	(20,277)			(4,154)		
Organic growth at constant currency	482,465	442,121	9.1%	90,215	83,630	7.9%

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

Sector organic growth at constant currency

Organic growth at constant currency is calculated for each segment using the same method as described above.

Process Safety	Revenue			Adjusted* segment profit		
	Unaudited 6 months to 30 September 2017 £000	Unaudited 26 weeks to 1 October 2016 £000	% growth	Unaudited 6 months to 30 September 2017 £000	Unaudited 26 weeks to 1 October 2016 £000	% growth
Continuing operations	88,794	76,743	15.7%	20,247	17,395	16.4%
Acquisition and currency adjustments	(2,710)			(596)		
Organic growth at constant currency	86,084	76,743	12.2%	19,651	17,395	13.0%

Infrastructure Safety	Revenue			Adjusted* segment profit		
	Unaudited 6 months to 30 September 2017 £000	Unaudited 26 weeks to 1 October 2016 £000	% growth	Unaudited 6 months to 30 September 2017 £000	Unaudited 26 weeks to 1 October 2016 £000	% growth
Continuing operations	167,923	147,988	13.5%	35,736	31,991	11.7%
Acquisition and currency adjustments	(5,491)			(1,008)		
Organic growth at constant currency	162,432	147,988	9.8%	34,728	31,991	8.6%

Medical	Revenue			Adjusted* segment profit		
	Unaudited 6 months to 30 September 2017 £000	Unaudited 26 weeks to 1 October 2016 £000	% growth	Unaudited 6 months to 30 September 2017 £000	Unaudited 26 weeks to 1 October 2016 £000	% growth
Continuing operations	133,270	118,664	12.3%	28,730	28,876	(0.5)%
Acquisition and currency adjustments	(8,360)			(1,663)		
Organic growth at constant currency	124,910	118,664	5.3%	27,067	28,876	(6.3)%

Notes to the Condensed Financial Statements continued

9 Alternative performance measures continued

Sector organic growth at constant currency continued

Environmental & Analysis	Revenue			Adjusted* segment profit		
	Unaudited 6 months to 30 September 2017 £000	Unaudited 26 weeks to 1 October 2016 £000	% growth	Unaudited 6 months to 30 September 2017 £000	Unaudited 26 weeks to 1 October 2016 £000	% growth
Continuing operations	116,513	98,797	17.9%	21,776	16,022	35.9%
Acquisition and currency adjustments	(7,303)			(1,379)		
Organic growth at constant currency	109,210	98,797	10.5%	20,397	16,022	27.3%

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

Adjusted operating profit

	Unaudited 6 months to 30 September 2017 £000	Unaudited 26 weeks to 1 October 2016 £000	Audited 52 weeks to 1 April 2017 £000
Operating profit	81,767	70,159	167,070
<i>Add back:</i>			
Acquisition items	406	1,113	(9,507)
Loss on restructuring	–	2,100	1,910
Amortisation of acquired intangible assets	17,316	15,192	31,469
Impairment of acquired intangible assets	–	–	12,429
Adjusted operating profit	99,489	88,564	203,371

Adjusted operating cash flow

	Unaudited 6 months to 30 September 2017 £000	Unaudited 26 weeks to 1 October 2016 £000	Audited 52 weeks to 1 April 2017 £000
Net cash from operating activities (note 8)	76,025	70,345	172,493
<i>Add back:</i>			
Net acquisition costs	932	–	363
Taxes paid	17,482	16,774	33,188
Proceeds from sale of property, plant and equipment	1,177	287	1,495
Share awards vested not settled by Own shares*	3,346	3,310	3,309
<i>Less:</i>			
Purchase of property, plant and equipment	(9,134)	(10,728)	(21,875)
Purchase of computer software and other intangibles	(1,089)	(911)	(2,760)
Development costs capitalised	(5,034)	(4,814)	(10,731)
Adjusted operating cash flow	83,705	74,263	175,482
Cash conversion % (adjusted operating cash flow/adjusted operating profit)	84%	84%	86%

* See Consolidated Statement of Changes in Equity.

Notes to the Condensed Financial Statements continued

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.

During the period ended 30 September 2017, the Group made two acquisitions: Cas Medical Systems Inc's Non-Invasive Blood Pressure Monitoring product line ("CasMed NIBP") and Cardios Sistemas Comercial E Industrial Ltda and Cardio Dinamica Ltda (together "Cardios").

The combined fair value adjustments made for the acquisitions, excluding acquired intangible assets recognised and deferred taxation thereon, resulted in reducing the goodwill recognised by £558,000.

Below are summaries of the assets acquired and liabilities assumed and the purchase consideration of:

- a) the total of CasMed NIBP and Cardios;
- b) CasMed NIBP, on a stand-alone basis; and
- c) Cardios, on a stand-alone basis.

(A) Total of CasMed NIBP and Cardios

	Total £000
Non-current assets	
Intangible assets	9,817
Property, plant and equipment	232
Current assets	
Inventories	768
Trade and other receivables	1,834
Cash and cash equivalents	155
Total assets	12,806
Current liabilities	
Trade and other payables	(925)
Provisions	(27)
Corporation tax liability	(8)
Non-current liabilities	
Deferred tax	(2,317)
Total liabilities	(3,277)
Net assets of businesses acquired	9,529
Initial cash consideration paid	15,872
Initial cash consideration payable	23
Contingent purchase consideration estimated to be paid	1,314
Total consideration	17,209
Goodwill arising on acquisitions	7,680

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).

As at the date of approval of these Condensed Financial Statements the accounting for the acquisitions remains provisional. The measurement window expires in July 2018 for CasMed NIBP and in August 2018 for Cardios.

Notes to the Condensed Financial Statements continued

10 Acquisitions continued

Analysis of cash outflow in the Consolidated Cash Flow Statement

	Unaudited 6 months to 30 September 2017 £000	Unaudited 26 weeks to 1 October 2016 £000	Audited 52 weeks to 1 April 2017 £000
Initial cash consideration paid	15,872	–	9,878
Initial cash consideration adjustment on prior year acquisitions	–	(166)	–
Cash acquired on acquisition	(155)	–	(496)
Deferred contingent consideration paid and loan notes repaid in cash in relation to prior year acquisitions*	1,369	314	590
Net cash outflow relating to acquisitions (per Consolidated Cash Flow Statement)	17,086	148	9,972

* The £1,369,000 comprises £161,000 loan notes and £1,208,000 contingent consideration paid in respect of prior period acquisitions all of which had been provided in the prior period's financial statements.

(B) CasMed NIBP, on a stand-alone basis

	Total £000
Non-current assets	
Intangible assets	2,909
Net assets of business acquired	2,909
Initial cash consideration paid	3,449
Contingent purchase consideration estimated to be paid	693
Total consideration	4,142
Goodwill arising on acquisition	1,233

The Group acquired the trade and assets of the non-invasive blood pressure (NIBP) monitoring product line on 25 July 2017 for an initial cash consideration of US\$4,500,000 (£3,449,000). The maximum contingent consideration payable is US\$2,000,000 (£1,533,000).

The current provision of US\$905,000 (£693,000) represents the fair value of the estimated payable based on performance to date and the expectation of future cash flows. The earn-out is payable on the achievement of product net sales above a target threshold for the 24-month period to June 2019.

CasMed NIBP was purchased by SunTech Medical Inc within the Medical sector. NIBP monitoring products provide SunTech with more clinical grade options for OEM customers seeking NIBP technology for multi-parameter monitors, EMS defibrillators, haemodialysis machines and various other clinical monitoring devices.

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 £1,250,000; and technology related intangibles of £1,659,000; with residual goodwill arising of £1,233,000. The goodwill represents:

- a) the technical expertise of the acquired workforce;
- b) the opportunity to leverage this expertise across some of Halma's businesses through future technologies; and
- c) the ability to exploit the Group's existing customer base.

Acquisition costs totalling £354,000 were recorded in the Consolidated Income Statement.

The goodwill arising on the acquisition is expected to be deductible for tax purposes.

Notes to the Condensed Financial Statements continued

10 Acquisitions continued

(C) Cardios, on a stand-alone basis

	Total £000
Non-current assets	
Intangible assets	6,908
Property, plant and equipment	232
Current assets	
Inventories	768
Trade and other receivables	1,834
Cash and cash equivalents	155
Total assets	9,897
Current liabilities	
Trade and other payables	(925)
Provisions	(27)
Corporation tax liability	(8)
Non-current liabilities	
Deferred tax	(2,317)
Total liabilities	(3,277)
Net assets of businesses acquired	6,620
Initial cash consideration paid	12,423
Initial cash consideration payable	23
Contingent purchase consideration estimated to be paid	621
Total consideration	13,067
Goodwill arising on acquisition	6,447

The Group acquired the entire share capital of Cardios Sistemas Comercial E Industrial Ltda and Cardio Dinamica Ltda (together "Cardios") on 4 August 2017 for an initial cash consideration of R\$50,000,000 (£12,423,000), adjustable based on closing date net assets and cash. The adjustment was determined to be R\$93,000 (£23,000). The maximum contingent consideration payable is R\$5,000,000 (£1,242,000).

The current provision of R\$2,500,000 (£621,000) represents the fair value of the estimated payable based on performance to date and the expectation of future cash flows. The earn-out is payable on gross margin growth in excess of a target threshold for the 12-month period post-acquisition.

Cardios, located in São Paulo, Brazil, designs and manufactures ambulatory ECG recorders and ambulatory blood pressure monitors for Brazilian healthcare providers. These devices are used by cardiologists and general practitioners to diagnose and prevent heart and blood vessel related diseases such as hypertension, diabetes, heart attacks, and heart arrhythmias. These products are similar or complementary to patient assessment devices currently manufactured and marketed by Halma's Medical sector.

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 £934,000; trade name of £2,303,000 and technology related intangibles of £3,578,000; with residual goodwill arising of £6,447,000. The goodwill represents:

- a) the technical expertise of the acquired workforce;
- b) the opportunity to leverage this expertise across some of Halma's businesses through future technologies; and
- c) the ability to exploit the Group's existing customer base.

Acquisition costs totalling £367,000 were recorded in the Consolidated Income Statement.

Notes to the Condensed Financial Statements continued

11 Retirement benefits

The Group's significant defined benefit plans are for the qualifying employees of its UK subsidiaries. The defined benefit obligation at 30 September 2017 of £66,825,000 (1 October 2016: £94,024,000; 1 April 2017: £74,856,000) has been estimated based on the latest triennial actuarial valuations updated to reflect current assumptions regarding discount rates, inflation rates and asset values. The last 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 2.6% (1 October 2016: 2.3%; 1 April 2017: 2.5%). 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 £5,400,000 (1 October 2016: £5,160,000; 1 April 2017: £10,700,000). The UK plans are closed to future accrual.

12 Fair values of financial assets and liabilities

As at 30 September 2017, 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 £180,087,000.

The fair value of 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 30 September 2017, the total forward foreign currency contracts outstanding were £26,396,000. 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 £592,000 (1 October 2016: £135,000; 1 April 2017: £598,000) asset and £410,000 (1 October 2016: £1,920,000; 1 April 2017: £315,000) 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

Revolving Credit Facility extension

Effective November 2017, the Group extended its unsecured five-year £550,000,000 Revolving Credit Facility agreed in November 2016 for a further year to November 2022.

Acquisition of Mini-Cam Enterprises Limited and subsidiaries

On 31 October 2017, the Group acquired the entire share capital of Mini-Cam Enterprises Limited and its subsidiary companies for cash consideration of £62,000,000, adjustable based on the closing date net assets and cash. Maximum deferred contingent consideration is payable of £23,100,000 based on annualised profit growth to the period ended 31 March 2020.

Mini-Cam, headquartered in Lancashire UK, specialises in pipeline inspection solutions for waste water systems in the UK and internationally. Mini-Cam's remotely-operated products and software enable utilities to identify leakages, blockages and potential ingress in waste water networks, thereby helping them to improve customer service levels and compliance with environmental regulations. The management team of Mini-Cam will continue to operate the business out of its current locations. Mini-Cam will join the Group's Environmental & Analysis sector where it provides new opportunities for commercial and technical collaboration with the sector's existing water technologies.

Acquisition of Setco

On 9 November 2017, the Group acquired the entire share capital of Setco S.A. for €17,000,000 (£15,088,000), adjustable based on closing date net assets and cash. Setco, based in Barcelona, Spain, will be a bolt-on for our global Elevator Safety business, Avire, and adds new wireless communications technology which is highly complementary to its existing product range and new product development roadmap. Setco will join the Infrastructure Safety sector.

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 Annual Report and Accounts 2017.

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 22 to 27 in the Annual Report and Accounts 2017, which is available on the Group's website at www.halma.com. The Directors do not consider that the principal risks and uncertainties have changed since the publication of the Annual Report and Accounts.

The principal risks and uncertainties relate to:

- Globalisation
- Competition
- Economic conditions
- Funding, treasury and pension deficit
- Cyber security/Information Technology/Business interruption/Natural disasters
- Acquisitions
- Laws and regulations
- Talent and diversity
- Research & Development and Intellectual Property strategy
- Product quality

The UK referendum decision in June 2016 and the subsequent triggering of Article 50 in March 2017 mean that the UK is now scheduled to leave the European Union by the end of March 2019. This decision has created a new dimension to the uncertainties surrounding global economic growth.

In 2016/17, approximately 10% of Group revenue came from direct sales between the UK and Mainland Europe.

To date, the following Brexit 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 currency 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
- Talent: mobility of the workforce

Halma has an executive working group to assess and monitor the potential impact on us of Brexit, to communicate updates and support our businesses in preparing for the range of possible outcomes.

Our decentralised model with businesses in diverse markets and locations, will enable each Halma company to adapt quickly to changing trading conditions. This agility together with the regulation driven demand for many of our products and services will help us to mitigate any adverse impact and also take advantage of the opportunities presented by the decision to leave the European Union.

Movements in foreign exchange rates remain a risk to financial performance. 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 6% relative to the US Dollar, and by 7% against the Euro, resulting in a 5% positive currency impact on reported revenue and 5% on reported profit.

Notes to the Condensed Financial Statements continued

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 Guidance 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
21 November 2017

Kevin Thompson
Finance Director

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Daniela Barone Soares*	
Carole Cran*	
Jo Harlow*	
Adam Meyers	
Tony Rice*	<i>Senior Independent Director</i>
Kevin Thompson	
Roy Twite*	
Jennifer Ward	

* Non-executive

Company Secretary

Carol Chesney

Executive Board

Andrew Williams	<i>Chief Executive</i>
Kevin Thompson	<i>Finance Director</i>
Chuck Dubois	<i>Sector Chief Executive, Environmental & Analysis</i>
Adam Meyers	<i>Sector Chief Executive, Medical</i>
Philippe Felten	<i>Sector Chief Executive, Process Safety</i>
Paul Simmons	<i>Sector Chief Executive, Infrastructure Safety</i>
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