Halma plc
Annual Report and Accounts 2016

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

Strategic Report

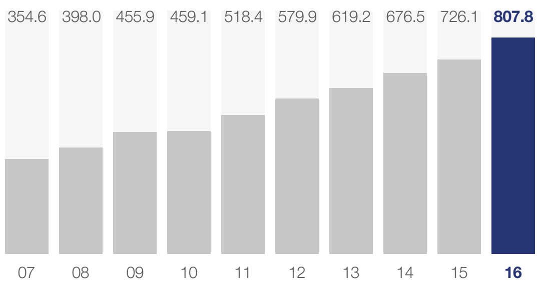
Governance

Financial Statements

Another record year of revenue, profit and dividend

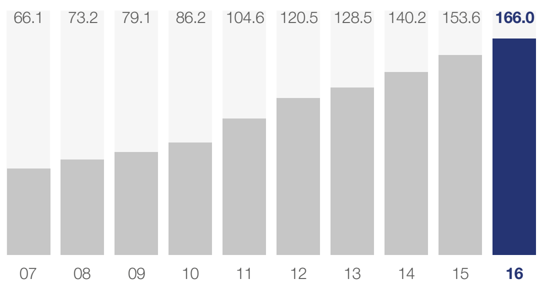
Revenue (£m)

£807.8m +11%



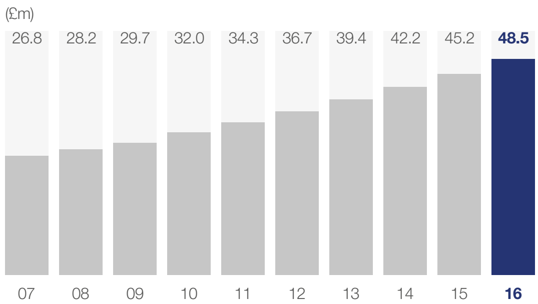
Adjusted profit before taxation (£m)

£166.0m +8%



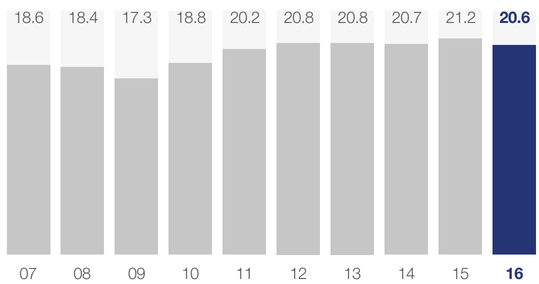
Dividend paid and proposed

12.81p +7% per share



Return on sales (%)

20.6%



Financial highlights

Continuing operations	2016	2015	Change
Revenue	£807.8m	£726.1m	+11%
Adjusted Profit before Taxation[1]	£166.0m	£153.6m	+8%
Adjusted Earnings per Share[2]	34.26p	31.17p	+10%
Statutory Profit before Taxation	£136.3m	£133.6m	+2%
Statutory Earnings per Share	28.76p	27.49p	+5%
Total Dividend per Share[3]	12.81p	11.96p	+7%
Return on Sales[4]	20.6%	21.2%	
Return on Total Invested Capital[5]	15.6%	16.3%	
Net Debt	£246.7m	£100.9m	

Pro-forma information:

1 Adjusted to remove the amortisation of acquired intangible assets, acquisition items and profit or loss on disposal of operations, totalling £29.7m (2015: £20.0m). See note 1 to the Accounts.

2 Adjusted to remove the amortisation of acquired intangible assets, acquisition items, profit or loss on disposal of operations and the associated taxation thereon. See note 2 to the Accounts.

3 Total dividend paid and proposed per share.

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

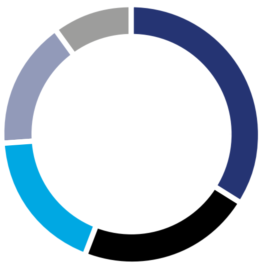
5 Organic growth rates and Return on Total Invested Capital (ROTIC) are non-GAAP performance measures used by management. See note 3 to the Accounts.

Our sectors

Profit by sector

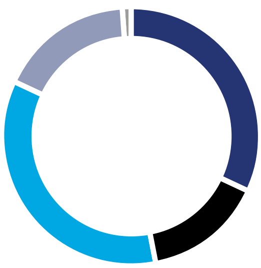
Process Safety	22%
Infrastructure Safety	31%
Medical	28%
Environmental & Analysis	19%

Revenue by destination



USA	34%
Mainland Europe	22%
United Kingdom	18%
Asia Pacific	15%
Other	11%

Employees by location

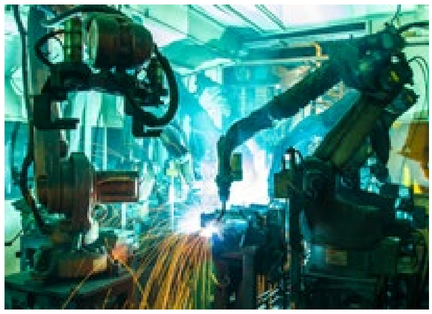


USA	32%
Mainland Europe	15%
United Kingdom	35%
Asia Pacific	17%
Other	1%

Record results for Infrastructure Safety, Medical and Environmental & Analysis and resilient demand in Process Safety

Process Safety

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



Read more p34

Contribution to Group revenue

19%

Financial highlights

£155m
Revenue

£40m
Operating profit

Primary growth drivers

- population growth
- increasing health, safety and environmental regulation
- demand for life critical resources

Infrastructure Safety

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

Read more p36

33%

£265m
Revenue

£56m
Operating profit

- population growth
- urbanisation
- increasing health, safety and environmental regulation

Medical

Products which enhance the quality of life for patients and improve the quality of care delivered by providers. Devices that assess eye health, assist with eye surgery and primary care applications. Critical fluidic components used by medical diagnostic OEMs and laboratories. Sensor technologies used in hospitals to track assets and support patient and staff safety.

Read more p38

25%

£199m
Revenue

£52m
Operating profit

- population growth
- ageing and increased life expectancy
- demand for healthcare, particularly in developing economies

Environmental & Analysis

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

Read more p40

23%

£189m
Revenue

£34m
Operating profit

- population growth
- increasing environmental regulation
- demand for life critical resources

Delivering value to shareholders through record revenue, profit and dividend

Adjusted pre-tax profit up 8% on revenue up 11%

7% increase in total dividend per share

37th consecutive year of growing dividend payments by 5% or more

Four acquisitions completed for £193m

Strong cash generation and significant financial resources for further investment

Andrew Williams
Chief Executive

Halma has made excellent progress, once again delivering record revenue, profit and dividends for shareholders.

Our ability to sustain success over a long period through changing market conditions is a testament to the quality and diversity of our portfolio of companies, which is focused on protecting life and improving the quality of life worldwide.

We have a clear growth strategy, a simple financial model and a customer-focused organisation which enables each business to adapt as their market opportunities change. The benefits of this were seen clearly in the past year, as growth in our Infrastructure Safety, Medical and Environmental & Analysis sectors ensured Halma made good progress while our Process Safety sector adjusted to more challenging market conditions.

Halma's continued success is only possible through the commitment and dedication of talented individuals throughout our organisation and I would like to take this opportunity to thank all of my colleagues for their contribution to another successful year.

GOOD ORGANIC GROWTH AND HIGH RETURNS

Revenue increased by 11% to £808m (2015: £726m) including 6% organic constant currency growth and a 2% favourable currency impact. Adjusted profit[1] increased by 8% to £166.0m (2015: £153.6m) including 3% organic constant currency growth and a 2% favourable currency impact.

High returns were maintained with Return on Sales of 20.6% (2015: 21.2%). Return on Capital Employed for our operating companies remained strong at 72% (2015: 78%) and the Group's Return on Total Invested Capital was 15.6% (2015: 16.3%).

STRONG CASH GENERATION AND BALANCE SHEET SUPPORTS FUTURE GROWTH

Cash generation was maintained at a high level and we ended the year with net debt of £247m (2015: £101m) after spending £193m (2015: £84m) on current year acquisitions, £24m (2015: £23m) on capital expenditure, and paying out £47m in dividends (2015: £43m) to shareholders and £27m of tax (2015: £31m).

Our balance sheet is strong and will support further investment in our future growth. We have revolving credit facilities of up to £360m until November 2018 and in November 2015 we agreed a US Private Placement totalling US$250m. We do not aim to become a highly geared business and therefore our balance sheet strategy is to ensure that we have sufficient financial resources to achieve our strategic goal, of matching organic growth with acquisition growth and dividend growth, over the medium term.

FINAL DIVIDEND TO INCREASE BY 7%

Once again, the Board is recommending a final dividend increase of 7% giving a final dividend of 7.83p and a total dividend for the year of 12.81p (2015: 11.96p). The final dividend per share is subject to approval by shareholders at the AGM on 21 July 2016 and will be paid on 17 August 2016 to shareholders on the register at 15 July 2016.

ORGANIC CONSTANT CURRENCY REVENUE GROWTH IN ALL MAJOR REGIONS

The strength of our long-term market growth drivers was reflected in the healthy rate of growth in all developed regions. Revenue from the USA increased by 22% to £273m (2015: £223m) including organic constant currency growth of 9%. Revenue from Mainland Europe grew by 7% to £179m (2015: £167m) and by 7% at organic constant currency while UK revenue was up by 5% to £145m (2015: £138m) with 4% organic constant currency growth.

Revenue from outside the USA, UK and Mainland Europe improved by 7% to £211m (2015: £197m), representing 26% of the Group (2015: 27%) and including 1% organic constant currency growth. Asia Pacific revenue grew by 7% to £125m (2015: £117m) including 3% organic constant currency growth. This included revenue growth of 10% in China to £54m (2015: £49m) and an increase of 29% in India to £11m (2015: £8m). Revenue from Other regions was up by 7% with good growth in Africa, Near and Middle East compensating for weaker demand in South America.

RECORD RESULTS FOR THREE SECTORS AND RESILIENT DEMAND IN PROCESS SAFETY

Infrastructure Safety revenue grew by 13% to a record £265m (2015: £234m) including organic growth of 6% at constant currency. Profit[2] rose by 12% to a record £56.2m (2015: £50.0m) with organic growth at constant currency of 5%. Return on Sales was 21.2% (2015: 21.4%).

There was double-digit organic constant currency revenue growth in the USA and mid single-digit organic growth in the UK and Mainland Europe. There was excellent progress in Africa, Near and Middle East which more than compensated for a modest organic decline in Asia Pacific. Firetrace USA, LLC the fire suppression business acquired in October 2015 traded in line with expectations and has integrated well within the Infrastructure Safety sector.

In the **Medical** sector revenue increased by 17% to a record £199m (2015: £169m), with impressive organic growth of 10% at constant currency. Profit[2] was up by 14% to a record £51.7m (2015: £45.4m), which included organic constant currency growth of 9%. Return on Sales remained strong at 26.0% (2015: 26.8%).

Organic constant currency revenue growth was strongest in Mainland Europe and Asia Pacific, with good growth in the UK and the USA. Value Added Solutions, acquired in May 2015 was successfully integrated into Diba Industries during the year. The integration of Visiometrics and CenTrak, acquired in December 2015 and February 2016 respectively, is also going well and both are well placed to make valuable contributions to the sector's progress in the year ahead.

The **Environmental & Analysis** sector performed excellently, with revenue up by 15% to a record £189m (2015: £164m) including organic growth of 11% at constant currency. Profit[2] also grew strongly, increasing by 26% to a record £34.5m (2015: £27.4m) with impressive organic constant currency growth of 21%. Return on Sales improved to 18.3% (2015: 16.7%), which is now within the Group's target range of 18% to 22%.

Regionally there was double-digit organic constant currency growth in the USA, Asia Pacific and Africa, Near and Middle East. There was solid single-digit organic growth in the UK and Mainland Europe. There were no acquisitions completed in the year.

Process Safety revenue was 2% lower than last year at £155m (2015: £159m) including an organic constant currency decline of 5%. This was a resilient result given the challenging market conditions caused by the lower oil price in energy markets, which now represents 41% of sector revenue (2015: 48%). Profit[2] was down 12% to £39.6m (2015: £44.8m) including a 15% organic decline in constant currency. Return on Sales remained strong at 25.4% (2015: 28.3%).

Despite lower revenue, investment was maintained as certain businesses diversified into new markets including utilities and other process industries. This investment included a 4% increase in R&D spend, representing 3.7% of sector revenue (2015: 3.4%). Consequently, the sector is better positioned to consolidate its current level of profitability in the year ahead even though conditions in the energy-related markets are expected to remain challenging.

Regionally, there was modest organic constant currency revenue growth in the UK and Mainland Europe and a small organic decline in the USA. There was an organic constant currency revenue decline in Asia Pacific and Other regions, including a significant year-on-year reduction in South America following a major €4m project in the prior year.

FOUR ACQUISITIONS COMPLETED IN LINE WITH OUR DISCIPLINED M&A STRATEGY

Halma completed four acquisitions during the year, resulting in a spend of £193m in a single financial year.

This was particularly pleasing as the M&A market continued to be competitive with higher multiples being paid for larger businesses in Halma's attractive market sectors. Additional M&A resources were, and continue to be, added to each of our four sector boards so that we can continue to find high-quality businesses to acquire at sensible prices. Over the medium term, our strategic goal is to match the average rate of acquisition profit growth to organic profit growth, since this ensures that we retain a strong balance sheet, sustain growth and increase dividends to shareholders.

Our core acquisition strategy is to find privately-owned businesses in, or adjacent to, our existing markets although each sector has the freedom to find new niches which possess the right product, market and financial characteristics. We consider selling businesses if any of these characteristics change adversely over time and attempts to diversify, or mitigate the situation, are not productive.

Every transaction is approved by the Group's Chief Executive and Finance Director, with all deals worth £10m or more approved by the Halma plc Board. Details of the transactions completed during the year are as follows:

- In May 2015, we completed the acquisition of Value Added Solutions, LLC (trading as VAS Integrated). VAS, which has been integrated into Diba Industries within the Medical sector, designs and manufactures fluidic-related plastic machined components and assemblies for life sciences and analytical instruments. The initial cash consideration was US$5m (£3m). A further estimated US$1m (£0.6m) will be paid in April 2017 based on its growth between joining Halma and October 2016, with no further consideration due to be paid after that.
- In October 2015, we acquired Firetrace USA, LLC, an Arizona-based manufacturer of customised fire suppression systems for confined spaces serving a range of end markets including transportation, process machinery, computer server hubs, defence and aerospace. This stand-alone addition to the Infrastructure Safety sector adds fire suppression technology to our successful fire detection business. The consideration paid was US$110m (£73m) with no future contingent consideration to be paid.
- In December 2015, Halma acquired Visiometrics, S.L. located outside Barcelona, Spain and Visual Performance Diagnostics, Inc. located in California, USA (together referred to as Visiometrics). Visiometrics' products are used to measure objectively a person's visual acuity leading to a more precise determination of which elements of the eye's anatomy are affecting quality of vision, such as the early stages of cataract formation. This novel and new technology has high growth potential if it becomes a standard of care in the field of ophthalmic diagnosis where our Medical sector already has a strong global presence and this was reflected in the deal structure with the initial cash consideration of €18m (£13m) and a maximum total deferred contingent consideration of €107m (£78m) payable in instalments each year dependent on Visiometrics' financial performance to the end of 2020.

> "Our clear growth strategy, simple financial model and customer-focused approach enables our businesses to adapt as market opportunities change."

- In February 2016, Halma acquired CenTrak Inc., based in Pennsylvania, USA. CenTrak manufactures sensors and proprietary communication technology providing real-time location monitoring of people and assets in healthcare facilities. This is a new market niche for our Medical sector, although many elements of CenTrak's core technology are similar to that used widely in other Halma sectors. The cash consideration paid was US$140m (£97m) and there is no future consideration contingent on performance. CenTrak is Halma's largest ever acquisition.

CONTINUED STRATEGIC INVESTMENT TO DRIVE GROWTH

Halma's decentralised organisational structure gives our diverse range of businesses considerable management autonomy, albeit within a well-defined strategic and control framework. These are underpinned by the Halma Values of Achievement, Innovation, Empowerment and Customer satisfaction.

We have a clear view of how each business can benefit from being part of a larger group and make targeted central investments in three key areas to leverage this collective benefit: Talent development, Innovation and International expansion.

Increasingly, these central investments are being supplemented by sector-led initiatives targeted at the specific challenges and opportunities within each individual sector. Examples include the Medical sector introducing reward plans for increased collaboration and the Process Safety sector establishing a Brazil hub to build a stronger presence in South America.

Progress in Halma's three key areas of strategic investment included the following:

Talent development

Halma's Executive Board has continued to spend substantial time building sector boards for each of our four sectors. A typical sector board comprises a Sector CEO, Sector Finance Director, Sector M&A Director and two, or more, Sector Vice Presidents (SVPs) – who chair the individual operating company boards. By April 2016, each Halma sector had two Sector Vice Presidents, with five out of the total eight positions filled through internal promotions.

The sector boards are tasked with boosting our M&A search efforts and seeking new opportunities to accelerate organic growth, for example, by encouraging greater collaboration. This requires a clear vision and strategy in each sector, as outlined in more detail in the sector reviews on pages 34 to 41.

During the year, we reviewed our range of Halma talent development programmes through the lens of the future needs of our growing business. In April 2016 we launched a new programme, called HPD Enterprise, which will help our SVPs and MDs think more entrepreneurially about how they can grow their businesses in fast-changing markets.

We considered also how we can continue to develop the rich talent emerging from our successful HPD Graduate programme. We have introduced a new initiative which will help our graduates to build on (at least) two years post HPD Graduate experience. We are offering to support them through an MBA programme with the aim of accelerating their progress into senior management positions within Halma companies.

Although we have made some progress towards increasing the diversity of our management talent, we want to do more. In addition to simple things such as insisting on diversity in candidate listings from head hunters, we are encouraging our company boards to make better use of existing resources. This includes co-opting junior managers as board advisers and appointing Managing Directors from other Halma companies as non-executive directors. While recognising that there is a lot more work to be done to have more diversity in our senior management, these actions will help to realise the benefits of greater diversity now as well as provide new development opportunities for the individuals involved.

Innovation

New product innovation is a vital component of creating organic growth and enables Halma companies to increase revenue and profitability through market share gain and market expansion.

Our investment in new product development increased substantially, with R&D spend up by 19% to £41.2m (2015: £34.6m) representing 5.1% of Group revenue (2015: 4.8%). All sectors increased investment, most notably the Medical sector which grew R&D spend from 4.0% to 4.5% of sector revenue - an absolute rise of 32%.

The return on investment of new product development is assessed monthly by each Halma company, both in terms of their previous track record and future expectations, including the proportion of their revenue generated from products launched in the past three years. All measures can vary significantly from company to company, depending on the characteristics of their market and the effectiveness of their new product development effort. Since 2013, the average contribution to Group revenue from products launched in the past three years has been around 22% although the individual company performances range from single digit to over 50%.

Halma's commitment to innovation extends beyond new product development and we are continuing to develop more collaboration between our businesses as this is a valuable way in which we can build a more innovative culture. We foster collaboration by providing opportunities for our senior managers to build a network of connections across Halma including the biennial Halma Innovation and Technology Exposition (HITE), our management training programmes and an internal social networking platform.

The best examples of innovation in Halma are recognised each year through the Halma Annual Innovation Awards. This year's first prize was won by HWM-Water for their PermaNET+ remote water leak monitoring and pinpointing system. The runners-up were Ocean Optics, for a new automated alignment and calibration process for their Flame product platform, and SunTech Medical for their Vet20 product, which provides non-invasive blood pressure readings on animals, without the need for sedation.

"Our decentralised organisational structure gives our diverse range of businesses considerable management autonomy within a well-defined strategic and control framework."

International expansion

Halma has continued to invest and encourage our businesses to accelerate growth in international markets. Increasingly, Halma companies in similar markets are working together more closely to coordinate their resources and build greater critical mass in key growth regions. For example, our ophthalmic diagnostic device businesses within the Medical sector are building a single sales organisation in China to carry products from multiple Halma companies.

The Halma hubs in China and India remain a focal point and catalyst for growth. In India, we have relocated our Head Office to Bengaluru, while retaining commercial offices in Mumbai and Vadodara. We have plans to expand into Chennai and Delhi in the medium term. In China, our R&D subsidy programme has helped 15 Halma companies hire 33 new engineers in the last three years to develop new products for the local market. This programme was refined and re-launched in April 2016 as we continue to see local product development as critical to sustained growth and building a strong market share.

CORPORATE RESPONSIBILITY AND SUSTAINABILITY IS AT HALMA'S CORE

Halma's core strategy is to protect life and improve the quality of life for people worldwide.

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

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

A detailed report on Sustainability is on pages 48 to 53.

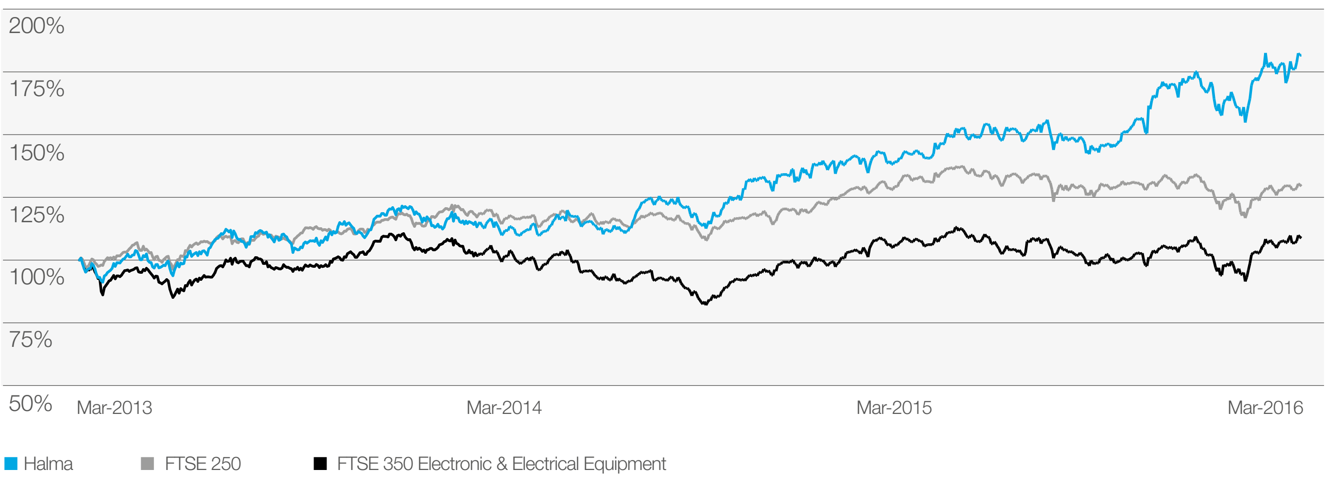
OUTLOOK

The resilience and diversity of our markets, long-term growth drivers and business model give us confidence that we can continue to grow in today's varied market conditions. During the year, Halma has made four acquisitions and further increased investment for organic growth through Talent development, Innovation and International expansion. Since the period end, order intake has continued to be ahead of revenue and order intake last year. We expect to make further progress in the year ahead in line with our expectations.

Andrew Williams
Chief Executive

1 See Highlights
2 See note 1 to the Accounts

Total Shareholder Return (three years)



Our businesses are able to respond quickly to changes in the market environment

MACRO-ECONOMIC, REGULATORY AND COMPETITIVE ENVIRONMENT

Halma's strategy is to develop market positions primed for growth over 10 years or more. Our operating companies have growth strategies with three to five year horizons.

Our focus on the supply of safety, health and environmental products positions our businesses in relatively non-cyclical markets with high barriers to entry and long-term growth driven by:

- increasing health and safety regulation
- increasing demand for healthcare
- increasing demand for life-critical resources

Regulation underpins most of our markets, driving sustained demand and often making customer spending non-discretionary. Our companies' strong market positions deliver upgrade and replacement sales opportunities as customers seek to maintain compliance and conform with best practice.

Our competitive environment is influenced by global, regional and national product approvals or technical validations. Compliance with new and updated product regulations is a steadily increasing cost and technical challenge but our expertise in this area enables us to respond quickly and build competitive advantage.

Halma is exposed to a very diverse range of carefully selected niche markets, each with its own unique drivers. As a result, macro-economic factors can affect our businesses' competitive environment very differently depending on their market segment and geographic exposure.

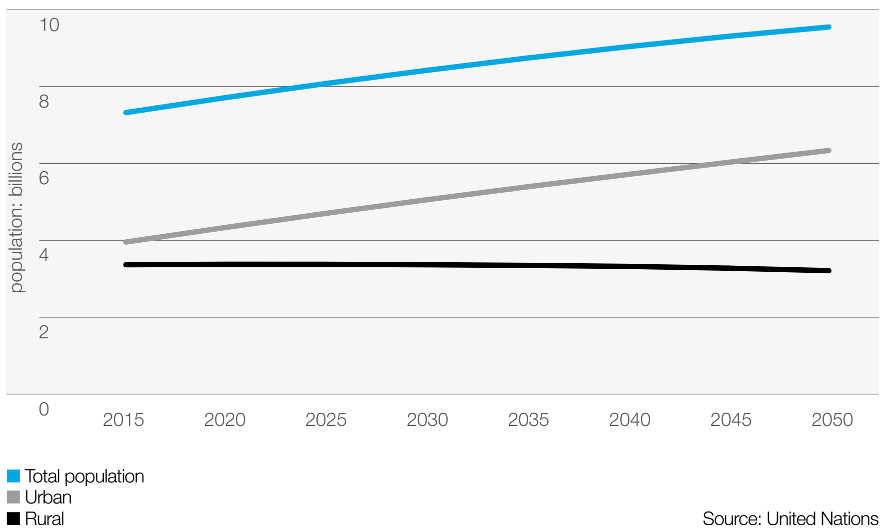
Our operating companies develop and execute their own growth strategies and respond to changes in their specific markets. Sector management teams provide strategic support and oversight for wider-reaching and longer-term market dynamics. More detail about our market segments and competitive environment is given in the sector reviews on pages 34 to 41.

Our strategy of focusing on non-cyclical niche markets with growth underpinned by resilient regulatory drivers and product approvals provides our businesses with genuine stability: resilience in challenging economic conditions and organic growth above prevailing market rates. This underlying intrinsic strength enables us to plan and to invest for the longer term with confidence.

For 2016/17, growth projections for the US economy, our largest geographic market, are in the region of 2.6%. Economic growth forecasts in the region of 1.7% in Europe and 2.2% in the UK are expected to support steady growth in these markets. The volatility of Sterling relative to the US Dollar and Euro means that our companies need to manage input costs and pricing closely.

The emerging economies are forecast to continue to grow at 4 or 5% through 2016/17. Developing socio-economic conditions in Asia and South America are expected to fuel greater demand for our products used to create safer workplaces, provide healthcare, improve infrastructure safety and manage life-critical resources.

Global total, urban and rural population



Source: United Nations

INCREASING HEALTH AND SAFETY REGULATION

A large majority of work accidents are preventable and employers throughout the world must comply with increasingly strict government laws and regulations to protect their workers, the environment and their assets from workplace hazards.

A growing number of countries are now focusing on occupational safety and health, and on preventing accidents and work-related illness. There is a global trend for governments, employers and workers to recognise the significant economic and personal impact of work accidents and ill health.

In parallel with increasing national regulation, particularly in developing economies, many multinational employers based in the developed world are extending their health and safety practices across their global operations. Employers increasingly recognise that work-related accidents and diseases can damage productivity, competitiveness and a business' reputation. These factors drive demand for our Process Safety and Infrastructure Safety products.

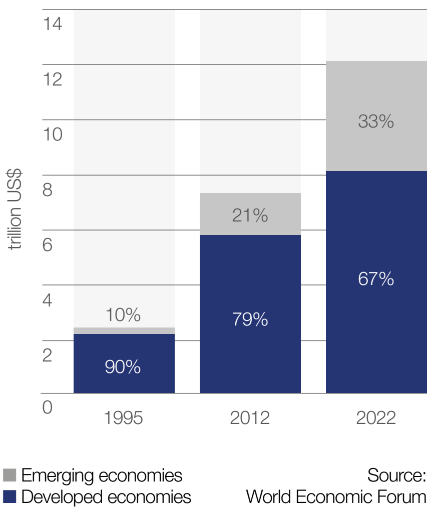
Globally, an estimated 2.3 million workers die each year from accidents at work and work-related diseases. That is over 6,000 fatalities per day, or one person every 15 seconds. A further 317 million workers suffer non-fatal work accidents every year.

The financial impact of poor occupational safety and health practice is due to absences from work and sickness, disability benefits, compensation, interruption of production and medical expenses. In addition to the human cost, this is a social and economic burden for enterprises, communities and countries. The macro-economic impact of occupational injuries, illness, disability and incapacity is estimated to be 4% of global GDP. Above-average workplace casualty rates in some countries are estimated to be costing up to 10% of annual GDP.

Safety and health at work standards and practices vary considerably between countries, economic sectors and social groups. However, they are generally rising and becoming more closely aligned. Deaths and injuries take a particularly heavy toll in developing countries, where a large part of the population may work in hazardous conditions. However, greater investment and advances in occupational safety are reducing the number of fatal accidents at work.

Governments around the world are prompted by deaths and injuries caused by accidents to introduce new and tougher regulations that protect people from harm in commercial buildings and public places. The continuous introduction of new, mandatory building codes affecting fire protection, building security, automated doors and elevators drives demand for our Infrastructure Safety products.

Global health expenditure



Source: World Economic Forum

INCREASING DEMAND FOR HEALTHCARE

Global healthcare demand is driven by five long-term demographic trends:

- ageing of the global population
- growth of the global population
- increase in chronic disease
- rising developing world incomes
- new medical technologies and therapies

All regions of the world, in both developed and developing economies, are experiencing population ageing together with rising prevalence of age-related chronic disease. These demographic factors combine to form a strong long-term driver for healthcare services and products in our Medical and Environmental & Analysis sectors. Continuous advances in medical technology and medical procedures also stimulate demand for new equipment.

Driven by a global trend of declining fertility and rising longevity, the number of people aged over 65 is forecast to more than triple between 2010 and 2050. Life expectancy is expected to rise from 72.7 years in 2013 to 73.7 years by 2018. As a result, over 10% of the world's population will be over 65. The proportion in Western Europe will hit 20% and in Japan 28%. In the USA, the world's largest healthcare market, increasing life expectancy is predicted to double the number of over-65s by 2050.

While about 9% of China's current population are aged over 65, the proportion is projected to rise to around 12% in 2020. This will mean that healthcare services for the elderly will account for nearly 23% of China's total healthcare budget.

Although developed countries have the oldest population profiles, the large majority of older people and the fastest rates of population ageing are in developing countries, where the number of older people is forecast to rise over 250% by 2050.

Fertility rates are falling globally causing the population growth rate to slow in almost every region except Africa. In 2015 the global population reached 7.3 billion, almost a tripling of the population in 1950. Despite the population growth rate falling, world population is projected to rise to 8.5 billion by 2030. Almost 40% of population growth during 2015 to 2030 is expected in Africa.

Global healthcare spending – about 10% of global GDP – is forecast to grow faster than the global economy over the next decade at over 6% annually. The global healthcare market is still dominated by the developed world. Economies such as the USA, Europe, and Japan spend about 12% of GDP on healthcare whereas developing economies average about 6% of GDP. Advanced economies account for almost two thirds of the world's healthcare expenditure with the USA alone responsible for 40% of the global spend.

In addition to ageing, population growth and rising affluence are strong drivers of healthcare demand in the developing world. Healthcare spending in emerging nations is forecast to rise dramatically with annual growth estimates for India and China at over 15% and 12% respectively, boosted by national initiatives to improve accessibility and quality of healthcare.

The incidence rates of cancer, heart disease, stroke, respiratory disease, diabetes and hypertension have risen sharply in the past decade, particularly in developing regions. These chronic diseases are the leading cause of mortality worldwide due to population ageing, more sedentary lifestyles, changing diets and rising obesity. Halma's focus on ophthalmology and advanced blood pressure monitoring products directly relates to the diagnosis and treatment of these chronic and age-related diseases.

INCREASING DEMAND FOR LIFE-CRITICAL RESOURCES

Continuous growth in demand for life-critical resources is the result of social and economic development. The United Nations predicts that the world's growing population will need at least 40% more water and 50% more energy within the next fifteen years.

Rising energy consumption and water usage is driven by four key trends:

- population growth
- economic growth
- rising living standards
- dietary and agricultural changes

During the 20th century, water consumption grew twice as fast as the world population. Increasing global demand for fresh water resources is driven by growing populations, urbanisation, migration, food and energy production, and economic factors like trade globalisation and changing patterns of consumption. These same trends have led to the pollution of water resources, further reducing the capacity of the natural water cycle to meet the world's growing water demand.

Today, about one third of the global population lives in water-stressed countries. By 2025 that could rise to two thirds. By 2050 the United Nations expects that the world will need to produce 60% more food (100% more in developing countries), but the current growth rate of agricultural consumption of freshwater resources is unsustainable. Water demand for manufacturing industry worldwide is predicted to rise by 400% from 2000 to 2050, with the largest increases in emerging economies.

Competition for water resources is forecast to increase between industries and economic sectors, and between countries in both developed and developing regions. The rising value of finite water resources drives demand for our water conservation, treatment and testing products.

As people in developing economies become more affluent, they can switch from starch-based diets to meat and dairy diets, which raises agricultural water demand. Dietary change has had the strongest impact on global water consumption over the past 30 years, and this trend is expected to continue well into the middle of the 21st century.

Rising demand for energy and water is strongly linked. Water is used in power generation, in fuel extraction, transport and processing, and to irrigate biofuel feedstock crops. Water use in energy production can also affect fresh water resources by reducing the downstream volume and quality. Energy is vital to provide fresh water, powering the systems that collect, transport, distribute and treat it. After agriculture, energy production is the second largest water consumer. Energy uses about 15% of the world's total water withdrawal, but this is expected to rise 20% by 2035.

Global economic growth is forecast to drive up energy demand by 34% between 2014 and 2035. Most of the extra energy will be consumed in the fast-growing emerging economies; energy use within developed OECD countries is expected to remain largely unchanged.

The oil and gas segment of the energy market consists of three sectors: upstream (exploration and production), midstream (storage, processing and distribution), and downstream (oil refining and raw gas processing).

In response to the recent slump in oil prices, the oil majors have postponed many projects and made massive cuts in upstream capital investment. Despite signs in the second quarter of 2016 that the oil price is beginning to rise, energy industry forecasts suggest that upstream sector capital investment is likely to continue to fall in the short- and medium-term. Conversely, the oil price fall has been favourable to midstream and downstream processors who have benefited from lower feedstock prices. As a result, investment continues in midstream and downstream oil and gas storage and refinery projects where our Process Safety products have most exposure.

Several of our businesses may see revenue from upstream oil and gas projects continue to fall. However, a combination of long-term growth in energy demand, rising capital expenditure in refining, petrochemicals and pipelines in the oil and gas midstream/downstream sectors, and in alternative energy markets like wind farm power generation, will offer growth and diversification opportunities for our businesses affected by the short-term oil price fall.

As global demand for water resources becomes unsustainable, the value of conservation, improving efficiency and effective monitoring is growing. Several of our Environmental & Analysis sector businesses operate in markets driven by the global trends of rising demand for life-critical resources such as energy and water. Rising energy demand and continued global investment in the key sectors of traditional and unconventional energy sources also drives demand for our Process Safety products.

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
See p24

Risks and uncertainties
See p30

Sustainability
See p48

Governance
See p54

Acquisition focus

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.

Kirk Key
Process Safety sector
Acquired 2011

Insight

Trapped key interlocking is a method of ensuring processes operate safely. It is specified as standard in Europe and is growing in prevalence in the USA and Asia as industrial regulations are tightened to reduce the potential for human error contributing to accidents.

Kirk Key is the established name in the USA for trapped key interlocking, positioned as a leader in certain market niches, primed and ready for growth.

Opportunity

Adding Kirk in the USA to our existing safety interlocking businesses expanded the geographic market reach of all of these companies. The potential to share sales resources, technologies and customer support channels has improved the level of service and innovation we can offer, strengthening our leadership position in this important Process Safety market.

Value

Kirk has joined with our other interlocking companies Castell and STI under one global management team, forming a truly global market-leading presence for trapped key interlocking. Collaboration in innovation, sales and operational efficiency gives these businesses the potential to build even stronger positions in many new geographic and end markets.

Firetrace
Infrastructure Safety sector
Acquired 2015

Insight

Regulations around the world continue to require better fire protection for people, places and property.

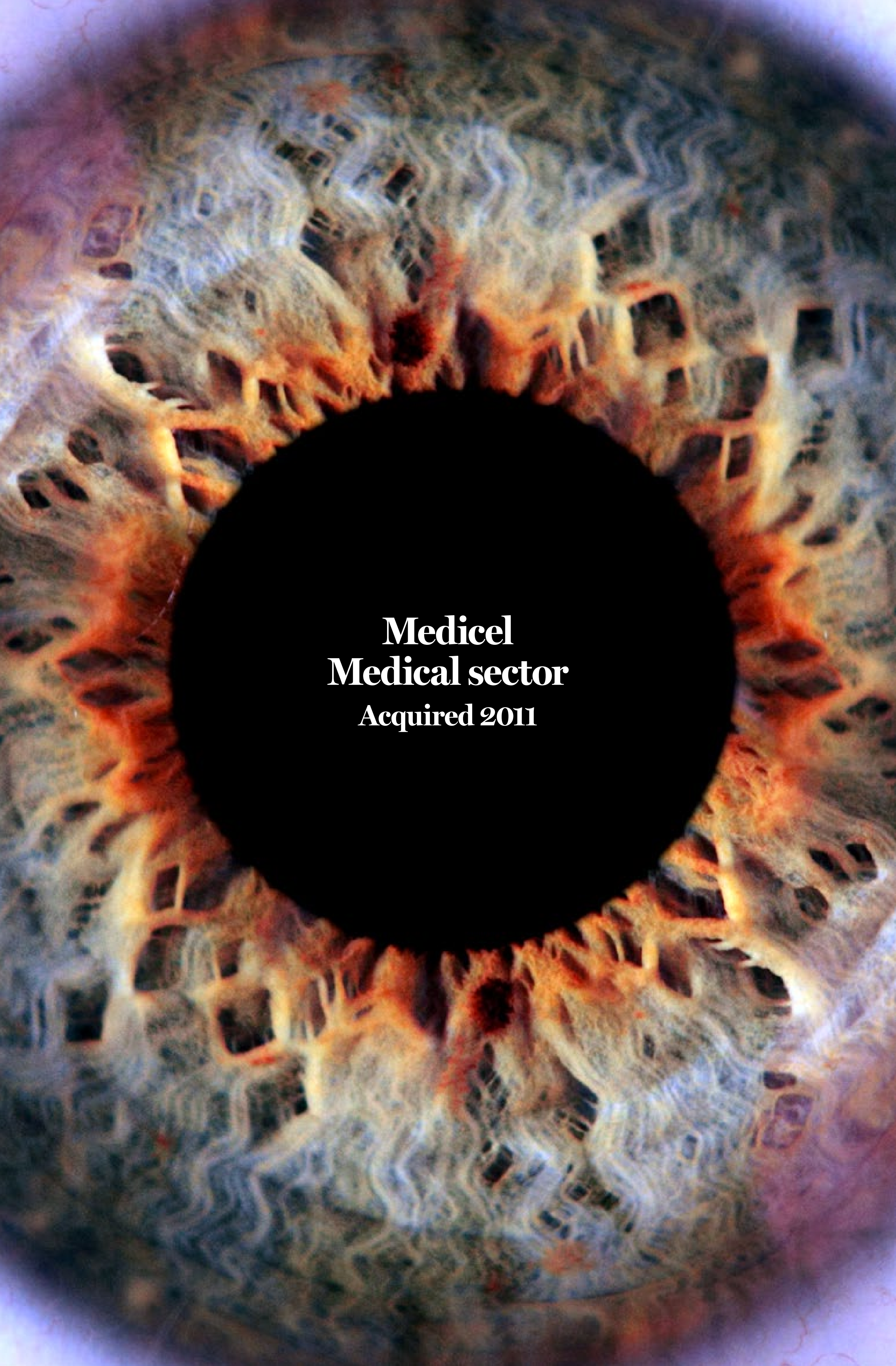
Fire protection is not just for buildings – damage to assets and fixed or moveable equipment can be costly and dangerous too. Firetrace's instant, automatic suppression technology for small spaces meets that market need perfectly.

Opportunity

There is great potential for Firetrace's systems in many markets, including the server rooms and bus engine compartments they already protect. The experience and connections of our existing Infrastructure Safety companies, as well as the wider Group's expertise in many international markets, can help facilitate and accelerate this diversification and growth.

Value

Firetrace enhances and broadens our presence in the fire protection market, adding a fast-growing company to the sector. It diversifies our end markets and provides great potential for organic growth in new international markets.


Medicel
Medical sector
Acquired 2011

Insight

People are living longer than ever before. At the same time demand for better medical treatment, easier access to healthcare, and improved quality of life is growing.

Cataracts are an inevitable part of the ageing process and are the world's leading cause of preventable blindness. Medicel's products are used by eye surgeons across the world to treat this condition and give patients their sight back.

Opportunity

Medicel's technology allows a surgeon to insert artificial lenses through very small incisions in the patient's eye, speeding up recovery time and improving post-operative outcomes.

Halma's wealth of medical and ophthalmic market knowledge, experience and global support is helping to drive the spread of this life-improving equipment faster and farther than ever before.

Value

Medicel's growth has been exceptional, with access to new geographic markets and the support of other ophthalmic companies in Halma's Medical sector. Its success has encouraged further investment in the ophthalmic surgery market with the acquisition of Accutome and MST in 2012.

Alicat
Environmental & Analysis sector
Acquired 2010

Insight

Many processes rely on precise gas and liquid flows. From industrial applications to environmental monitoring, pressure and flow rates need to be carefully controlled.

Fast, accurate measurement of flow rates is crucial in many of the markets in which we operate. Alicat makes some of the best mass flow meters in the world.

Opportunity

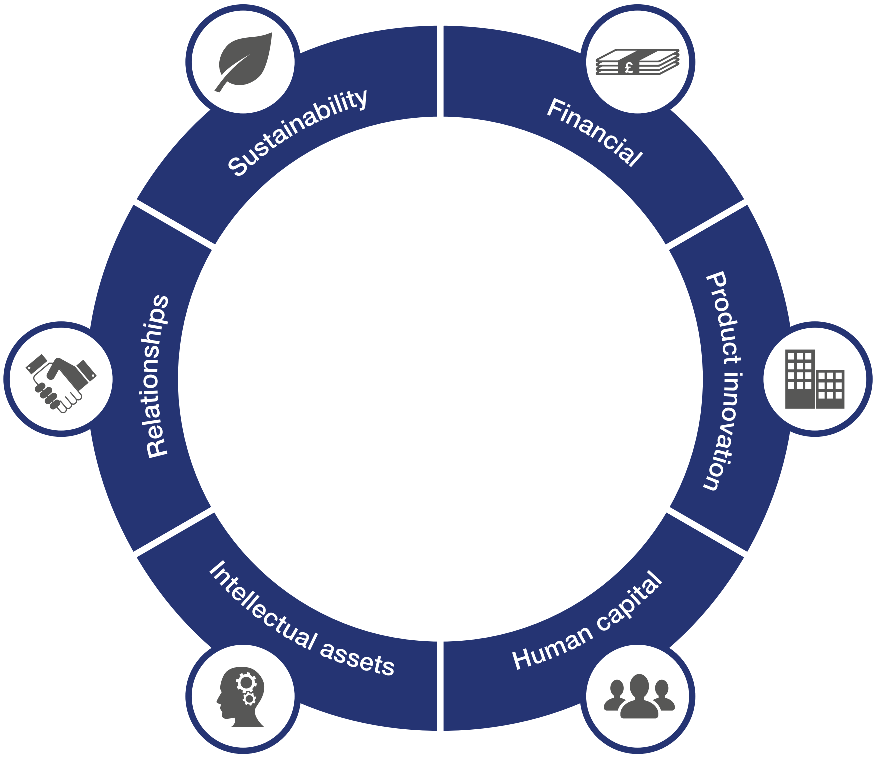
Alicat's mass flow meters are able to measure the exact amounts of gas or liquid passing through processes at any given moment. This technology is critical to processes in a huge number of industries such as food processing, high-tech manufacturing and scientific research. Halma's hubs in China and India offer Alicat the opportunity to build their presence in the markets faster.

Value

Alicat has continued to invest in new product development, process innovation and international expansion to become one of Halma's highest growth and most profitable businesses. The Halma hubs have enabled it to diversify the company's end markets and position it for sustainable success.


www.halma.com

Committed to a sustainable business and society



PRODUCT INNOVATION
Our technology is used to save lives, prevent injuries and protect people and assets around the world. We aim to develop and deliver the right products in each of our markets. Investing in new product development and making complementary acquisitions enables Halma to develop the range and quality of its products.

See Sector Reviews p34 to 41

HUMAN CAPITAL
We recognise that our people are a valuable asset and investing in them is essential to our success. Developing talent and diversity across our businesses gives us a competitive advantage and ensures that we have motivated leaders to deliver our goals in an inclusive and collaborative way.

See Sustainability p48

INTELLECTUAL ASSETS
Innovation is a key element of our business model. Empowering our businesses to invest in new products and work collaboratively with each other to share knowledge and experience creates a culture where innovation can flourish. Our Annual Innovation Awards recognise the contribution made by our businesses in this area and further promotes our collaborative approach.

See Chief Executive's Strategic Review p4

RELATIONSHIPS
Interaction with our customers and suppliers is key to developing market-leading positions in each of our businesses. We strive to understand the needs of our customers and work with our suppliers to meet these needs in the most effective way.

See Sustainability p48

SUSTAINABILITY
We recognise that our products rely on the natural capital that is available in the world and that we have a duty to minimise the impact that our operations have on the environment and protect natural resources for future generations. Halma is committed to promoting sustainable business practices and works to improve the Group's environmental performance.

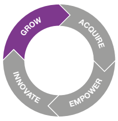
See Sustainability p48

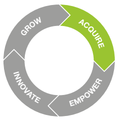
> **"We manage our capital resources to deliver a successful and sustainable business model."**

FINANCIAL
We rely on our businesses to deliver strong financial performance through innovation, cost control and high return on capital. The decentralised structure of the Group enables our businesses to capitalise on opportunities in their local market, while operating within the financial and operational control framework of Halma. Our operations are inherently cash generative and the Group has access to competitively priced finance, which provides good liquidity and support for the growth ambitions of Halma.

See Financial Review p42

Key Performance Indicators





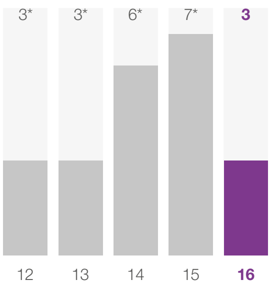
STRATEGIC FOCUS

Through careful selection of our market niches and strategic investment in people development, international expansion and innovation we aim to achieve organic growth in excess of our blended market growth rate, broadly matching revenue and profit growth in the medium term. We buy companies with business and market characteristics similar to those of existing Halma operations. Acquired businesses have to be a good fit with our operating culture and strategy in addition to being value-enhancing financially.

Organic profit growth % (constant currency)

3% Performance

≥5% Target



* Restated. See note 3 to the Accounts

KPI DEFINITION

Organic profit growth is calculated at constant currency and measures the change in profit achieved in the current year compared with the prior year from continuing Group operations. The effect of acquisitions and disposals made during the current or prior financial year has been eliminated.

COMMENT

Organic profit growth at constant currency was less than our target. Growth of 3.4% included strong performances in Environmental & Analysis, Infrastructure Safety and Medical sectors, with a decline in oil and gas markets adversely impacting Process Safety.

2017 TARGET

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

REMUNERATION LINKAGE

Growth in organic profit is a key element of the economic value added performance which forms the basis of the annual bonus plan, requiring consistent annual and longer-term growth, rewarding disciplined financial performance.

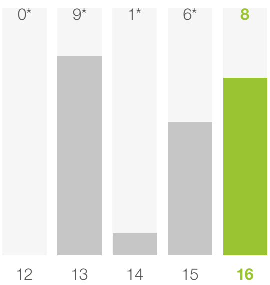
READ MORE

- Chief Executive's Strategic Review p4
- Financial Review p42
- Principal Risks and Uncertainties p30
- Note 3 to the Accounts p122

Acquisition profit growth %

8% Performance

≥5% Target



* Restated. See KPI definition below

KPI DEFINITION

Acquisition profit growth measures the annualised profit (net of financing costs) from acquisitions made in the year, measured at the date of acquisition, expressed as a percentage of prior year profit. Previously, the KPI was based on the annualised profit contributions from the current year's and prior year's acquisitions.

COMMENT

Acquisition profit exceeded our target of 5% for the year following a record spend of £193m on four acquisitions. 2016 was an excellent year for acquisitions, financed through our strong cash flow and increased debt facilities.

2017 TARGET

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

REMUNERATION LINKAGE

Growth in acquired profit is the second key element of the economic value added performance which forms the basis of the annual bonus plan, requiring consistent annual and longer-term growth, rewarding disciplined financial performance.

READ MORE

- Chief Executive's Strategic Review p4
- Financial Review p42
- Principal Risks and Uncertainties p30
- Note 3 to the Accounts p122

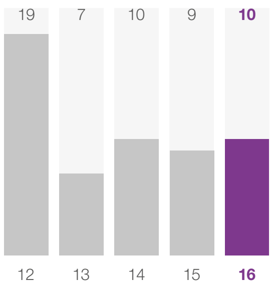
STRATEGIC FOCUS

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

EPS growth % (adjusted earnings per share)

10% Performance

≥10% Target



KPI DEFINITION

Adjusted earnings are calculated as earnings from continuing operations excluding the amortisation of acquired intangible assets; acquisition items; profit or loss on disposal of operations; the effects of closure to future benefit accrual of the defined benefit pension plans net of associated costs (2014 only); and associated tax thereon.

COMMENT

Performance was strong and met our target. Currency translation had a positive impact on the year's result.

2017 TARGET

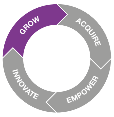
We aim for the combination of organic and acquisition growth to exceed 10% per annum over the long term. The Directors consider that adjusted earnings represent a more consistent measure of underlying performance.

REMUNERATION LINKAGE

EPS provides a clear link to the aims of the business growth strategy. It is a key financial driver for our business and provides a clear line of sight for our executives. EPS is 50% of the performance condition attaching to the Executive Share Plan introduced in 2015.

READ MORE

- Note 2 to the Accounts p121



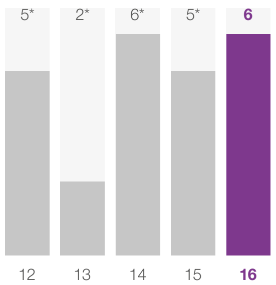
STRATEGIC FOCUS

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

Organic revenue growth % (constant currency)

6% Performance

≥5% Target



* Restated. See note 3 to the Accounts

KPI DEFINITION

Organic revenue growth is calculated at constant currency and measures the change in revenue achieved in the current year compared with the prior year from continuing Group operations. The effect of acquisitions and disposals made during the current or prior financial year has been eliminated.

COMMENT

Organic growth at constant currency in revenue exceeded our target with growth in three sectors and all major geographic regions.

2017 TARGET

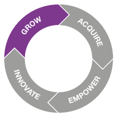
The Board has established a long-term minimum organic growth target of 5% p.a., slightly above the blended long-term average growth rate of our markets.

REMUNERATION LINKAGE

Organic growth in revenue contributes to the economic value added performance which forms the basis of the annual bonus plan, requiring consistent annual and longer-term growth, rewarding disciplined financial performance.

READ MORE

- Chief Executive's Strategic Review p4
- Financial Review p42
- Principal Risks and Uncertainties p30
- Note 3 to the Accounts p122



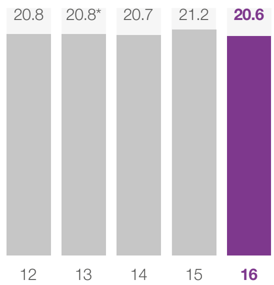
STRATEGIC FOCUS

We choose to operate in markets which are capable of delivering high returns. The ability to maintain these returns is a result of maintaining strong market and product positions sustained by continuing product and process innovation.

Return on Sales %

20.6% Performance

≥18% Target



* After restatement

KPI DEFINITION

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

COMMENT

Return on Sales was well above target. Environmental & Analysis increased Return on Sales above 18%. Infrastructure Safety and Medical sustained a strong performance. Process Safety demonstrated its resilience despite tough market conditions.

2017 TARGET

We aim to achieve a Return on Sales within the 18% to 22% range while continuing to deliver profit growth.

REMUNERATION LINKAGE

Return on Sales is a measure of the value our customers place on our products and of our operational efficiency. High profitability supports the generation of high economic value.

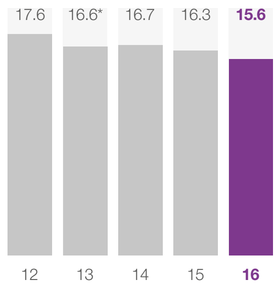
READ MORE

- Chief Executive's Strategic Review p4
- Financial Review p42

ROTIC % (Return on Total Invested Capital)

15.6% Performance

≥12% Target



* After restatement

KPI DEFINITION

ROTIC is defined as the post-tax return from continuing operations before amortisation of acquired intangible assets; acquisition items; profit or loss on disposal of operations; and the effects of closure to future benefit accrual of the defined benefit pension plans net of associated costs (2014 only) as a percentage of average shareholders' funds.

COMMENT

Consistently high returns are in excess of our long-term Weighted Average Cost of Capital (WACC) of 8.1% (2015: 7.6%). In the year this KPI was adversely affected by the strength of the US Dollar increasing the Sterling value of goodwill and intangible assets on the Consolidated Balance Sheet.

2017 TARGET

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

REMUNERATION LINKAGE

ROTIC performance, averaged over three financial years, is 50% of the performance condition attaching to the Company's Performance Share Plan and the 2015 Executive Share Plan.

READ MORE

- Chief Executive's Strategic Review p4
- Financial Review p42
- Note 3 to the Accounts p122

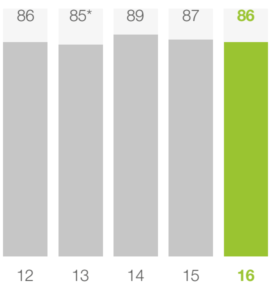
STRATEGIC FOCUS

Strong cash generation provides the Group with freedom to pursue its strategic goals of organic growth, acquisitions and progressive dividends without becoming highly-leveraged.

Cash generation %

86% Performance

≥85% Target



* After restatement

KPI DEFINITION

Cash generation is calculated using adjusted operating cash flow as a percentage of adjusted operating profit.

COMMENT

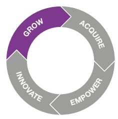
Cash generation of 86% (2015: 87%) was in excess of the 85% target in the current year with strong cash performances across the Group.

2017 TARGET

The goal of Group cash inflow exceeding 85% of profit is a metric that has relevance at all levels of the organisation and aligns management action with Group needs. We ensure that strong internal cash flow and availability of external funding underpin our strategic goals of organic growth, acquisitions and progressive dividends.

READ MORE

- Chief Executive's Strategic Review p4
- Financial Review p42
- Note 3 to the Accounts p122



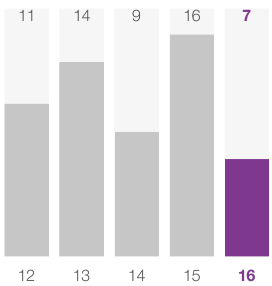
STRATEGIC FOCUS

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

International revenue growth %

7% Performance

≥10% Target



KPI DEFINITION

Total sales to markets outside the UK, USA and Mainland Europe compared with the prior year. This KPI replaces the previous International Expansion KPI which measured these sales as a percentage of total Group revenue.

COMMENT

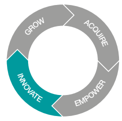
Revenue outside the UK, USA and Mainland Europe increased by 7% which is below the KPI target with strong growth in developed markets. Good progress was made in Asia Pacific and Africa, Near and Middle East but tough economic conditions and a major contract to South America in the prior year contributed to declining revenue there.

2017 TARGET

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

READ MORE

- Chief Executive's Strategic Review p4
- Financial Review p42
- Note 1 to the Accounts p118



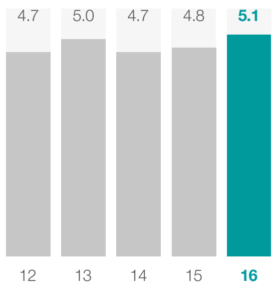
STRATEGIC FOCUS

We have maintained high levels of R&D investment and spending on innovation. The successful introduction of new products is a key contributor to the Group's ability to build competitive advantage and grow organically and internationally.

Research and development %

5.1% Performance

≥4% Target



KPI DEFINITION

Total research and development expenditure in the financial year (both that expensed and capitalised) as a percentage of revenue from continuing operations.

COMMENT

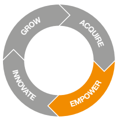
Total spend in the year increased significantly by 19% to £41.2m (2015: £34.6m) and as a percentage of revenue increased to 5.1%. All sectors increased R&D expenditure, in particular, Medical.

2017 TARGET

New products contribute strongly to organic growth, maintaining high returns and building strong market positions. The 4% minimum investment target is appropriate to the mix of product life cycles and technologies within Halma.

READ MORE

- Chief Executive's Strategic Review p4



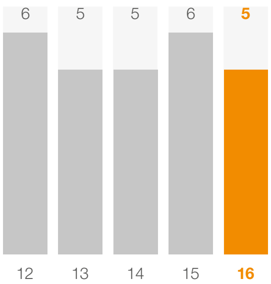
STRATEGIC FOCUS

Halma conducts an annual survey of its employees to assess how well the Group's values are aligned with its employees' current experiences and future aspirations.

Values alignment (out of 10)

5 Performance

≥5 Target



KPI DEFINITION

The survey of Group employees looks for matching values in a comparison of the 10 current culture values with the equivalent 10 values employees want to see in their working culture.

COMMENT

The results indicate consistent alignment over each year, meeting or exceeding the target of five or more matching values. Numbers of participants in the survey have increased by 12% since last year.

2017 TARGET

The goal for 2017 will be to continue to improve the Group's communication of its values and to maintain the high rate of employee participation in such surveys.

READ MORE

- Chief Executive's Strategic Review p4
- Sustainability p48

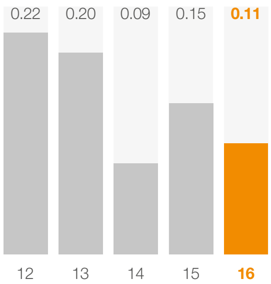
STRATEGIC FOCUS

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

Health & Safety (Accident Frequency Rate)

0.11 Performance

<0.09 Target



KPI DEFINITION

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

COMMENT

The Health & Safety AFR performance this year was 0.11 (2015: 0.15) representing an improvement on last year. We continue to review all reported incidents and there are no specific underlying patterns which cause concern.

2017 TARGET

The target is maintained at 0.09 to match the health and safety performance which was achieved in 2014, with a view to ultimately setting a reportable incident target rate of zero.

READ MORE

- Sustainability p48

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

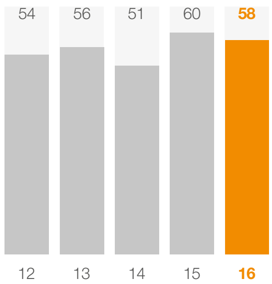
STRATEGIC FOCUS

Halma development programmes provide key personnel with the necessary skills they need in their current and future roles; new programmes include non-executive director (NED) opportunities, enterprise programmes and sales management development, alongside our refreshed executive, manager and graduate programmes.

Development programmes (management development)

58% Performance

>50% Target



KPI DEFINITION

Number of current employees having attended an in-house development programme compared with the estimated pool of qualifying participants.

COMMENT

We met our target, with 58% of our qualifying participants having attended one of our development programmes. The performance metric is influenced by the introduction of new courses and new eligible employees joining the Group through acquisitions. Overall we are pleased with our performance and progress.

2017 TARGET

Our range of new programmes, and the refreshment of existing programmes, indicate our continued commitment to achieving this KPI.

READ MORE

- Chief Executive's Strategic Review p4
- Sustainability p48

Maintaining a robust risk and control framework

INTERNAL CONTROL

The Board meets regularly throughout the year and has adopted a schedule of matters which are required to be brought to it for decision. This procedure is intended to ensure that the Directors maintain full and effective control over all significant strategic, financial and organisational issues and is subject to routine review.

During the year, actions to strengthen the control environment continue to be taken centrally by Group management. The sector structure provides additional, dedicated personnel who supplement and reinforce our controls and the culture in which we operate within the subsidiaries themselves. The duties and responsibilities of management are continually refreshed as well as documented. The Group's policies and procedures were moved to a secure web-based portal during the year and updated to be in a more user-friendly format. The portal also includes links to the additional guidance given to all subsidiary managing directors and subsidiary finance directors. Such guidance includes aspects ranging from our Group benefits and incentives to information related to the internal financial review procedures conducted to complement the operating control environment. We continue to strengthen the internal and external resources utilised in the identification of, and investigation into, potential acquisitions. Our approach and policies are particularly designed to ensure a rapid and successful integration following acquisition. The scope of the Group's policies and the programme of compliance audits are regularly reviewed to ensure they are sufficient to address current risks. The Group placed additional emphasis on updating our business continuity plans over recent years ensuring that they are mutually complementary to our insurance programme.

The Group's treasury-related policies are kept under review to ensure that appropriate accounting and banking arrangements are aligned with the Group's growth and to ensure continued compliance with covenants and accounting requirements.

The Internal Audit function has operated independently since 2004, reporting to the Audit Committee. The team of three dedicated internal auditors, residing in the UK, USA and China, schedule visits to Group companies to conduct internal audit procedures which have recently been benchmarked to reflect changing circumstances, specific requirements and to enhance effectiveness. The results of each internal audit are documented for internal distribution and action with an executive summary going to the Audit Committee. The team may also be involved in any special investigations that may arise at the direction of the Company Secretary.

Group risk is mitigated by means of an operating structure which spreads the Group's activities across a number of autonomous subsidiary companies. Each of these companies is overseen by sector executives and led by a high-quality board of directors including a finance executive. The introduction of internal non-executive director (NED) opportunities within the Group during 2017 will provide further, mutually beneficial, oversight of operations.

Embedding internal control and risk management within the operations of the business and dealing with areas of improvement which come to management's and the Board's attention is a continuous

Group internal control system

The processes which the Board has applied in reviewing the effectiveness of the Group's system of internal control are summarised below:

Operating companies, with the oversight of their sector boards, carry out a detailed risk assessment each year and identify mitigating actions in place or proposed for each significant risk. A risk register is compiled from this information, against which operational risk action is monitored through to resolution and strategic risks are reported to the Group. Management also compiles a summary of significant Group risks, documenting existing or planned actions to mitigate, manage or avoid risks.

Each month the board of every operating company meets, discusses and reports on its operating performance, its opportunities, the risks facing it and the resultant actions. The relevant Sector Chief Executive or Sector Vice President chairs this meeting. Sector Chief Executives meet regularly with the Chief Executive and Finance Director and report on sectoral progress to the Executive Board.

Financial and trading 'warning signs' are reported to Group and sector management. Weekly data on cash management, sales and orders are also reported directly to the Chief Executive, the Finance Director and the Group finance team. This framework is designed to provide an early warning of potential risks and to direct appropriate action where necessary.

The Chief Executive submits a report to each Halma plc Board meeting which includes the main features of Group operations and an analysis of the significant risks and opportunities facing the Group. The papers also cover progress against strategic objectives and shareholder-related issues. The Finance Director also submits a separate financial report to each Halma plc Board meeting.

Regular Director visits to Group companies are scheduled and open access to the subsidiary company boards is encouraged; cyclical and risk-based internal control visits are carried out by internal audit or senior finance staff resulting in actions being fed back to each company and followed up by senior finance executives and Sector Chief Executives. Reviews are coded in terms of risk and a summary of all such reviews is given to the Audit Committee, with any significant control failings being reported directly to the Audit Committee; senior finance staff also conduct financial reviews at each operating company before publication of half-year and year-end results. We have a Group-wide IT policy supported by a programme of IT health checks. Group IT manages aspects of our cyber security risks and IT development needs.

The Chief Executive, Finance Director and Internal Audit function report to the Audit Committee on all aspects of internal control. The Board receives regular reports from the Audit Committee Chairman and the papers and minutes of the Audit Committee meetings are used as a basis for its annual review of internal control.

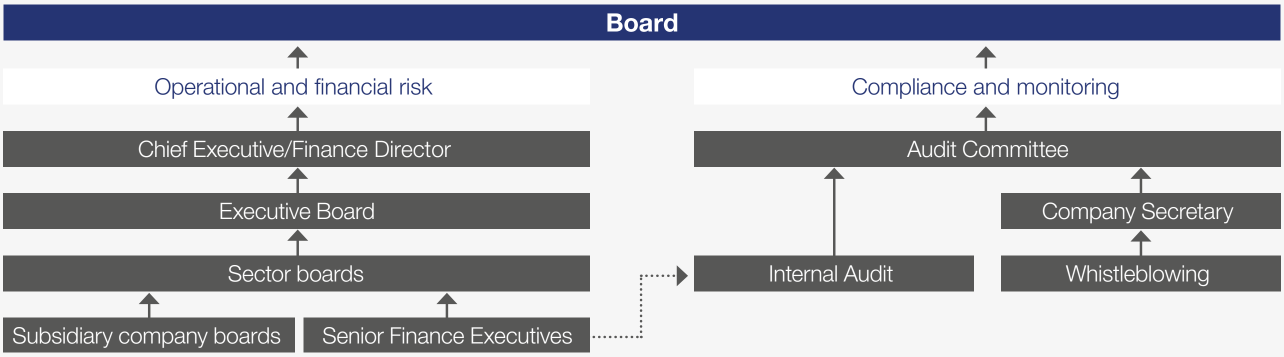
process and one which is subject to rigorous scrutiny.

Group companies operate under a system of controls which includes but is not limited to:

- a defined organisational structure with an appropriate delegation of authority to operational management which ensures appropriate segregation of key duties;
- the identification and appraisal of risks both formally, through the annual process of preparing business plans and budgets, through an annual detailed risk assessment carried out at local level and informally through close monitoring of operations;
- a comprehensive financial reporting system, regularly enhanced, within which actual and forecast results are compared with approved budgets and the previous year's figures on a monthly basis. Weekly cash/sales/orders reporting including details of financial institutions is also maintained within the financial reporting system, all of which is reviewed at both local, sector and Group level;
- an investment evaluation procedure to ensure an appropriate level of approval for all capital expenditure and other capitalised costs;
- self-certification by operating company and sector management of compliance and control issues with additional verification performed centrally;
- a robust structure for electronic communication and conducting e-commerce to ensure that the Group is not adversely impacted by threats to its information technology infrastructure and to minimise potential for business disruptions. The Group has a wide range of measures and policies and a framework in place which includes a virtual private network covering over 100 sites worldwide, secure firewalls, an IT security and threat monitoring system, information management audits, disaster recovery and a mobile devices management system; and
- an acquisitions and disposals framework which governs the due diligence, negotiation, approval and integration processes to ensure that value-enhancing, quality investments are made in order to meet our strategic objectives.

See Viability Statement on page 68.

Group risk management



The diagram below summarises our complementary integrated approach to risk management which is consistent with the Group's structure. Halma has also refined the timings of the Group-wide risk assessment as well as the division of responsibility for the risk review cycle throughout the year.

Top Down Strategic Risk Management		**Bottom Up Operational Risk Management**
• review and management of the strategic risks of the Group with visibility of the sector risks; • consideration of the environment in which the Group operates; and • setting the risk appetite of the Group.	**Board and Audit Committee**	• assessment of the effectiveness of risk management systems across the Group; and • reporting principal risks and uncertainties in the Group.
• delivery of Group strategic actions; and • monitoring Group key risk indicators.	**Executive Board and Senior Finance Executives**	• reviewing completeness and consistency across the sectors and adequacy of mitigation actions; • consideration of the aggregation of risk exposures across the businesses; and • review/management/consolidation of operational risks (both sector and business unit, delegated as the Sector Chief Executive deems appropriate).
• execution of any Group–level strategic actions; and reporting on any identified key risks and mitigation progress.	**Subsidiary Companies**	• reporting of significant and emerging risks to the Group; • identification, evaluation, prioritisation, mitigation and monitoring of operational risks which are the responsibility of each subsidiary company; and • identification of strategic risks which are reported to the Group.

Principal Risks and Uncertainties

Halma's principal risks and uncertainties are detailed below and are supported by the robust risk management and internal control systems and procedures noted on pages 28 and 29.

Movements indicate management's perception of how the pre-mitigation risk has moved year on year.

Strategic objective	Risk description	Risk appetite	Risk rating	Movement	Potential impact
	Globalisation The global interconnectedness of operations poses wide-ranging challenges across the Group especially where businesses manage operational matters via remote locations; the increasing global spread of our businesses, particularly in China, requires additional vigilance over communication, culture, training and export controls/sanctions in order to anticipate and contain any vulnerabilities.	Medium	High	▲	• Weakening of financial, tax, audit and legal control and divergence from overall Group strategy in remote operations, leading to businesses taking on more risks than intended or unexpected financial outcomes. • Failure to comply with local laws and regulations in unfamiliar territories, leading to reputational issues and legal or regulatory disputes. • Continued international growth increases risk. • Missed opportunities due to failure to mobilise resources efficiently.
	Competition The Group faces competition in the form of pricing, service, reliability and substitution.	Medium	Medium	▲	• Loss of market share due to price pressure and changing markets. • Reduced financial performance arising from competitive threats both from third parties and customers bringing production in-house.
	Economic conditions In times of uncertain economic conditions, businesses face additional or elevated levels of risk. These include market and customer risk, customer default, fraud, supply chain risk and liquidity risk.	Medium	High	▲	• Reduced financial performance. • Loss of market share. • Unforeseen liabilities. • Disruption of service to customers. • Breaches of legal or regulatory requirements resulting in fines/penalties impacting the Group financially and reputationally. • Potential impairment of goodwill.
	Financial Funding A key risk is that the Group may run out of cash or not have access to adequate funding. In addition, cash deposits are required to be held in a secure form and location.	Low	Medium	▶	• Constraints on trading and/or acquiring new companies limiting the Group's growth aspirations. • Availability of additional funding in traditional debt markets. • Permanent loss of shareholders' funds and/or restrictions on dividend payments. • Gearing has increased during the year.
	Treasury Breaches of banking/USPP covenants and foreign currency risk are the most significant treasury-related risks for the Group. In times of increased volatility this can have a significant impact on performance. The Group is exposed to a lesser extent to other treasury risks such as interest rate risk and liquidity risk.	Medium	Medium	▲	• Volatile financial performance arising from translation of earnings from the Group's increasing proportion of overseas operations or poorly-managed foreign exchange exposures. • Deviation from core strategy through the use of speculative or overly complex financial instruments. • Financial penalties, reputational damage and withdrawal of facilities arising from breach of banking/USPP covenants. • Increased interest rate risk on higher forecast borrowings.
	Pension deficit To meet our pension obligations, we must adequately fund our closed UK defined benefit pension plans.	Medium	Medium	▼	• Excessive consumption of cash, limiting investment in operations. • Unexpected variability in the Company's financial results.

Increased risk | No change to risk | Decreased risk

	Mitigation
	• Control is exercised locally in accordance with the Group's policy of autonomous management. We seek to employ local high-quality experts. • The increasing geographic diversity of operating personnel emphasises the importance the Group places on local knowledge and experience. • The Group's acquisition model ensures retention of management and staff in acquired businesses, meaning that local expertise is retained. • Sector Chief Executives ensure that overall Group strategy is fulfilled through ongoing review of the businesses. The right balance between autonomy and adherence to the overall objectives of the Group is a key function of the Sector Chief Executives, Sector Vice Presidents and Senior Finance Executives. • Regular visits to remote operations and maintenance of key adviser relationships by senior management, finance staff and Internal Audit support local control. • The Group's geographic and product diversity reduces risk.
	• By empowering and resourcing innovation in local operations to respond to changing market needs, the potential adverse impact of downward price pressure and competition can be mitigated and growth maintained. • We recognise the competitive threat coming from emerging economies and by operating within these economies, typically using local staff, we are better placed to make fast progress ourselves. • The Group operates in specialised global niche markets offering high barriers-to-entry.
	• Risks are primarily managed at the operating company level where local knowledge is situated. The financial strength and availability of pooled finances within the Group mitigates local risks faced by operating companies as does the robust credit management processes in place across the Group. • The Halma Executive Board identifies any wider trends which require action. • The Group's geographic diversity limits its exposure to economic risk arising in any one territory. The Group does not have significant operations, cash deposits or sources of funding in economically uncertain regions.
	• The strong cash flow generated by the Group provides financial flexibility. • Cash needs are monitored regularly. In addition to short-term overdraft facilities, the Group renewed and increased to £360m its five-year revolving credit facility in 2013 providing security of funding and sufficient headroom for its current needs. • The Group increased its funding capacity in 2016 via a US$250m US Private Placement. • Cash deposits are monitored centrally and spread amongst a number of high credit-rated banks.
	• The risk has increased because more of the Group's profits are derived from non-Sterling currencies. Currency profits are not hedged. Currency hedging must fit with the commercial needs of the business and we have in place a hedging strategy to manage Group exposures. This requires the hedging of a substantial proportion of expected future transactions up to 12 months (and in exceptional cases 24 months) ahead. Longer-term currency trends can only be covered through a wide geographic spread of operations. • The Group does not use overly complex derivative financial instruments and no speculative treasury transactions are undertaken. • We closely monitor performance against the financial covenants on our revolving credit facility and USPP and operate well within these covenants.
	• There is regular dialogue with pension fund trustees and pension strategy is a regular Halma Board agenda item. The Group's strong cash flows and access to adequate borrowing facilities mean that the pensions risk can be adequately managed. • The Group has maintained additional pension contributions with the overall objective of paying off the deficit in line with the Actuary's recommendations. Alternative means of reducing pension risk is evaluated in light of the best long-term interest of shareholders.

Principal Risks and Uncertainties continued

Movements indicate management's perception of how the pre-mitigation risk has moved year on year.

Strategic objective	Risk description	Risk appetite	Risk rating	Movement	Potential impact
	**Cyber security/Information Technology/Business interruption** Group and operational management depend on timely and reliable information from our IT systems to run their businesses. We seek to ensure continuous availability, security and operation of those information systems. Cyber threats continue to show an increasing trend.	Low	High	▲	• Delay or impact on decision making through lack of availability of sound data or disruption in/denial of service. • Reduced service to customers due to poor information handling or interruption of business. • Prevention, detection and containment of global threats to systems and critical information are inadequate. • Loss of commercially sensitive and/or personal information. • Intended and unintended actions of employees cause disruption, including fraud.
	**Acquisitions** The identification and purchase of businesses which meet our demanding financial and growth criteria are an important part of our strategy for developing the Group, as is ensuring the new businesses are rapidly integrated into the Group.	Medium	High	▶	• Failure to attract sufficient numbers of high-quality businesses to meet our strategic growth target. • Failure to deliver expected results resulting from poor acquisition selection. • Failure to identify new markets in which to expand. • Reduced financial performance arising from failure to integrate acquisitions into the Group. • Unforeseen liabilities arising from a failure to understand acquisition targets fully.
	**Laws and regulations** Group operations are subject to wide-ranging laws and regulations including business conduct, employment, export controls/ sanctions, environmental and health and safety legislation. There is also exposure to product litigation and contractual risk. The laws and regulations we are exposed to as our businesses expand around the world increase each year.	Low	High	▲	• Unfavourable changes in laws and regulations that restrict the export of our products. • Reputational damage and/or loss arising from inadvertent non-compliance. • Diversion of management resources resulting in lost opportunities. • Penalties arising from breach of laws and regulations. • Loss of revenue and profit associated with contractual disputes.
	**Succession planning and staff quality** Group performance is dependent on having high-quality leaders at all levels and an organisation allowing us to continue to grow through acquisition as well as driving organic growth.	Low	Medium	▶	• Failure to recruit and to retain key staff leading to reduced innovation and progress in the business. • Unethical actions of staff causing reputational damage to the Group. • Acquisition growth limited due to our organisation's and leaders' inability to effectively manage acquisition integration. • International growth increasing the need for high-quality local talent.
	**Research & Development and Intellectual Property strategy** New, high-quality products are critical to our organic growth and underpin our ability to earn high margins and high returns over the long term.	Medium	Medium	▶	• Loss of market share resulting from product obsolescence and failure to innovate to meet customer needs. • Loss of market share resulting from a failure to protect key intellectual property. • Loss of market share resulting from product quality issues including the necessity to recall/replace product. • Diversion of resources to address related matters.

Increased risk | No change to risk | Decreased risk

Mitigation

- There is substantial redundancy and back-up built into Group-wide systems and the spread of business offers good protection from individual events.
- A small central resource, Halma IT Services, assists Group companies with strategic IT needs and ensures adequate IT security policies are used across the Group.
- An IT security committee was set up in December 2012 comprising central and subsidiary IT personnel.
- Halma IT has been ISO 27001: 2013 certified for its information security management systems.
- Regular IT health checks are conducted. Comprehensive IT systems monitoring was introduced in 2014.
- Cyber risk and security is a regular Board agenda item addressing the landscape as it evolves.
- External penetration testing is utilised and the rollout of a centralised IT disaster recovery solution to supplement local processes has been completed.
- Business continuity plans exist for each business unit and with ongoing testing.
- Education/awareness of cyber threats continues to ensure Group employees protect themselves and Group assets.

- The sector restructuring in April 2014 freed up additional resource to focus on M&A activities supported by the appointment of dedicated sector acquisition personnel. Such resources remain under constant review.
- We acquire small and medium sized businesses whose technology and markets we know well or who operate in adjacent markets.
- Sector Chief Executives are responsible for finding and completing acquisitions in their business sectors, subject to Board approval, supported by sector and central resources, as necessary. We employ detailed post-acquisition integration plans.
- Thorough due diligence is performed by a combination of in-house and external experts to ensure that a comprehensive appraisal of the commercial, legal and financial position of every target is obtained.
- Incentives are aligned to encourage acquisitions which are value-enhancing from day one.

- The Group's emphasis on excellent internal controls, high ethical standards, the deployment of high-quality management resources and the strong focus on quality control over products and processes in each operating business help to protect us from product failure, litigation, fraudulent activities and contractual issues.
- Each operating company has a health and safety manager responsible for compliance and our performance in this area is good. Health and Safety policies, guidance and monthly reporting requirements are updated to reflect changing reporting and governance requirements and to enhance compliance. Our well-established policies on bribery and corruption have been maintained during the year to ensure continued compliance with best practice internally, via the Group Code of Conduct and externally, via appropriate clauses included in third-party agreements.
- Comprehensive insurance covers all standard categories of insurable risk. Contract review and approval processes mitigate exposure to contractual liability.
- The Group's whistleblowing policy and externally facilitated hotline assist the timely identification of potential problem areas.
- Continued investment in international markets may introduce additional risk while we develop the appropriate commercial infrastructure necessary to build a direct presence.

- Group development programmes are under continuous development to ensure they deliver enhanced skills for executives and middle managers as needed in their current and future roles.
- Comprehensive recruitment and ongoing evaluation processes assist high-quality hiring and development.
- The Group regularly surveys staff to assess the alignment of individuals with Group values.
- The Group Talent Director assists the identification and development of Group executives.
- Ongoing focus on increasing the diversity of our employees worldwide to better meet our markets' needs and provide sufficient opportunities for advancement as well as clear succession planning.
- Considerable time spent assessing senior management talent and establishing better processes to improve the talent pipeline has advanced our succession planning and talent quality.

- Devolving control of product development to the autonomous operating businesses spreads risk and ensures that the people best placed to service the customers' needs are driving innovation.
- New product development 'best practice' is shared between Group companies and return on investment of past and future innovation projects is tracked monthly. This ensures that the collective experience and expertise of the Group can be utilised to maximum effect.
- Large R&D projects, especially those which are capitalised, require Head Office approval, ensuring that the Group's significant projects are aligned to overall strategy.
- Workforce quality and retention is a central objective. This focus ensures that intangible resources stay and grow within the business.
- Operating businesses are actively encouraged to develop and protect know-how in local jurisdictions.
- Innovation is encouraged and fostered throughout the Group, inter alia, via the Halma Innovation Awards.

Process Safety

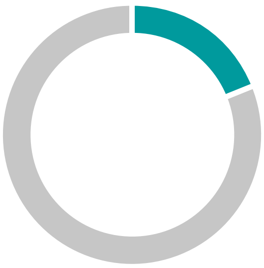
**Products which protect assets and people at work.
Specialised interlocks which safely control critical processes.
Instruments which detect flammable and hazardous gases.
Explosion protection and corrosion monitoring products.**

Philippe Felten
Sector Chief Executive, Process Safety

We met the challenges in the oil and gas sector by focusing on a continuing strategy of product and end-market diversification, geographic expansion and market-leading customer service. New product R&D investment to drive diversification was maintained. At the same time, we carried out rigorous overhead control and reorganised management to align our businesses with changing market conditions.

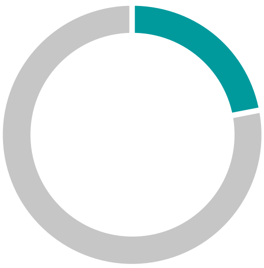
Revenue % of Group

19%



Profit % of Group

22%



Performance

KPIs	2016	Group target
Revenue growth[1]	(1.8%)	–
Organic revenue growth[1] (constant currency)	(5.3%)	>5%
Profit growth[1]	(11.6%)	–
Organic profit growth[1] (constant currency)	(14.8%)	>5%
Return on Sales[2]	25.4%	>18%
R&D % of Revenue[3]	3.7%	>4%

Contribution to Group

£m	2016	2015	2014	2013	2012
Revenue	155	159	127	126	122
Profit	40	45	35	32	29

1 Sector revenue and adjusted[4] sector profit before finance expense are compared to the equivalent prior year figures.
2 Return on Sales is defined as adjusted[4] sector profit before finance expense and taxation expressed as a percentage of sector revenue.
3 Sector research and development expenditure expressed as a percentage of sector revenue.
4 Adjusted to remove the amortisation of acquired intangible assets and acquisition items (see note 1 to the Accounts).

MARKET TRENDS AND GROWTH DRIVERS

The underlying long-term drivers in our Process Safety markets are unchanged, despite challenging market conditions. We expect them to remain the key growth factors:

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

The global expectation of improvements in workplace health and safety is backed by government occupational safety and health programmes worldwide and continually increasing regulation. This will continue to drive long-term growth in our target process safety niches at rates above general economic growth.

The dramatic fall in oil prices – 60% down from their high point in 2014 – was caused by oversupply combined with lower demand due to slowing economic growth, particularly in China. Oil price decline has had a considerable impact on the oil and gas sector and on the wider global economy. Upstream capital expenditure (exploration and production) by the oil majors has been cut significantly, with many projects postponed. Capital investment in longer-term midstream and downstream projects (storage, processing and distribution), where our products have most exposure, is continuing.

Current market conditions are not expected to affect worldwide government and local authority programmes of imposing stricter legislation to protect people and the environment. We do not anticipate significant change in oil and gas upstream capital expenditure during 2016/17. Our businesses will continue to focus on market segments where investment continues and where our technical know-how translates into improved safety and operational efficiency for customers.

Midstream petrochemical and chemical processors have benefited significantly from falling oil prices due to cheaper feedstocks. In these markets we expect continued investment in raising safety standards and we expect to benefit from this trend.

Our businesses focusing on machine automation, sequential equipment control and gas detection have minor revenue exposure to oil and gas. These companies continued to grow strongly throughout 2015/16 and we are confident of continued growth in 2016/17. Innovation, deep understanding of customer applications and continuously improving geographic support are the main drivers for growth in the non-oil Process Safety markets.

GEOGRAPHIC TRENDS

We performed well in US and Asian non-oil markets and these territories remain key growth targets for this sector. India is still a growth market where demand for improved safety throughout the process industries is rising and we anticipate stronger emphasis on safety and environmental protection regulation in the medium term.

Europe was stable due to its flat economy but we expect to expand our position with our recently merged and strengthened business units.

In China our businesses are marketing collaboratively with shared sales teams and service facilities. This will reinforce our presence and deliver greater penetration in this market. The Tianjin chemical warehouse explosion in 2015, in which 173 people died, has prompted the Chinese government to raise safety standards in hazardous environments and actively enforce existing regulations.

In oil markets, the mature and declining North Sea and the USA will continue to be challenging. Production volumes are now falling even in the previously resilient US shale oil industry.

While we expect the upstream oil market will remain subdued on a global basis, there are opportunities in Asia and the Middle East where the activity level remains attractive.

STRATEGY

Our strategy for growth in the Process Safety sector continues to focus on:

- investment in new products to diversify our end markets and meet local market needs
- geographic market expansion via shared regional sector hubs
- acquisitions, predominantly in adjacent markets with low oil and gas exposure

During 2015/16 we combined several companies with similar end markets to raise operating efficiency and support growth in chemical, petrochemical, pharmaceutical, and food and beverage markets around the globe. The strategic goals were to:

- speed up product innovation
- increase market and geographic diversification
- improve customer services

Two businesses that specialise in safety control systems for process valves were merged to create a strong and innovative valve management company. The merger will help accelerate product innovation and improved control technologies to make valve operation simpler, more efficient and safer.

Management of three of our machinery access safety businesses (based in the UK, USA and France) has been integrated with a single board. Each company continues to operate with its established branding and local manufacture, but R&D has been centralised. This strategy reinforces our ability to add value through innovation but maintains a local footprint so that close contact with customers remains a strength.

Our Process Safety businesses will continue to invest in R&D with an increased focus on understanding local customer needs, particularly in the new markets we enter. We encourage collaborative sharing of market intelligence about routes to market, sales channels, tender projects, OEM customers and end-users.

Our corrosion monitoring business, acquired in 2014, was impacted by the oil price fall and reduced capital and operating spend by customers. We have reorganised the business' structure and already see benefits in terms of market reach and increased efficiency.

PERFORMANCE

Revenue declined by 2% to £155m (2015: £159m) and profit fell by 12% to £40m (2015: £45m). At constant currency, organic revenue was down 5% and profit was down 15%. Return on sales was 25.4% (2015: 28.3%).

Half of our Process Safety sector businesses are exposed to markets affected by the oil price. Many customers were forced to cut capital expenditure which negatively impacted our revenue. The other half of the sector, including gas detection, machine automation and sequential safety, delivered growth in line with expectations. We grew revenue in the UK, US and China while facing more challenging conditions in Europe and Australia.

Our companies active in valve management and pressure management have delivered consistent growth in recent years, driven by rising energy demand. In 2015/16 we faced significant capex reduction in the upstream oil and gas sector.

R&D spend in the sector increased to 3.7% of revenue and focused on delivering products and solutions that support our market diversification strategy. In addition, we have added monitoring capabilities allowing digital data communication with our safety-critical products.

OUTLOOK

Cost reduction and the diversification strategy focusing on, for instance, the chemical, pharmaceutical, and food and beverage process markets, combined with structural management changes, will let us make progress. Continued growth in our non-energy niches – machine automation, gas detection and sequential safety control systems – will continue to support sector growth.

We see growth opportunities for our gas safety products in niche applications and we expect growth in 2016/17 due to improved market intelligence and better sales execution, particularly in export markets.

Well-designed process safety systems have the dual role of increasing safety while maintaining high productivity. The evolution of monitored process safety systems incorporating sensors and digital data communications for alarm triggering opens new possibilities to position our value proposition: raising production process efficiency combined with regulatory safety compliance.

There is a clear trend for greater regulation in the chemical and petrochemical markets, and this will continue to drive demand for our process safety solutions. Our Process Safety acquisition policy is to acquire in high growth sectors relatively immune to commodity price cyclicality.

We do not expect recovery in oil and gas customer spend during 2016/17. The benefits of our cost reduction and diversification efforts should help to mitigate these unfavourable market conditions as we move through the coming year.

Infrastructure Safety

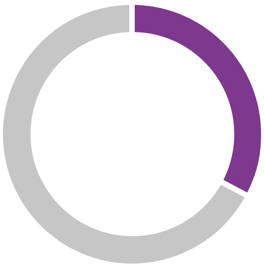
Products which detect hazards to protect assets and people in public spaces, transportation and commercial buildings. Fire and smoke detectors, fire detection and suppression systems, security sensors and audible/visual warning devices. Sensors used on automatic doors and elevators in buildings and transportation.

Nigel Trodd
Sector Chief Executive, Infrastructure Safety

The Infrastructure Safety sector delivered strong revenue and profit growth in 2015/16. Our results benefited from good performances from both established and recently acquired businesses. Firetrace LLC was acquired in October 2015, adding fire suppression products to our global fire portfolio.

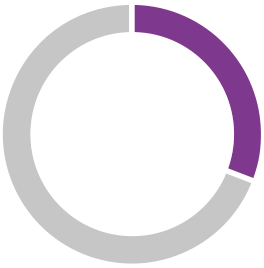
Revenue % of Group

33%



Profit % of Group

31%



Performance

KPIs	2016	Group target
Revenue growth[1]	13.2%	–
Organic revenue growth[1] (constant currency)	6.3%	>5%
Profit growth[1]	12.3%	–
Organic profit growth[1] (constant currency)	4.5%	>5%
Return on Sales[2]	21.2%	>18%
R&D % of Revenue[3]	5.3%	>4%

Contribution to Group

£m	2016	2015	2014	2013	2012
Revenue	265	234	220	205	204
Profit	56	50	44	42	39

1 Sector revenue and adjusted[4] sector profit before finance expense are compared to the equivalent prior year figures.

2 Return on Sales is defined as adjusted[4] sector profit before finance expense and taxation expressed as a percentage of sector revenue.

3 Sector research and development expenditure expressed as a percentage of sector revenue.

4 Adjusted to remove the amortisation of acquired intangible assets and acquisition items (see note 1 to the Accounts).

MARKET TRENDS AND GROWTH DRIVERS

Increasing health and safety regulation and rising safety awareness in both developed and developing regions is the primary driver in our Infrastructure Safety sector. Customer demand in this sector is also driven by:

- continuing global trends of population ageing, urbanisation and population growth
- economic growth in the developing world leading to increased investment in infrastructure and modernisation
- increasing desire for wireless connectivity, enabling automation in 'smart' buildings

Governments throughout the world continue to introduce increasingly stringent health and safety regulations. In mature markets, safety standards are constantly updated and compliance becomes increasingly demanding for our customers. For example, the adoption of new standards is advancing technology in elevator phones and door detectors which will stimulate market growth. Developing markets increasingly adopt and enforce globally-recognised safety standards in domestic, public and industrial environments. This includes the industrial high-speed door market which shows a clear trend towards the use of more sensors, not only to activate the door but also to increase safety around the door area.

Urbanisation in Asia continues to drive demand for high-rise properties and, although new elevator installations in China have declined slightly for the first time in over 10 years, growth in all other regions mitigates the global position. Over the next five years the number of new elevator installations is expected to remain relatively flat. Currently over half of elevator market revenue comes from maintenance and refurbishment and this is set to continue its current growth trajectory of around 5% per year.

An increasing focus on home security is driving market growth in wireless security systems that often integrate fire detection as a secondary function. We are establishing ourselves as a major wireless smoke detector supplier in this sizeable, growing market. The automatic door market is also evolving towards system integration. Our ability to link up with alarm and building management systems and with the outside world in general is becoming an increasingly important part of our strategy.

GEOGRAPHIC TRENDS

Our automatic door control products continued to penetrate more geographic markets. Action has been taken in Eastern Europe, the Nordics, South America, Canada, Australia, Japan, India and the Middle East. Dedicated resources have been put in place to fuel our growth in those regions. A new regional sales office in Singapore was established in 2015. Our global account management and local presence allows us to efficiently supply and support those regions. Additionally, we actively seek local distributors to grow our market share.

The EMEA and US fire detection markets have predicted growth rates of 4% which, together with increasing our market share, provides healthy growth opportunities. China is projected to have the fastest growing fire detection market with growth estimated to be over 8% per year. South East Asia is also exhibiting strong growth of over 7%.

China remains a key growth market for our elevator products. As it matures from a market predominately dependent on new installations, to one driven by maintenance and refurbishment, the market will continue to grow. The mature western markets are forecast to continue to grow broadly in line with GDP while the rest of Asia-Pacific (including India) is forecast to grow in the region of 10%.

In security, we have a strong position in the UK market. There is an increasing contribution from India where many new bank branches are being built outside major cities and all are required to install intruder alarm systems.

STRATEGY

In automatic door sensors our strategy is based on the application of our core competency – detecting people, vehicles and objects – into a broader range of markets such as transport and security. We have developed novel new laser-based sensor platforms which are enabling us to grow market share in our core pedestrian door market and open up new opportunities.

Halma's fire companies are increasingly focused on meeting customers' needs by supplying systems in addition to our system components, such as fire detectors. The acquisition of Advanced Electronics last year has accelerated this approach. The US market continues to deliver strong returns and this will be boosted by the introduction of significant new products over the next few years. In China we are focusing on the upper market segment as this important market continues to grow and is becoming more regulated.

Despite the changes in regulatory standards for elevator door detectors, this remains a market with price pressure, especially on new installations. However, as maintenance and refurbishment increasingly becomes the main global market our focus on premium products will, over time, increase sales and margins. We continue to diversify into other sections of the elevator market, namely LCD displays and elevator phones. The global market for phones is estimated to be around the same size as the elevator door detector market and the in-car display market is at least twice the size.

Our security sensors business growth strategy is based on new product innovation which provides added functionality and ease of installation. We increased investment in the development of new wireless intrusion detection products and associated 'smart' security and building automation systems.

PERFORMANCE

The sector delivered strong revenue and profit growth in 2015/16. Revenue grew by 13% to £265m (2015: £234m) and profit rose by 12% to £56m (2015: £50m). At constant currency, organic revenue was up 6% and profit up 5%. We continue to exceed Group targets on Return on Capital Employed and cash generation.

Return on Sales remained strong at 21.2%, due primarily to successful new product launches and an effective balance between investment and cost control to maintain margins. Revenue in all major markets increased during the year, with 4% growth in the UK and 48% in Africa, Near and Middle East. In the USA we achieved 39% growth.

Our door sensors business performed well in all segments, driven by increased market demand for safety around the door and an enlarged customer base. Our strategy of diversification, with its focus on the transportation and security market, also delivered strong growth thanks to increased demand for sensor applications based on our advanced laser technology.

Our fire business surpassed the previous year's performance. The first full year of the Advanced Electronics acquisition went well and the company performed above expectations. Firetrace met expectations in the first six months post acquisition.

Due to increased competition, especially in China, demand for our elevator door sensors was lower and sales of our elevator displays were flat. However, there was strong growth in sales of our telephone products.

In Security, we experienced a challenging year, due primarily to currency headwinds in our two major market areas, Europe and South Africa.

OUTLOOK

Our door sensors business is expected to continue its growth in all regions. We will continue to invest in geographic growth and in all segments, supported by ongoing investment in new technologies, the development of new competitive products and sales and marketing.

The outlook for our fire companies is strong, with a growing market and several new products on the horizon.

Profitability is expected to stabilise in elevator safety due to a more regional-based sales structure and an increased focus on new product development.

In security markets, we foresee a recovery due primarily to a higher level of interest in wireless security systems and continued growth of the 'smart buildings' market.

We have a pipeline of potential acquisitions and aim to continue to add complementary businesses to the sector. The sector expects to make progress in the year ahead.

Medical

Products which enhance the quality of life for patients and improve the quality of care delivered by providers. Devices that assess eye health, assist with eye surgery and primary care applications. Critical fluidic components used by medical diagnostic OEMs and laboratories. Sensor technologies used in hospitals to track assets and support patient and staff safety.

Adam Meyers
Sector Chief Executive, Medical

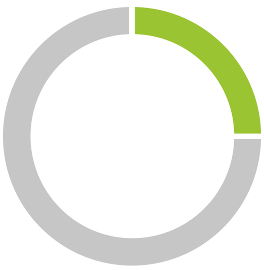
The Medical sector delivered good organic revenue and profit growth in all of our niches, reaching record revenue and profit levels yet again. Profit and revenue growth, ROS and ROCE continue well above Group targets. We continued to strengthen the Medical sector organisation to support organic growth and acquisition activity.

Revenue allocated to R&D has increased, strengthening our innovative technology development pipeline and helping to fuel revenue growth. Despite this and other investments our cash contribution was still above Group target.

Three new businesses were acquired during the year. We continue to focus on acquiring in this sector.

Revenue % of Group

25%



Profit % of Group

28%

Performance

KPIs	2016	Group target
Revenue growth[1]	**17.4%**	–
Organic revenue growth[1] (constant currency)	**9.8%**	>5%
Profit growth[1]	**13.9%**	–
Organic profit growth[1] (constant currency)	**9.1%**	>5%
Return on Sales[2]	**26.0%**	>18%
R&D % of Revenue[3]	**4.5%**	>4%

Contribution to Group

£m	2016	2015	2014	2013	2012
Revenue	**199**	169	163	136	100
Profit	**52**	45	42	36	26

1 Sector revenue and adjusted[4] sector profit before finance expense are compared to the equivalent prior year figures.
2 Return on Sales is defined as adjusted[4] sector profit before finance expense and taxation expressed as a percentage of sector revenue.
3 Sector research and development expenditure expressed as a percentage of sector revenue.
4 Adjusted to remove the amortisation of acquired intangible assets and acquisition items (see note 1 to the Accounts).

MARKET TRENDS AND GROWTH DRIVERS

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

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

Global demand for medical devices is forecast to continue to grow by about 5% per year for the next few years with the highest growth of 8.5% in Asia.

A steady rise in the proportion of the global population aged over 60 drives demand for healthcare, in both developed and developing countries. Because eyesight problems and high blood pressure are both age-related, population ageing is a key driver for our ophthalmology and hypertension management businesses.

A third of American adults suffer from high blood pressure; this chronic disease is the primary, or contributing, cause of over 2.4 million American deaths each year. The prevalence of obesity throughout the world has almost doubled in the past 25 years leading to increases in both hypertension-related illness and diabetes-related eye disorders.

In China about 325 million adults have high blood pressure (the primary cardiovascular disease risk factor). Half of Chinese adults with hypertension are unaware of their condition and only 34% use anti-hypertensive drugs.

Cataract surgery is one of the most frequent surgical operations carried out worldwide. The estimated 20 million cataract operations carried out globally each year is forecast to grow by 5% annually until 2019.

Hospitals in both developed and developing markets are under pressure to improve patient outcomes, reduce costs, improve throughput and ensure safety of staff and patients. Our Real Time Location Systems (RTLS) let hospital managers track and monitor the location of patients, equipment and staff to cut costs and improve patient care. The global market for RTLS is forecast to grow at about 33% per year between 2015 and 2020.

Liquid handling is the principal process in laboratory automation and demand for our critical fluidic components is poised to grow at a CAGR of over 6%, at least until 2020. The largest geographic markets for laboratory automation are North America and Europe while Asia is expected to have the highest growth rate.

Each year the medical product regulatory environment gets tougher; product registration costs rise, testing is more rigorous and more audits are needed. The growing complexity of medical device registration underlines the value of our investment in well-established medical sales channels and market access.

GEOGRAPHIC TRENDS

While the global medical device market growth should provide opportunity for sustained revenue growth, we anticipate geographic variation due to local economic conditions, government spending programmes and currency fluctuations.

Medical device demand in North America, the largest global market for medical device technologies, is forecast to have a 3.7% CAGR until 2018, whereas Asia is expected to grow at a CAGR of 8.5%. In Europe medical device demand is forecast to grow at a CAGR of about 4% until 2018.

US healthcare spending was again stronger than anticipated in the past year and is forecast to rise by about 6% per year until 2024. This strong growth is due to many more Americans benefiting from health insurance through the Affordable Care Act, economic growth and the transition of an ageing population into the Medicare system. By 2024 the US government predicts that nearly US$1 in every US$5 spent will be on healthcare. We expect continued growth in the market for single-use surgical devices in the USA, but capital equipment sales may grow slowly.

Demand for ophthalmic products in China is growing fast at about 15% a year and the market is forecast to double in size by 2021. Our Chinese investment continues – more product registrations, more R&D engineers and development of localised products.

Although 400,000 people become blind from cataracts every year in China, it has the lowest cataract surgery rate in Asia. Cataract surgery rates in China will increase as access is improved, particularly in rural areas. However, government pressure on top urban hospitals and preferences for local products is producing a more challenging environment in China in the short term.

STRATEGY

The Medical sector is focused on enhancing the quality of life for patients and improving the quality of care delivered by providers. We serve niche applications in global markets. By investing in our current portfolio, and through acquiring additional companies, we aim to continue to deliver growth rates above Group targets.

Our businesses fall into two segments; Patient Care and Provider Solutions. The Patient Care segment involves businesses that develop and market devices to measure the health of patients. Areas of focus include ophthalmology and vital signs monitoring. In the Provider Solutions segment, we deliver products to diagnostic equipment manufacturers, laboratories and hospitals. Areas of focus here include critical fluidic components for instruments such as blood analysers, finished devices for laboratories, and sensor technologies that track assets and support patient and staff safety.

Key strategic initiatives to increase growth organically and via acquisition include:

- increasing collaboration to drive expansion and joint product development
- increasing R&D investment to broaden product lines and commercialise innovative new products
- further geographic penetration and increased local manufacturing
- improving talent and increasing diversity
- adjacent market niche expansion

We measure active collaboration across the sector and have seen an increase of 83% in inter-company trading this year. Collaboration on R&D projects continues within and outside the sector.

As indicated last year, R&D investment increased and reached 4.5% of revenue. This is an increase in spending of £2m and is now above Group target. Increased investment was mostly within the Patient Care segment.

Medical sector R&D focuses on components and instrumentation that will be readily accepted by our existing conservative customer base. We have begun expanding local development and manufacturing efforts in emerging markets to better satisfy local customer needs. This year we launched a locally developed and manufactured blood pressure device in China and began registering more devices for local manufacture there.

A growing Medical sector sales team in China jointly markets many of our ophthalmologic products. Collaborative selling helps us recruit high calibre talent and share customer intelligence and distribution channels. We also plan to set up a medical product manufacturing hub in Shenzhen.

PERFORMANCE

The Medical sector grew revenue by 17% to £199m (2015: £169m) and profit by 14% to £52m (2015: £45m). Organic constant currency revenue growth and organic constant currency profit growth were 10% and 9% respectively.

We delivered revenue growth in major geographies with the USA ahead 23%, Europe up 19% and Asia Pacific ahead 20%. We also delivered 8% growth in the UK but were disappointed in Rest of World growth down 3%, largely due to a slowdown in Latin America.

Return on Sales remained strong at 26% despite increased investment, particularly in R&D.

Cash generation was above the Group target of 85% as we make investments to continue our strong revenue growth. We completed three acquisitions: VAS; Visiometrics; and CenTrak.

OUTLOOK

In the medium term we expect our Patient Care and Provider Solutions segments to outperform the market with sales driven by enhanced distribution in export markets, new products, increased penetration in existing markets and acquisitions.

The Medical businesses acquired in 2015/16 will have a significant positive impact on the sector's results in 2016/17 and beyond. We continue to build our pipeline of acquisition targets both within existing and adjacent niches.

Environmental & Analysis

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

Chuck Dubois
Sector Chief Executive, Environmental & Analysis

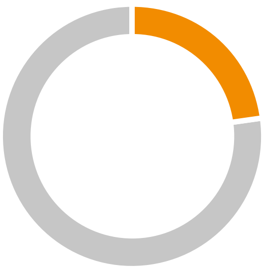
The Environmental & Analysis sector achieved record revenue and profit.

There was strong growth in emerging markets, in particular China and India. Our water network monitoring companies benefited from the new five-year investment cycle in the UK water industry. Renewed international emphasis on climate change is strengthening the position of our environmental applications.

The contribution to growth from new products continues to rise, specifically for our photonics businesses, and places us in a strong position for sustained growth in the future.

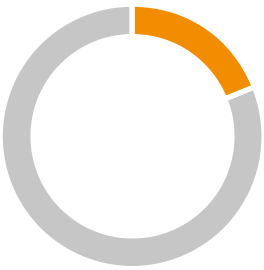
Revenue % of Group

23%



Profit % of Group

19%



Performance

KPIs	2016	Group target
Revenue growth[1]	14.9%	–
Organic revenue growth[1] (constant currency)	11.4%	>5%
Profit growth[1]	26.0%	–
Organic profit growth[1] (constant currency)	21.5%	>5%
Return on Sales[2]	18.3%	>18%
R&D % of Revenue[3]	6.6%	>4%

Contribution to Group

£m	2016	2015	2014	2013	2012
Revenue	189	164	167	152	154
Profit	34	27	32	30	32

1 Sector revenue and adjusted[4] sector profit before finance expense are compared to the equivalent prior year figures.

2 Return on Sales is defined as adjusted[4] sector profit before finance expense and taxation expressed as a percentage of sector revenue.

3 Sector research and development expenditure expressed as a percentage of sector revenue.

4 Adjusted to remove the amortisation of acquired intangible assets and acquisition items (see note 1 to the Accounts).

MARKET TRENDS AND GROWTH DRIVERS

Our products protect and analyse the air we breathe, the water we drink and the food we eat. They enable the development and manufacture of new products that improve our health and well-being. The Environmental & Analysis sector long-term growth is sustained by four key drivers:

- increasing demand for life-critical resources such as energy and water
- increasing environmental monitoring and regulations
- scientific advances transferring into new industries
- worldwide population ageing and increasing standards of living

According to the United Nations, by 2030 demand for water may be 40% higher than supply. By 2050 water shortages are expected to affect over 50% of the global population due to increasing water usage by agriculture, manufacturing, domestic usage and energy production. Energy production is water-intensive and, with the world's population expected to reach 8 billion by 2025, an ever stronger emphasis is placed on energy management and efficiency. Our diversification in energy monitoring and building management systems, and continued efforts in water conservation technologies capture growth from these trends.

Today 1.8 billion people drink faecally-contaminated water and an even greater number drink water that is unsanitary. Our water testing kits help protect an increasing number of people in remote areas.

The UN Climate Change Conference in Paris in 2015 reiterated the efforts to limit global warming, and reach carbon neutrality in the second part of the 21st century. The EU is targeting a 40% emission reduction by 2030 compared to 1990 levels. This will multiply the opportunities for our environmental monitoring and analysis products.

Rapid urbanisation particularly affects air pollution. An estimated 80% of global greenhouse gas emissions are derived from cities, where 50% of the population being monitored is exposed to air pollution that is at least 2.5 times higher than the WHO recommended levels. Our mass flow meters are used to calibrate pollution monitoring equipment.

In China only 9% of the 190 largest cities meet the National Ambient Air Quality Standards. Our new gas conditioning equipment is suitable to measure the finest particles which are believed to be the greatest risk to health.

R&D investment continues to generate opportunities in adjacent and new markets. Increasing demand for calibration and quality control sensors is a strong driver for our technologies in food processing, pharmaceuticals and agriculture. Increasing adoption of cloud computing and extension of digital communications into new areas boosts demand for our technologies that enhance data communication.

Rising concerns about food safety are creating opportunities in both developed and developing economies.

By 2030, 150 million more city dwellers will be 65 or older, increasing the share of the population at higher risk from contamination of food and water.

GEOGRAPHIC TRENDS

The Environmental & Analysis sector sells into diverse market niches. The modest growth rates of the developed economies are being exceeded by, and at a more accelerated pace in, emerging economies.

Sales in emerging markets continue to grow strongly, reaching 30% of sector revenue. Developing world economic growth is driving profound transformations, raising expectations for cleaner air, purer water and safer food. China's environmental concerns are driving strong sales in environmental monitoring water testing, building on expanded R&D and manufacturing.

Food contamination scandals throughout the world are rising. Governments in emerging markets are tightening food quality regulations and the Food Safety Modernization Act is beginning to have an impact in the USA. Opportunities for our spectroscopy applications in the food safety market are appearing globally.

India is a key market for our light measurement equipment, where our technology is used to calibrate scientific instruments for remote sensing. We expect this to continue to grow in the coming year as governmental spending grows.

Our water network monitoring companies are benefiting from the new five-year investment cycle in the UK water industry, while diversification into energy distribution monitoring is a growing niche for sales of their sensors and data loggers.

Demand for water quality testing by NGOs, particularly in Africa and South America, continues to grow. Implementation of water safety regulations in China is also fuelling growth for our water quality test kits.

STRATEGY

Environmental & Analysis growth strategy centres on market-led new product development, geographic expansion and collaboration to increase market reach.

R&D is focused on applications with long-term drivers and defensible positions. Our businesses have increased marketing spend to ensure that new products fulfil specific market needs.

We continue to invest in hiring high calibre people in developing regions. As the sector expands in emerging markets, products to meet regional customer need and local manufacture continues to increase.

Our businesses share knowledge and have a strong pipeline of joint development projects. Several businesses re-sell other sector companies' products, and there are many active joint sales and marketing projects.

Acquisitions are integral to our sector growth strategy and we expect this to be a key part of our growth story in the future.

PERFORMANCE

The Environmental & Analysis sector grew revenue by 15% to £189m (2015: £164m) and profit by 26% to £34m (2015: £27m). At constant currency, organic revenue growth was 11% and organic profit growth was 21%. Return on Sales improved to 18.3% (2015: 16.7%) and was back above Group target.

This was a strong year for our photonics businesses. R&D projects created opportunities in existing and new markets, geographies and applications. As increasing numbers of industrial processes need more sophisticated measurement devices, we have been able to capture substantial growth.

China provided substantial growth for our water business, as we developed test kits specific to new environmental regulations. The return of business in the Middle East, along with the start of the new AMP five-year capital investment cycle in the UK, drove growth at our water monitoring businesses.

Continuing emerging market growth created a favourable environment for rising sales at our gas conditioning businesses where new products penetrated growth markets in China and India and increased developed region revenue.

OUTLOOK

Externally, global population growth, population ageing and increasing standards of living are driving demand for basic energy resources, cleaner air, safer water and food and healthcare spending. Our products and companies are well positioned to continue to take advantage of these long-term growth drivers.

We are strengthening our acquisition pipeline, and we expect to add complementary businesses in the coming years.

Financial Review

Building on long-term achievement

Through a combination of organic and acquisitive growth Halma aims to deliver sustained long-term shareholder value. We have a long track record of growing dividends and of investment in our business. This year's record results build on that achievement.

Kevin Thompson
Finance Director

RECORD RESULTS

Halma achieved record revenue and profit for the thirteenth consecutive year. Revenue increased by 11.2% to £807.8m (2015: £726.1m) and adjusted[1] profit was up by 8.1% to £166.0m (2015: £153.6m). Our balance sheet remains strong following our highest ever spend on acquisitions. The Board is proposing a dividend increase of 7%, the 37th consecutive year of 5% or more dividend growth.

The 11.2% (£81.7m) increase in revenue included 5.7% organic constant currency revenue growth. Acquisitions, net of a small disposal in the prior year, contributed 3.5% to growth and there was a 2.0% positive currency translation impact.

The adjusted[1] profit increase of 8.1% (£12.4m) included 3.4% organic constant currency profit growth. Acquisitions contributed 2.9% to growth and there was a 1.8% positive currency translation impact.

Statutory profit before taxation increased by 2.0% to £136.3m (2015: £133.6m). Statutory profit is calculated after charging the amortisation of acquired intangible assets of £23.1m (2015: £19.9m) and after charging acquisition related items, including revisions to provisions for acquisition contingent consideration and related foreign exchange movements, of £7.2m (2015: £1.5m) arising from current and prior year acquisitions. There was also a gain on disposal of £0.6m (2015: £1.4m) relating to the part disposal of shares in our Associated operation, Optomed Oy.

In both the first and second half years revenue grew by 11%. There was a positive contribution from currency translation in both halves. Organic revenue growth at constant currency was 7% in the first half, and principally due to the performance of the Process Safety sector, was 4% in the second half.

Adjusted[1] profit grew by 8% in both the first and second half. The first half/second half profit split was 45%/55% as in the prior year. Organic constant currency profit growth was 4% in the first half and 3% in the second half.

Three of the four sectors delivered strong revenue and profit growth. Environmental & Analysis recovered strongly this year as expected to deliver a record result and delivered profit growth well ahead of significant revenue growth. Process Safety revenue and profit was lower than the prior year due to the impact of tougher conditions in oil and gas related markets, which make up around 40% of sector revenue, and the non-repeat in the second half of a contract in South America. Organic constant currency profit decline for Process Safety in the second half was broadly in line with the first half. Medical and Infrastructure Safety sectors achieved double digit rates of revenue and profit growth boosted by a contribution from acquisitions and good underlying organic growth.

This year we have simplified the calculation of our organic growth KPI to now exclude the first 12 months' performance (for profit, net of financing cost) of any acquisitions to calculate the organic growth rate. Previously we used the run rate at the time of acquisition to make the calculation. There was little impact this year on the organic growth rates arising from this change and we have revised the KPI comparatives for prior years accordingly.

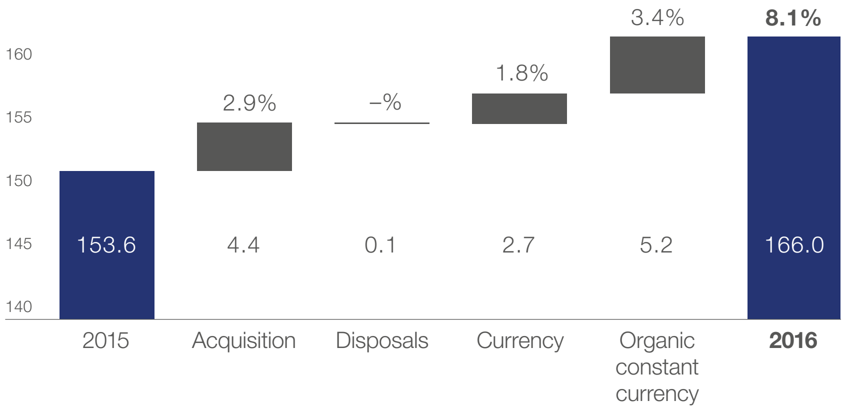
REVENUE AND PROFIT GROWTH

				Percentage growth		
	2016 £m	2015 £m	**Increase £m**	**Total**	**Organic growth[2]**	**Organic growth[2] at constant currency**
Revenue	**807.8**	726.1	**81.7**	**11.2%**	**7.7%**	**5.7%**
Adjusted[1] profit	**166.0**	153.6	**12.4**	**8.1%**	**5.2%**	**3.4%**

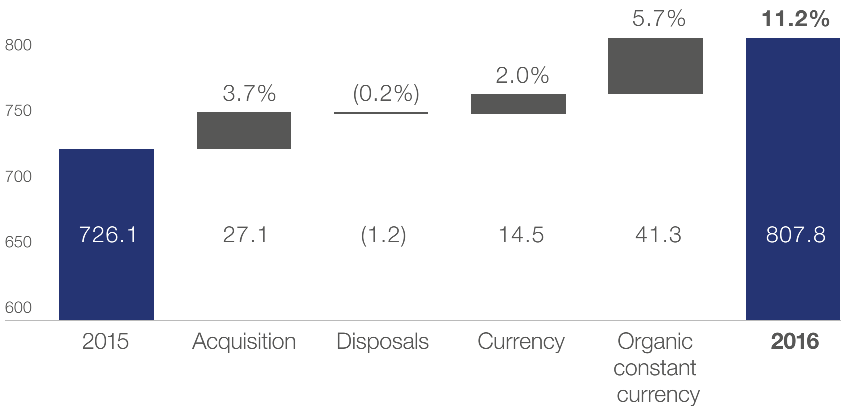
1 In addition to those figures reported under IFRS Halma uses adjusted figures as key performance indicators. The Directors believe the adjusted figures give a more representative view of underlying performance. Adjusted profit excludes the amortisation of acquired intangible assets; acquisition items and profit or loss on disposal of operations. All of these are included in the statutory figures. More details are given in note 3.

2 See Highlights.

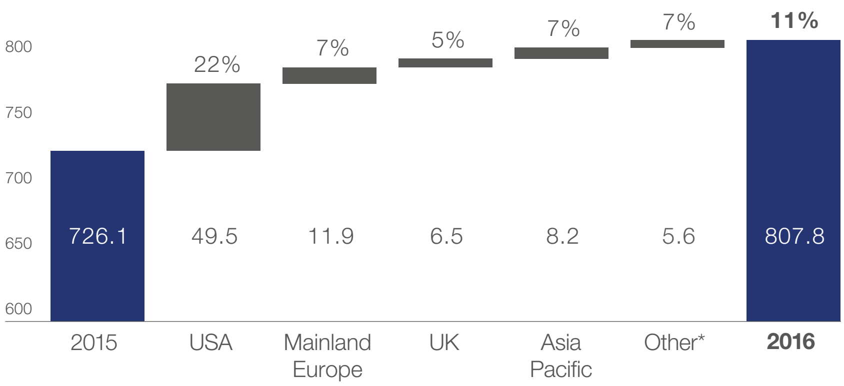
Adjusted profit bridge £m



Revenue bridge £m



Geographic revenue bridge £m



* Comprises Africa, Near and Middle East & Other Countries.

> **In the year, we have continued to develop risk and control capability within each sector to support the growth of our businesses.**

Central administration costs of £8.9m (2015: £9.0m) were in line with last year. As expected there was an increase in investment in talent development, international expansion and the cost of our biennial HITE conference. This increase was offset by the profit on sale of a Group freehold property. We expect a further increase in the underlying costs in 2016/17 as we continue to support the growth of the Group.

WIDESPREAD GROWTH

Revenue grew in all major regions. The USA continues to be our largest revenue destination increasing by 22% to now contribute 34% (2015: 31%) of Group revenue, with strong growth in both the first and second half of the year. The high rates of organic growth in the Infrastructure Safety and Medical sectors were boosted by acquisitions, with the strong growth in the Environmental & Analysis sector being all organic. Currency translation benefited USA revenue and organic constant currency growth in the USA was 9%.

Mainland Europe revenue grew by 7% with growth in all sectors and a particularly strong increase in the Medical sector, which was largely organic. UK revenue increased by 5% with steady growth across all four sectors. 10% of Group revenue with its destination in Mainland Europe originates in the UK. Changes in short/medium term trading or regulatory arrangements between the UK and the EU would have an impact on the Group but are unlikely to be material.

GEOGRAPHIC REVENUE GROWTH

	2016 £m	2016 % of total	2015 £m	2015 % of total	Change £m	% growth	% organic growth at constant currency
United States of America	**272.9**	**34%**	223.4	31%	**49.5**	**22%**	**9%**
Mainland Europe	**179.3**	**22%**	167.4	23%	**11.9**	**7%**	**7%**
United Kingdom	**144.8**	**18%**	138.3	19%	**6.5**	**5%**	**4%**
Asia Pacific	**125.0**	**15%**	116.8	16%	**8.2**	**7%**	**3%**
Africa, Near and Middle East	**55.7**	**7%**	44.0	6%	**11.7**	**27%**	**16%**
Other countries	**30.1**	**4%**	36.2	5%	**(6.1)**	**(17)%**	**(22)%**
	807.8	**100%**	726.1	100%	**81.7**	**11%**	**6%**

Financial Review continued

Asia Pacific revenue grew by 7%. Medical and Environmental & Analysis delivered very good growth in Asia Pacific, leading to 10% growth in China, and together with Infrastructure Safety showed strong growth in India. Process Safety was affected by a slowdown in Australia. Africa, Near and Middle East grew by 27% with all sectors delivering growth and a very strong increase in the Middle East for Infrastructure Safety. There was revenue decline of 17% in Other countries with weak trading across South America, following last year's major oil and gas related contract for Process Safety.

In total, revenue grew from territories outside UK/Mainland Europe/USA by 7% although slightly behind our 10% growth target for such revenue. This compares with 13% growth in revenue in UK/Mainland Europe/USA.

CONTINUED HIGH RETURNS

Halma's Return on Sales[2] has exceeded 16% for over 30 consecutive years. We aim to deliver Return on Sales in the range of 18-22%. This year Return on Sales was 20.6% (2015: 21.2%). Return on Sales for Process Safety reduced this year due to tough trading conditions but remains at the high rate of 25% with an improved performance in the second half. Medical and Infrastructure Safety sectors remained broadly in line with last year. Environmental & Analysis improved profitability as expected and exceeded 18% Return on Sales. Higher financing costs also reduced Return on Sales.

Adjusted[1] gross margin (revenue less direct material and direct labour costs) remained steady at 64.2% (2015: 64.6%) continuing a long trend of stability and reflecting strong management of pricing and input costs.

Return on Total Invested Capital[2] (ROTIC), the post-tax return on the Group's total assets including all historic goodwill, was 15.6% (2015: 16.3%). ROTIC remains well in excess of Group Weighted Average Cost of Capital (WACC) of 8.1% (2015: 7.6%).

VOLATILITY IN CURRENCY MANAGED EFFECTIVELY

Halma reports its results in Sterling. Our other key trading currencies are the US Dollar, Euro and to a lesser extent the Swiss Franc. Over 40% of Group revenue is denominated in US Dollars and approximately 10% in Euros.

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

We take a neutral view of the future movements of currencies. After matching currency of revenue with currency costs wherever practical, forward exchange contracts are used to hedge a proportion (up to 75%) of the remaining forecast net transaction flows where there is a reasonable certainty of an exposure. We hedge up to 12 months and, in certain specific circumstances, up to 24 months forward. At 2 April 2016 over 50% of our next 12 months' currency trading transactions were hedged. There is a good degree of natural hedging within the Group in US Dollars but we typically spend less in Euros than we sell and so have a net exposure of approximately €35m at any time.

We saw continued volatility in currencies throughout the year. In the first half year Sterling weakened on average by 8% relative to the US Dollar and strengthened 12% against the Euro resulting in a 3% positive currency translation impact on revenue and 2% positive impact on profit. At that time we expected a broadly neutral currency translation impact for the year as a whole. However for the full year Sterling was 6% weaker relative to the US Dollar and 8% stronger relative to the Euro. Currency translation therefore had a positive impact of 2% on both revenue and profit in the full year. The sectors benefiting most from positive currency translation in the full year were Medical and Environmental & Analysis.

Based on the current mix of currency denominated revenue and profit, a 1% movement in the US Dollar relative to Sterling changes revenue by £3.4m and profit by £0.7m. Similarly, a 1% movement in the Euro changes revenue by £0.9m and profit by £0.2m.

Since the start of 2016, we have seen Sterling weaken and then strengthen against both the US Dollar and the Euro. We expect currency rates to continue to be volatile. If currencies were to continue at approximately US Dollar 1.45/Euro 1.30 relative to Sterling and assuming a constant mix of currency results, we would expect approximately 2% favourable currency translation impact on revenue and profit due to currency translation in 2016/17 compared with 2015/16. The positive impact would be greater in the first half of 2016/17 than the second half.

INCREASED FINANCING COST

The net financing cost in the Income Statement of £7.1m was higher than the prior year (2015: £4.9m). The average cost of financing was higher than 2015 due to the increased interest rate on long-term borrowing and the higher levels of average debt for the year, following acquisitions made in the second half of the year (see the 'Average debt and interest rates' table on page 45 for more information).

Interest cover (EBITDA as a multiple of net interest expense as defined by our revolving credit facility) was 46 times (2015: 51 times) which was well in excess of the four times minimum required in our banking covenants.

The net pension financing charge is included within the net financing cost. This year it increased to £2.0m (2015: £1.4m) because the net pension deficit at the start of the year, on which the interest cost is based, was above the deficit at the corresponding date in the prior year.

LOWER GROUP TAX RATE

The Group's approach to tax is to ensure compliance with the tax regulations in all of the countries in which it operates. The key features of this are: (1) Tax compliance – Halma is committed to maintaining good relationships with tax authorities based on cooperation, transparency and paying in full the tax due in each jurisdiction; (2) Tax strategy – our tax arrangements have an underlying business purpose and, where possible, we consider mitigating tax in compliance with local legislation; and (3) Tax policy – the Board of Directors is regularly updated, either directly or through the Audit Committee, on the Group's Tax policy and management of tax risks.

The Group has major operating subsidiaries in 10 countries so the Group's effective tax rate is a blend of these national tax rates applied to locally generated profits. A significant proportion (approximately one quarter) of Group profit is generated and taxed in the UK. The Groups' effective tax rate on adjusted profit reduced to 21.9% (2015: 23.2%). The UK corporation tax rate

	Weighted average rates used in the Income Statement			**Exchange rates used to translate the Balance Sheet**	
	2016		2015	**2016**	2015
	First half	**Full year**	Full year	**Year end**	Year end
US$	**1.54**	**1.51**	1.61	**1.42**	1.48
Euro	**1.39**	**1.37**	1.27	**1.25**	1.37

fell from 21% to 20% this year, and we benefited from an increase in widely claimed R&D related tax incentives, exemptions and reliefs (for example under the UK 'Patent Box' rules).

STRONG CASH GENERATION

Cash generation is an important component of the Halma model underpinning further investment in our businesses, supporting value enhancing acquisitions and funding an increasing dividend. Our cash performance in 2015/16 was strong. Adjusted operating cash flow was £148.3m (2015: £138.7m) and represented 86% (2015: 87%) of adjusted operating profit, ahead of our cash conversion KPI target of 85%.

A summary of the year's cash flow is shown in the table on page 46. The largest outflows in the year were in relation to our record spend on acquisitions, dividends and taxation paid. Working capital outflow, comprising changes in inventory, receivables and creditors, totalled £5.8m (2015: £6.0m) and reflected strong control of operations at local company level.

Dividends totalling £46.5m (2015: £43.4m) were paid to shareholders in the year. Taxation paid was £27.2m (2015: £30.8m).

CAPITAL ALLOCATION AND FUNDING

Halma aims to deliver high returns, measured by Return on Total Invested Capital (ROTIC), well in excess of our cost of capital. Future earnings growth and strong cash returns underpin ROTIC and our capital allocation as follows:

- Investment for organic growth

Organic growth is our priority and is driven by investment in our businesses, in particular through capital expenditure, innovation of new products, international expansion and the development of our people.

- Regular and increasing returns to shareholders

We have maintained a long-term progressive dividend policy as our preferred route for delivering cash returns to shareholders.

- Value enhancing acquisitions

We supplement organic growth with acquisitions in related markets at sensible prices. This brings new technology and Intellectual Property into the Group and can expand our market reach.

The above investment and shareholder returns are funded by strong cash flow and moderate levels of debt appropriate to our needs. Ensuring we have sufficient financial capacity is important to our model.

INVESTMENT FOR ORGANIC GROWTH

All sectors continue to innovate and invest in new products with R&D spend controlled by each individual Halma company. This year R&D expenditure grew by 19% with increased investment through the year, in particular in the Medical sector. R&D expenditure as a percentage of revenue increased to 5.1% (2015: 4.8%). There is a good pipeline of new products and the increased investment by our businesses reflects their strategy to expand their range of products to drive growth. In the medium term we expect R&D expenditure to increase broadly in line with revenue.

Under IFRS accounting rules we are required to capitalise certain development projects and amortise the cost over an appropriate period, which we determine as three years. In 2015/16 we capitalised/reclassified £8.6m (2015: £7.4m), acquired £3.6m, and amortised/disposed of £5.3m (2015: £5.6m). This results in an asset carried on the Consolidated Balance Sheet, after £0.7m of foreign exchange movements, of £23.5m (2015: £15.9m). All R&D projects and particularly those requiring capitalisation, are subject to rigorous review and approval processes.

Capital expenditure on property, plant and computer software this year was £24.1m (2015: £23.2m). This maintains investment in our operating capability and includes investment of £4m in a property in our Medical sector (2015: £5m).

REGULAR AND INCREASING RETURNS FOR SHAREHOLDERS

Adjusted[1] earnings per share increased by 10% to 34.26p (2015: 31.17p) ahead of the increase in adjusted[1] profit, primarily due to the lower tax rate. Statutory earnings per share increased by 5% to 28.76p (2015: 27.49p) due to the lower tax rate and the factors noted previously affecting the calculation of statutory profit. We deliver shareholder value via consistent growth in earnings per share and this is reflected in our senior management share based incentives.

The Board is recommending a 7.1% increase in the final dividend to 7.83p per share (2015: 7.31p per share), which together with the 4.98p per share interim dividend, gives a total dividend of 12.81p (2015: 11.96p), up 7.1%. The final dividend for 2015/16 is subject to approval by shareholders at the AGM on 21 July 2016 and will be paid on 17 August 2016 to shareholders on the register at 15 July 2016. With this latest rise, Halma will have increased its dividend by 5% or more for 37 consecutive years.

Our long-term progressive dividend policy balances dividend increases with the medium-term rates of organic profit growth achieved, taking into account potential acquisition spend and maintaining moderate debt levels. Our policy is to maintain dividend cover (the ratio of adjusted profit after tax to dividends paid and proposed) above two times and this year dividend cover is 2.67 times (2015: 2.61 times). We continue to determine the dividend payout each year based on all of the factors noted above.

VALUE ENHANCING ACQUISITIONS

Acquisitions and disposals are an important part of our growth strategy. We buy businesses already successful in, or adjacent to, the niches in which we operate. Sector acquisition resources to support this strategy continue to be increased.

In the year we spent £193m on four acquisitions (net of cash/(debt) acquired of £2m). In addition we paid £10m in contingent consideration and settlement of loan notes for acquisitions made in prior years, giving a total spend of £203m.

The acquisitions made in 2015/16 were as follows:

Value Added Solutions, LLC (VAS) was acquired in May 2015. VAS has been integrated with one of our Medical sector companies, Diba Industries, which is also based in Connecticut, USA. The initial cash consideration was US$5m (£3m).

Firetrace USA, LLC was acquired in October 2015 and is based near Phoenix, Arizona. The initial consideration was US$110m (£73m).

Visiometrics, S.L., located outside Barcelona, Spain and Visual Performance Diagnostics, Inc., located in Aliso Viejo, California, USA (together referred to as Visiometrics) were acquired in December 2015, joining our Medical sector. The cash consideration comprises three elements: €18m (£13m) paid at closing; deferred contingent consideration up to €69m (£50m) paid based on the profit performance of Visiometrics over the next three years; and deferred contingent consideration up to €40m (£29m) paid in royalties over the next five years with a maximum total consideration of €125m (£91m). Our current estimate is that €30m (£22m) will be paid in deferred contingent consideration and this has been accrued in these accounts.

CenTrak, Inc., based in Newtown, Pennsylvania, USA was acquired in February 2016 and also joins the Medical sector. The cash consideration was US$140m (£97m).

AVERAGE DEBT AND INTEREST RATES

	2016	2015
Average gross debt (£m)	**208.1**	164.8
Weighted average interest rate on gross debt	**1.54%**	1.38%
Average cash balances (£m)	**57.7**	45.6
Weighted average interest rate on cash	**0.38%**	0.29%
Average net debt (£m)	**150.4**	119.2
Weighted average interest rate on net debt	**1.99%**	1.80%

OPERATING CASH FLOW SUMMARY

	2016 £m	2015 £m
Operating profit	**142.9**	137.1
Net acquisition costs and contingent consideration fair value adjustments	**7.2**	1.5
Amortisation of acquisition-related acquired intangible assets	**23.1**	19.9
Adjusted operating profit	**173.2**	158.5
Depreciation and other amortisation	**21.8**	21.0
Working capital movements	**(5.8)**	(6.0)
Capital expenditure net of disposal proceeds	**(22.1)**	(22.2)
Additional payments to pension plans	**(7.7)**	(6.6)
Other adjustments	**(11.1)**	(6.0)
Adjusted operating cash flow	**148.3**	138.7
Cash conversion %	**86%**	87%

NON-OPERATING CASH FLOW AND RECONCILIATION TO NET DEBT

	2016 £m	2015 £m
Adjusted operating cash flow	**148.3**	138.7
Tax paid	**(27.2)**	(30.8)
Acquisition of businesses including cash/debt acquired	**(202.6)**	(88.2)
Net movement in loan notes	**0.1**	2.1
Net finance costs and arrangement fees	**(4.7)**	(3.0)
Dividends paid	**(46.5)**	(43.4)
Own shares purchased/issue of shares	**(3.0)**	(6.0)
Adjustment for cash outflow on share awards not settled by own shares	**(2.5)**	–
Disposal of operations	**0.9**	4.2
Effects of foreign exchange	**(8.6)**	–
Movement in net debt	**(145.8)**	(26.4)
Opening net debt	**(100.9)**	(74.5)
Closing net debt	**(246.7)**	(100.9)

NET DEBT TO EBITDA

	2016 £m	2015 £m
Adjusted operating profit	**173.2**	158.5
Depreciation and amortisation (excluding acquired intangible assets)	**21.8**	21.0
EBITDA	**195.0**	179.5
Net debt to EBITDA	**1.27**	0.56

Taking the four acquisitions together, £100m of the consideration was attributed to intangible assets which will be amortised, and £115m is goodwill which will be subject to an annual impairment review.

Based on their run rate at the time of acquisition, the businesses acquired in 2015/16 would add £41m to revenue and £8m (after financing costs) to profit in 2016/17.

FUNDING CAPACITY INCREASED VIA US PRIVATE PLACEMENT

Halma operations are inherently cash generative and the Group has access to competitively priced debt finance providing good liquidity for the Group. Group treasury policy is conservative and no speculative transactions are undertaken.

We continue to fund the combination of organic and acquisition growth through our strong cash flow and use of debt facilities. We hold a syndicated revolving credit facility of £360m which runs to November 2018. In November 2015 a US Private Placement was agreed for US$250m, in a mix of Sterling, US Dollars, and Euros, at a weighted average interest rate of 2.5% over the outstanding borrowing period of five, seven and ten years. Funds were drawn down in January 2016 providing diversification of Group funding.

At the year end net debt was £246.7m (2015: £100.9m), a combination of £300.6m of debt and £53.9m of cash held around the world to finance local operations. The gearing ratio at year end (net debt to EBITDA) increased to 1.27 times (2015: 0.56 times) following strong acquisition expenditure this year. We are comfortable operating at this level of gearing and would increase to 2 times gearing if the timing of acquisitions required it. Net debt represents 7% (2015: 4%) of the Group's year end market capitalisation. The Group continues to operate well within its banking covenants with significant headroom under each financial ratio.

These sources of funding provide Halma with the financial resources to operate within its existing business model for the medium term, continuing investment in our business and with capacity for further acquisitions.

PENSIONS UPDATE

We closed the two UK defined benefit (DB) plans to new members in 2002. In December 2014 we ceased future accrual within these plans with future pension benefits earned within the Group's Defined Contribution (DC) pension arrangements. These changes reduce Group risk for the future.

The Group accounts for post-retirement benefits in accordance with IAS19 Employee Benefits. The Consolidated Balance Sheet reflects the net deficit on our pension plans at 2 April 2016 based on the market value of assets at that date and the valuation of liabilities using year end AA corporate bond yields.

On an IAS19 basis the deficit on the Group's DB plans at March 2016 has reduced to £52.3m (2015: £66.8m) before the related deferred tax asset. The value of plan assets reduced slightly to £221.9m (2015: £224.8m). In total, about 50% of plan assets are invested in return seeking assets providing a higher expected level of return over the longer term. Plan liabilities reduced to £274.2m (2015: £291.6m) primarily due to the increase in the discount rate.

The plan's actuarial valuation reviews, rather than the accounting basis, determine any cash deficit payments by Halma. Following the most recent triennial actuarial valuation of the two UK pension plans in 2014 and 2015, future cash contributions to eliminate the deficit have been agreed with the trustees. In 2015/16 these contributions amounted to £7.7m and it is planned that the annual amount will increase to £10.7m in 2016/17 with modest increases in subsequent years.

RISK MANAGEMENT

Halma has a well-established business and financial model which has delivered success consistently over the long term. The model is based on considerable autonomy and accountability at operating company and sector level, within a robust strategic framework supported by strong policies and clear procedures. In the year we have continued to develop risk and control capability within each sector to support the growth of our businesses. Risk is managed closely and is spread across well-resourced companies, each of which manages risk to its individual level of materiality. There are extensive review processes in place including peer financial review and Internal Audit. The key Group risks have been referenced in this Annual Report primarily on pages 30 to 33 and in the Chief Executive's Strategic Review and Sector Reviews. In addition key risks are highlighted in the Audit Committee Report on page 69 and Auditor's Report on page 96.

The UK Corporate Governance Code issued by the Financial Reporting Council (FRC) requires regular monitoring of risk by the Board. As noted above, for many years we have had comprehensive and regular review of risk taking place at many levels throughout the organisation and this is discussed more fully in the Strategic Report and Corporate Governance Report.

We are conscious of the increased risks arising in the area of cyber security and have continued to be very active this year in monitoring such threats and improving our defences. Awareness of these potential threats has been increased with our employees across the Group and good progress continues to be made.

The Board considers all of the above factors in its review of 'Going Concern' as described on page 68. In addition a new Viability Statement is presented on page 68, extending the Board's review over a three year period. Both reviews have been concluded satisfactorily.

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

Kevin Thompson
Finance Director

The Strategic Report was approved by the Board of Directors on 14 June 2016 and signed on its behalf by:

Andrew Williams
Chief Executive

Kevin Thompson
Finance Director

Cautionary note: this Strategic Report has been prepared solely to assist shareholders to assess the Board's strategies and their potential to succeed. It should not be relied on by any other party, for other purposes. Forward-looking statements have been made by the Directors in good faith using information available up until the date that they approved the Report. Forward-looking statements should be regarded with caution because of the inherent uncertainties in economic trends and business risks.

Our commitment

Health and safety
Our commitment to safeguarding the health and safety of our employees while at work is demonstrated by our culture of safety and our excellent health and safety record.

Employee engagement and development
Our commitment to investing in our people and developing talent is visible through our tailored global development programmes.

Corporate responsibility and sustainability
Our commitment to managing our business activities in a sustainable way and minimising the environmental impact is evidenced by the reduction of CO_2e in our business and the Group's carbon reduction target.

Human rights and ethics
Our commitment to respecting human rights and operating in an ethical way is embedded throughout our Group and underpins the way that we work.

Halma companies are involved in the manufacture of a wide range of products that protect and improve the quality of life for people worldwide. This report focuses on areas of progress and our performance for all areas of sustainability which are considered to be material by our stakeholders and are also important to the success of our business. Halma has developed meaningful key performance indicators (KPIs) that reflect the importance the Group places on sustainability and enables the Board to monitor the Group's progress in meeting its objectives and responsibilities in these areas. Further details are given on pages 27 and 49.

These areas of emphasis include health and safety, employee engagement and development, human rights, ethics and sustainability. Safety is critical to the Group and is a major priority. We recognise the necessity of safeguarding the health and safety of our own employees while at work and operate so as to provide a safe and comfortable working environment for employees, visitors and the public. Our policy is to manage our activities to avoid causing any unnecessary or unacceptable risks to health and safety and the environment. Halma has an excellent health and safety record and a culture of safety is deeply embedded within the Group.

Our core values are Achievement, Innovation, Empowerment and Customer satisfaction. These core values have been selected following extensive surveying of employees across the Group. Our culture is one of openness, integrity and accountability. We encourage our employees to act fairly in their dealings with fellow employees, customers, suppliers and business partners.

We recognise that our employees determine our success and we continue to invest in, and encourage further development of, our employees each year, not only utilising the suite of Halma development programmes, but also by providing clear leadership and decisive action. Jennifer Ward, our Group Talent Director, champions our talent leadership and works with our teams to ensure that we have the right capabilities and best talent required to develop and grow our people to match Halma's growth ambition.

We support the concept of sustainability and recognise that, in common with all businesses, our activities have an environmental impact. Our strategy is not to have capital-intensive manufacturing processes and to operate close to our end markets in terms of geography, so the environmental impact of our operations is relatively low compared to manufacturers in other sectors. We also recognise that we can improve our own environmental performance and so resources are deployed to actively reduce our own carbon footprint. Halma has been a member of the FTSE4Good UK index since its establishment in July 2001.

THE ENVIRONMENT
We have an excellent long-term record and a clear strategy for addressing environmental issues that affect our businesses and for developing products that protect the environment and improve safety at work and in public places.

OUR PRODUCTS
Many of our innovative products play a very positive role in monitoring and improving the environment. Halma brands lead the world in a number of technologies which help to minimise environmental damage. Our principal environmental technologies are water leakage detection and wireless monitoring, gas emissions monitoring, water and effluent analysis, UV water treatment and optical sensing. We promote the use of UV water sterilisation which eliminates the need to use dangerous chemicals, as well as making products that minimise the waste of clean water.

Our commitment to the development of equipment for measuring and monitoring environmental changes and controlling the damaging impact of industrial activities is long term. We are the major world supplier in several of these areas.

OUR IMPACT
The environmental effect of our operations is relatively low compared to manufacturers in other sectors. Our manufacturing model is decentralised, permitting our operations to be located close to their customers. Manufacturing operations are established across the world for this very reason rather than to save labour costs. The ethos of being close to our customers reflects the importance we place on the quality of our products and the service levels we provide to our customers. It also makes our operations more flexible and responsive to their markets and customers. With operations spread around the globe, our supplier base is understandably fragmented. Therefore, responsibility for vetting and managing suppliers is devolved to local management while meeting the Group's ethical standards.

ENVIRONMENTAL MANAGEMENT SYSTEM (EMS)

We are committed to developing and implementing an EMS throughout the Group to measure, control and reduce our environmental impacts. We have developed performance indicators that assist local management in implementing the policy and ultimately developing an EMS. All Group companies are encouraged to undertake ISO 14001 accreditation, where warranted. The requirement to implement an EMS will be extended to the rest of the Group in the medium term.

Group companies are also encouraged to improve energy efficiency, to reduce waste and emissions and reduce the use of materials in order to minimise their environmental impact.

The Group has identified its key environmental impacts as emissions to air and water, water and energy consumption, and waste production. We established baseline data for these impacts in 2004/05 and set targets for reductions against the baseline on a rolling three year cycle. We support innovation and investment that drives environmental performance. For example, Fortress Interlocks have implemented an initiative to shred its cardboard waste packaging and use it as a bulk fill for shipments to customers in place of purchased expanding foam. Not only has this had a significant environmental impact, it has also delivered a commercial benefit. Similarly, sites such as Fortress Interlocks and our Group head office, have replaced halogen lighting with more efficient LED lighting.

CARBON FOOTPRINT

The Group's policy on carbon is published on our website and has been distributed and explained to all Halma business units. A senior executive in each of our higher impact business units is responsible for implementing the carbon policy at local level. Our Finance Director, Kevin Thompson, has principal responsibility for coordinating and monitoring the policy.

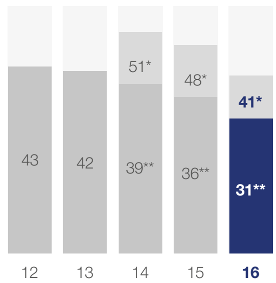
We are committed to reducing our carbon footprint. The Group set a target of reducing its total carbon emissions relative to revenues by 10% over the three years from March 2010, which was met in March 2013. The same target was set for the three year period to March 2016 and has been significantly exceeded. The Board are pleased with the carbon emissions reduction across all three categories of emissions and on a tonne per £m of revenue basis. For the three year period to March 2019, the Board has agreed a targeted reduction of total carbon emissions relative to revenues by a further 10%, further demonstrating our commitment in this area.

From April 2010, we have worked with providers of energy efficiency and carbon reduction solutions to ensure compliance with the Carbon Reduction Commitment Energy Efficiency Scheme (CRC) which is the UK's mandatory energy saving scheme administered by the Environment Agency. We are in full compliance with the CRC requirements. All major UK sites have received an energy survey and set an action plan for improved energy usage. Halma has complied with the Energy Savings

CO2e emissions reduction

Performance	Target
26% reduction over 3 years to 2016	**10%** reduction over 3 years to 2016

CO2e emissions (tonnes/£m of revenue)



* Due to changes in Defra reporting guidance, the 2013/14 figures onward have been calculated to include Well to Tank (WTT) emissions and Radiative Forcing on air travel. It is not required to restate years prior to 2013/14 due to the methodological changes.

** The figures for 2013/14 onwards have also been calculated on the same basis as prior years (excluding Well to Tank (WTT) emissions and Radiative Forcing on air travel) to allow for a direct comparison over the longer time scale.

Greenhouse Gas Emissions (GHG) Reporting

We continue to work with our consultants to better monitor our environmental performance and future external reporting requirements.

GHG Emissions data for the period 29 March 2015 to 2 April 2016

	2015/16 CO2e emissions global tonnes	2014/15 CO2e emissions global tonnes
Scope 1: Combustion of fuel and operation of facilities	**3,955**	4,348
Scope 2: Electricity, heat, steam and cooling purchased for own use	**15,083**	16,247
Scope 3: Business air travel, WTT (Well to Tank)	**13,883**	14,022
Total gross emissions	**32,921**	34,617
Intensity measure of tonnes of CO_2e gross emissions per £m revenue	**40.8**	47.7

Sustainability continued

Opportunity Scheme (ESOS) regulations and submitted its compliance report to the Environment Agency in November 2015, ahead of the 5 December 2015 deadline. The observations made following site energy surveys were shared with local management and reviewed centrally at Group level.

The Group does not operate a fleet of distribution vehicles although we do own a number of company cars. To support the Group's commitment to sustainability, we operate a cap on permissible CO_2 emissions for all company vehicles, which is subject to regular review.

We comply with the mandatory carbon reporting requirements which UK listed companies are subject to and have reported on all of the emission sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

We have employed the Operation Control definition to outline our carbon footprint boundary; included within that boundary are Scope 1 and 2 emissions from manufacturing sites and offices which we own and operate. Excluded from our footprint boundary are emissions from manufacturing sites and offices which we do not own and control, and emissions considered non-material by the business. We have reported on emissions from Scope 1 and 2 emissions sources with some Scope 3 emissions sources included (business air travel for all years, and Well to Tank emissions for 2013/14, 2014/15 and 2015/16).

We have also used the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) and guidance provided by UK's Department for Environment, Food & Rural Affairs (Defra) on voluntary and mandatory carbon reporting. Emission factors were used from UK Government's GHG Conversion Factors for Company Reporting 2014 and 2015.

The Group's environmental performance will continue to be reported both in our Annual Report and Accounts and on our website.

HEALTH AND SAFETY

Halma companies are involved in the manufacture of a wide range of products that protect and improve the quality of life for people worldwide. Therefore, safety is critical to the Group and is a major priority for management and to demonstrate the Group's added emphasis on health and safety. The Board has endorsed the inclusion of the Group's Accident Frequency Rate (AFR) as one of our non-financial KPIs on page 27.

The Group manages its activities to avoid causing any unnecessary or unacceptable risks to the health and safety of our employees in the workplace or to the public as a result of our activities. Health and safety performance is closely monitored to ensure that adequate processes, procedures and reporting are in place, and operating, to ensure a safe working environment for our employees and visitors to our sites.

Halma has an excellent health and safety record and a culture of safety is deeply embedded within the Group. Health and safety performance is regularly reviewed at multiple levels within the Group – at subsidiary board level, at sector level and by the Halma Board. Each Group company is required to have an independent health and safety review carried out every three years, with a view to ensuring a consistent approach in the quality of reporting, adherence to internal processes and procedures, adequate reporting and investigation and to promote further a health and safety culture.

The Health and Safety performance this year improved against last year but remains above our target to match our lowest ever recorded Accident Frequency Rate of 0.09 in 2014. As we strive to have zero accidents in our businesses, we thoroughly review the root cause of any accidents to ensure that we take preventative measures, including further training and education of our employees.

Given the autonomous structure of the Group, operational responsibility for compliance with relevant local health and safety regulations resides with the board of each operating company. The Halma Board sets the tone and minimum standards expected of Group companies, in addition to its role in monitoring health and safety performance.

Kevin Thompson, Group Finance Director, is the director responsible for Halma's health and safety compliance and he is provided with sufficient information to routinely monitor health and safety performance across the Group.

We are also pleased to report that there were no work-related fatalities in 2015/16 or prior years.

OUR PEOPLE

Our sustained, high level of performance has been achieved through the commitment, innovation and excellence of our people.

We believe in empowerment. Our decentralised management structure allows local managers to be autonomous and be responsible for making timely decisions in the best interests of their business. Halma supports personal and professional development through a range of training programmes. The value of this investment is shown both in our financial performance and succession planning. Almost all of the members on our Executive Board have been promoted from our subsidiary companies.

We are committed to innovation and customer satisfaction. Creating and developing new products and new ways of working gives us a competitive edge, while delivering solutions to some of the world's major problems in safety, health and the environment.

We encourage the sharing of knowledge and technology throughout Halma. This ability to transfer state-of-the-art technology from company to company, from one sector to another, is something most of our competitors simply do not have. Through collaboration and sharing best practice we continue to deliver market-leading products that create benefits for our customers.

We invest a lot of time finding and developing the right people who have the initiative, knowledge and leadership qualities to make a positive impact.

Injuries recorded

	2016	2015	2014	2013
Days lost due to reportable* work-related injuries	**464**	546	118	382
Total recorded injuries to all employees	**342**	298	323	320

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

In return, we offer:

- The opportunity to make a difference – our products make the world a safer and healthier place;
- An entrepreneurial business culture;
- In-house training for personal and professional development;
- International career development opportunities;
- Performance-linked rewards;
- A culture of innovation; and
- An environment in which success breeds success.

PEOPLE DEVELOPMENT

We offer challenging personal development programmes to raise the quality of leadership throughout Halma. Our development programmes are designed to promote personal growth, enhance leadership and relationship skills. They also offer the chance for employees from diverse Halma companies to come together and learn from each other.

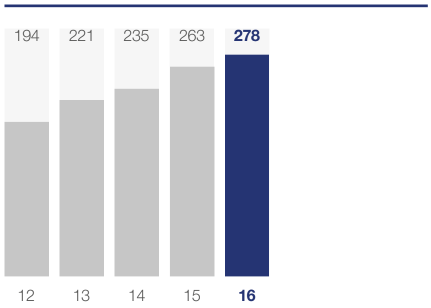
Our objective is to provide these individuals with the tools and training they need to achieve more in their existing role and potentially to advance through the organisation if their achievements merit it.

The following courses are offered in China, USA and Europe:

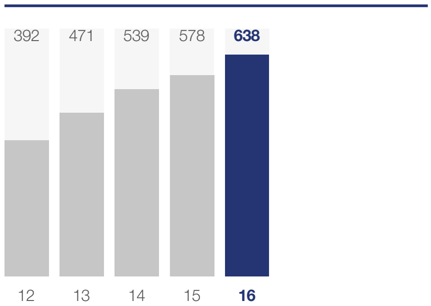
- HPD Enterprise – developing ability at Managing Director and Sector Vice President level to innovate across all aspects of the business;
- Talent Mindset – ensuring the Group and company leaders have the capability to maximise the quality of talent on their teams;
- HPD Executive – focusing on the leadership skills needed at board level in our operating companies;
- HPD Management – personal development, enhancing self-awareness and teamwork skills for managerial roles; and
- HPD Graduate – our graduate programme recruiting and developing the next generation of leaders and technical specialists.

HPD Enterprise was launched in April 2016 and helps our Senior Vice Presidents and Managing Directors to think entrepreneurially about how they can grow their businesses in fast-changing markets. HPD Executive and HPD Management are well established programmes and the cumulative number of candidates that have completed each course is set out below:

HPD Executive



HPD Management



During the year we launched a new programme that will see Halma MDs serve as a non-executive director on the board of a sister operating company. We anticipate two-way benefit from this programme for both the receiving company to gain additional insight, perspective and talent; and for the non-executive director to have the opportunity to see how another Halma board operates.

OUR VALUES

Periodically we complete a survey of employees to determine whether our core values are authentic in our organisation. The survey establishes the values individual employees wish to see in our operating culture and to what extent they exist in our current culture. In 2006, our survey of senior managers showed that five (50%) of the values they wanted to see in our business were actually present. Since then, we have improved the accessibility of the survey by making it available in paper format as well as online, and by offering it in various languages. In the latest survey, conducted in January 2016, we had record participation, increasing 12% on last year. The number of matching values met the target of five (50%) indicating that the alignment between the values that employees want to see in their business and the values that are actually present is very good.

Our value driven culture consistently demonstrates a sense of purpose in our businesses – teams that are aligned and highly productive and people that take pride in and have commitment to their work – resulting in a highly engaged and loyal customer base.

The Group will continue to monitor the survey results to enable us to better support our people in bringing these values and strengths to work so that they and we may derive further benefit from them.

DIVERSITY

We see diversity and inclusiveness as an essential part of our productivity, creativity, innovation and competitive advantage. It is the foundation of a performance culture that promotes respect, understanding and appreciation of different perspectives, backgrounds and experiences.

Developing regions, including China, Brazil, India and Africa make up an increasing share of the world population. They will account for approximately 88% of the global population by 2050. Economically, diverse markets represent a growing source of consumption and buying power, and we must be prepared to serve the needs of the changing marketplace.

Because our customer base is constantly changing and growing, we need to be prepared in the following ways:

- diverse and inclusive enough to recognise the needs of customers in our current and new markets;
- aware enough to anticipate, respond to, and serve the needs of the changing marketplace; and
- engaged enough to contribute at the highest levels to deliver superior performance.

Sustainability continued

By increasing the diversity and inclusion of our workforce and leveraging the insights of our diverse talent through an inclusive environment, we enhance our ability to compete in the world's increasingly diverse marketplace. Our efforts are directed towards increasing the proportion of individuals with experience in the business and geographic markets in which we see our operations growing.

Our strong preference is to develop policies and actions which support our long-term aims as well as establishing appropriate measurable targets. We believe the former evolves into being embedded into corporate culture more readily.

As part of our Diversity and Inclusion Initiative, we have a new programme which encourages our operating companies to review the diversity of their directors. Where companies decide that they need greater diversity they now invite a member of staff to join board discussions and decision-making as 'co-opted' board members.

Co-opted board members are chosen for their ability to make a valuable contribution to board discussions. Their participation is entirely voluntary and they have no legal responsibilities. They usually contribute to board discussions for a year and then another employee is invited to fill the role.

GEOGRAPHIC DIVERSITY

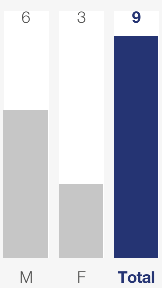
As our businesses continue to expand globally, it is imperative that the insights and perspectives of local markets be represented on our leadership teams. Several Group initiatives have been implemented to support and encourage our operating companies to put leaders on the ground in key markets. We have well-established Halma hubs in China and India and have expanded into Brazil as well. The China hub has introduced innovative R&D programmes to incentivise local product development for local markets. We continue to seek ways to ensure that local leadership is contributing to the global business strategies.

DIVERSITY AND INCLUSION POLICY

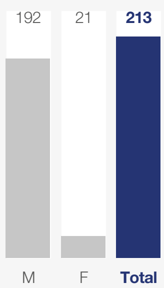
At Halma we recognise that the diversity of the people in our business and the inclusion of all enriches our products, performance and the lives of our employees. We believe that the diversity of our workforce contributes significantly to our aim to protect and improve the quality of life for people worldwide.

We are building a culture that encourages talented people of all backgrounds, beliefs or any form of personal identity to be involved, respected and inspired to develop to their full potential.

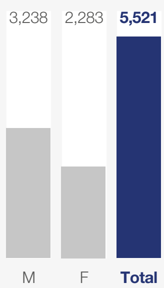
Halma plc Board Directors[1]



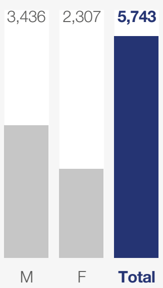
Other senior managers[2]



Other employees



Total (number)



Total (%)

Male 60%
Female 40%

[1] Includes non-executive Directors of the Company.

[2] For Halma 'senior managers' is defined as subsidiary company officers and above.

[3] Figures as at 2 April 2016.

Our intention is to create effective team environments that enhance decision-making processes. We achieve this by encouraging the contribution of unique perspectives and capabilities to achieve superior business results through trust, collaboration and innovation of new ideas.

By ensuring fairness and equality of opportunity in recruitment, training, development, career progression and reward, Halma is committed to ensuring diversity and inclusion in the workplace and all areas of our business.

Each year the Board reviews our policies and their implementation to ensure that they create and maintain a diverse and inclusive organisation. To the same end, the Executive Board recently revised our KPIs for Diversity to reflect our ambitions for representation of women and international leaders at all levels in our Group.

Halma believes that the diversity of our staff is a significant contributor to our success and has identified two specific areas for improvement in Halma's organisation, particularly at managerial levels:

1) Geographic diversity – each board to include at least one member whose nationality is other than US, UK or European. For Emerging Market headquartered companies, this becomes reversed and the goal is to have at least one member whose nationality is of the US, UK or Europe.

2) Gender diversity – to have at least 30% female executives on operating company boards by the end of our 2019 financial year.

DISABLED EMPLOYEES

Applications for employment by disabled people are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort will be made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled people should, as far as possible, be identical to that of other employees.

EMPLOYEE CONSULTATION

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. This is achieved through formal and informal meetings, the Group collaboration platform and the annual financial statements.

Employee representatives are consulted routinely on a wide range of matters affecting their current and future interests.

RESPONSIBLE INVESTMENT

Investing in Halma shares meets the criteria of many professional and private investors who base their decisions on environmental, ethical and social considerations. The Group is a world leader in several key environmental technologies and has a reputation for honesty and integrity in its relationships with employees, customers, business partners and shareholders.

Social conditions can be improved for all through the creation of wealth. Halma creates wealth responsibly allowing our employees, customers, business partners and shareholders to determine where this wealth is best distributed.

HUMAN RIGHTS

Halma's Human Rights and Labour Conditions Policy reflects the core requirements of the Universal Declaration of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work, including the conventions relating to forced labour, child labour, non-discrimination, freedom of association and right to collective bargaining. We do not tolerate practices which contravene these international standards. Regulatory demands upon us vary considerably around the world, so Halma establishes the core structure to ensure that Group companies fully comply with legislative and regulatory requirements while permitting them to tailor their approach to their particular needs.

Compliance with, and respect for, these core requirements are integrated within our organisation. Everyone working for Halma is responsible for having due regard for human rights. Managers and supervisors must provide leadership that promotes human rights as an equal priority to other business issues. All employees are responsible for ensuring that their own actions do not impair the human rights of others, and are encouraged to bring forward, in confidence, any concerns they may have about human rights. Our Chief Executive, Andrew Williams, has overall responsibility for ensuring that human rights considerations are integral to the way in which existing operations and new opportunities are developed and managed.

ETHICS

The Group culture is one of openness, integrity and accountability. Halma requires its employees to act fairly in their dealings with fellow employees, customers, suppliers and business partners. Halma introduced a Code of Conduct in 2011/12 which applies to all Group company employees and our external business relationships. We require suppliers to be of high quality and to operate to accepted international standards. Halma operates a confidential whistleblowing policy, which was refreshed and republished in 2015. The external provider enables employees to raise any concerns they may have in confidence and, if they wish, anonymously.

Halma has a zero-tolerance policy on bribery and corruption which extends to all business dealings and transactions in which we are involved. This includes a prohibition on making political donations, offering or receiving inappropriate gifts or making undue payments to influence the outcome of business dealings. Our robust policy and guidance in this area is routinely reviewed and compliance with the policy is checked as part of the half-year and year-end process.

Leading the governance agenda

> Our success is underpinned by the robust and meaningful corporate governance framework that we have in place.

Paul Walker
Chairman

Good governance is essential for promoting the success of the Company and it sits at the heart of how we manage our Group. Our success is underpinned by the robust and meaningful corporate governance framework that we have in place, supported by our Group-wide culture of openness, transparency, constructive challenge and support.

The Board is committed to maintaining the highest standards of corporate governance and, on their behalf, I am pleased to present Halma's Corporate Governance Report for 2016.

This report provides an explanation of the framework within which the Group is governed and sets out how we have applied the main principles and relevant provisions of the UK Corporate Governance Code 2014.

LEADERSHIP

Developing effective leadership throughout the Group is essential for attracting and retaining talent and aiding succession planning. The additional focus that has been given to improving the quality and performance of Halma's management talent over the past two years has been invaluable. The Board's support of executive activity surrounding talent has reinforced this strategic imperative across the entire business.

Equally, at Board level, it is important to have the right balance of skills and experience, while enabling a refresh of non-executive Directors over time. Over the past year, we have had the opportunity to change the composition and responsibilities within the Board. Following Stephen Pettit's retirement from the Board after last year's annual general meeting, Tony Rice, non-executive Director, became the Chairman of the Remuneration Committee and Senior Independent Director. Jane Aikman will step down as a non-executive Director and Chairman of the Audit Committee after our Annual General Meeting in July, and Carole Cran, who was appointed a non-executive Director in January 2016, will assume the role of Audit Committee Chairman.

I would like to thank Jane for her valuable contribution to the Company over the last nine years, in particular in her role as Audit Committee Chairman and for her support with Carole Cran's induction. I am delighted to have Carole as a member of our Board and welcome her further contribution as she prepares for and takes up the role of Audit Committee Chairman.

I believe that we have the right balance of skills, experience and knowledge on our Board to deliver strong leadership, make clear and effective decisions and harness an open and transparent culture which encourages an entrepreneurial approach at a business level.

Biographies for each of the Directors are set out on pages 56 and 57 and for those Directors standing for election or re-election at the Annual General Meeting, are also contained within the Notice of Meeting.

EFFECTIVENESS

Building on the externally facilitated Board evaluation that was concluded last year, I have continued to work closely with my fellow Directors to improve the effectiveness of the Board. The competence and culture of open challenge that lies within our Board enables us to deliver effective decision-making within a governance framework which is fit for the future growth of the Company.

PEOPLE AND CULTURE

I reported in last year's Chairman's statement that we were upgrading our talent and education programmes to ensure that we have the best people to meet the growing demands of our business and customers. I am pleased to report that we have made considerable progress in this area and have continued to foster a culture which is more diverse and inclusive. You can read more about our talent and leadership initiatives on pages 50 and 51.

REWARDING SUCCESS

We recognise that recruiting and retaining talent that can deliver the capabilities that we need to match Halma's growth requires a reward structure that motivates our people to outperform and enables them to share in Halma's success. The executive share plan adopted at last year's annual general meeting was designed to incentivise our executives and senior management to achieve superior returns for the Company and align their reward with the interests of shareholders. Further information on the Company's remuneration policy and approach is set out in the Remuneration Report on pages 73 to 90.

COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE 2014 (THE CODE)

Throughout the year ended 2 April 2016, the Company has fully complied with the provisions as set out in the Code (a copy of which is available on the Financial Reporting Council's website at www.frc.org.uk). The Group's approach to risk management and internal control is summarised on pages 28 and 29.

The Directors confirm that they consider the Annual Report and Accounts, taken as a whole, to be fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance.

The Group's business model is set out on page 12 and an explanation of the strategy and longer-term objectives of the Company is contained within the Strategic Review on pages 4 to 47.

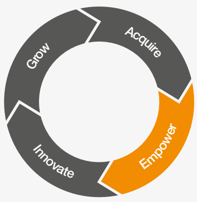
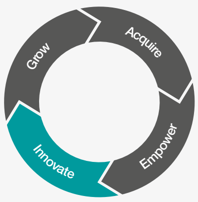
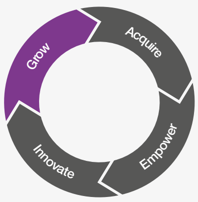
BOARD PRIORITIES

Our priorities for 2017 are to continue to: improve focus on our customers and their needs through innovation and our go-to-market strategies; seek acquisition opportunities in existing and new markets which complement our current portfolio and which can deliver the growth that we expect; and improve the capabilities and diversity of our talent.

Paul Walker
Chairman
14 June 2016

How the Board supported strategy

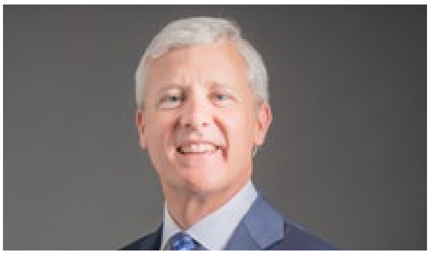
Governance at Halma, like its business model, is ingrained in the operating culture throughout the organisation and within the Board of Directors. With a model that has had great success in terms of consistent dividend growth and TSR performance in the UK, the Board has not needed to oversee any large scale changes but has not been complacent and has continued to improve its processes and procedures to ensure that they are fitting for a company that is near the top of the FTSE 250.

Strategy	The Board's governance role
	The Board monitors the diversity of the Group's portfolio of businesses to ensure that proposed acquisitions or new market niches of strategic interest complement the strategic objectives of the Group and do not dilute the resources of the management teams. The Board also provides sufficient challenge to the internal resources dedicated to identifying and evaluating the deal pipeline.
	The Board exemplifies the autonomous culture of the Group as one of providing our employees with the space to exercise control and authority having given them the guidance and tools to operate. The Board's support in such endeavours underpins the right behaviours.
	The Board recognises that part of Halma's fundamental strength not only derives from our selection of specialist technologies in markets with resilient growth drivers, but also in our targeting of investment in the right opportunities and deliberately placing that investment close to our end markets. The Board endorses the agile operating structure which is best suited to deliver successful innovation.
	The Board provides each business with the necessary investment to meet our growth targets, but equally, subjects them to rigorous scrutiny so that investment priorities can be evaluated.

Composition of the Board and the Executive Board

PAUL WALKER
NON-EXECUTIVE CHAIRMAN

Paul was appointed non-executive Chairman of Halma in July 2013, having been appointed to the Board in April 2013. Paul is non-executive Chairman of Perform Group plc and WANdisco plc and a non-executive director of Experian plc and Sophos Group plc. He was CEO at the Sage Group plc from 1994 to 2010 and has previously served on the boards of Diageo plc and Mytravel Group plc. Paul qualified as a Chartered Accountant with Ernst & Young, having graduated from York University with an economics degree.



ANDREW WILLIAMS
CHIEF EXECUTIVE

Andrew was appointed Chief Executive of Halma plc in February 2005. He was promoted to Director of the Halma plc Board in 2004. Andrew joined the Halma Executive Board in 2002 as Divisional Chief Executive after joining Halma in 1994 as Manufacturing Director of Reten Acoustics (now HWM-Water), where he became Managing Director in 1997. He is a Chartered Engineer and a production engineering graduate of Birmingham University. He attended the Advanced Management Program at Wharton Business School in 2004. Andrew is a non-executive director of Capita plc.

KEVIN THOMPSON
FINANCE DIRECTOR

Kevin was appointed to the Halma plc Board in 1998. He became Group Finance Director in 1997 after joining the Halma Executive Board as Finance Director in 1995. Kevin joined Halma as Group Financial Controller in 1987. Kevin qualified as a Chartered Accountant with Price Waterhouse and is an economics and accounting graduate of Bristol University. He attended the Advanced Management Program at Harvard Business School in 2007.

ADAM MEYERS
SECTOR CHIEF EXECUTIVE, MEDICAL

Adam joined the Halma plc Board in April 2008 and is Chief Executive of the Medical sector. He became a member of the Halma Executive Board in 2003 as Divisional Chief Executive, having joined Halma in 1996 as President of Bio-Chem Valve. Adam gained his MBA from Harvard Business School and is a systems engineering graduate of the University of Pennsylvania.

JANE AIKMAN
NON-EXECUTIVE DIRECTOR

Jane was appointed a non-executive Director of Halma in August 2007. She was Chief Operating Officer and Chief Financial Officer of Phoenix IT Group plc until August 2015 and was previously Finance Director of Infinis Limited, Wilson Bowden Plc and Pressac plc. Jane spent three years as an internal audit manager with GEC Alsthom and five years in East Asia with Asia Pulp and Paper Co Limited. She qualified as a Chartered Accountant with Ernst & Young and has a degree in civil engineering from Birmingham University.

DANIELA BARONE SOARES
NON-EXECUTIVE DIRECTOR

Daniela was appointed a non-executive Director of Halma in November 2011. In September 2014, Daniela was appointed as non-executive Director of Brazil-based holding company Evora S.A. She was previously Chief Executive of Impetus – the Private Equity Foundation and she has held senior roles at Save the Children, BancBoston Capital, Goldman Sachs and Citibank. Daniela has an MBA from Harvard Business School and a BSc in economics from Universidade Estadual de Campinas (UNICAMP), Brazil.

CAROLE CRAN
NON-EXECUTIVE DIRECTOR

Carole Cran was appointed a non-executive Director of Halma in January 2016. She is Chief Financial Officer at Aggreko plc having held a number of senior financial roles since joining Aggreko in 2004. Previously Carole spent seven years at BAE Systems, in a range of senior financial positions, including four years in Australia. Carole qualified as a Chartered Accountant with KPMG and has a degree in Accountancy from the University of Aberdeen.

TONY RICE
SENIOR INDEPENDENT DIRECTOR

Tony was appointed a non-executive Director of Halma in August 2014. He is a non-executive director of Dechra Pharmaceuticals PLC and was formerly the senior independent director and remuneration committee chairman of Spirit Pub Company plc. Earlier in his career, Tony was chief executive officer of Cable & Wireless Communications plc, CEO of Tunstall Plc and held a number of senior roles in BAE Systems plc (including British Aerospace). Tony has a BA in Business Studies from City of London College, an MBA from Cranfield School of Management and is a member of both the Association of Corporate Treasurers and the Chartered Institute of Management Accountants.

ROY TWITE
NON-EXECUTIVE DIRECTOR

Roy was appointed a non-executive Director of Halma in July 2014. He is an executive director at IMI plc, having been appointed to the plc board in February 2007. During his career with IMI, Roy has led all of the divisions including Severe Service (2011), Fluid Power (2009), Beverage and Merchandising (2007) and Indoor Climate (2004). Roy has a BEng in Engineering from Nottingham University and gained his Masters in Manufacturing Business Leadership from Cambridge University in 1998.

CAROL CHESNEY
COMPANY SECRETARY

Carol was appointed Company Secretary of Halma plc in 1998. She joined Halma in 1995 as Group Finance Manager having spent three years with English China Clays plc. She qualified as a Chartered Accountant with Arthur Andersen and is a mathematics graduate of Randolph-Macon Woman's College, Virginia. Carol is a non-executive director of Renishaw plc where she chairs the Audit Committee.

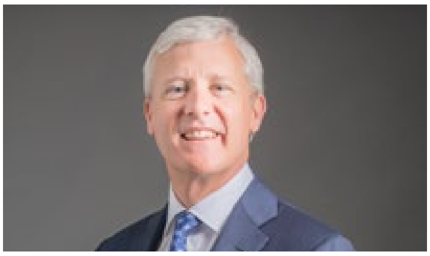
Committee membership

	Audit	Nomination	Remuneration
Paul Walker		• (Chairman)	• (Member)
Andrew Williams		• (Member)	
Kevin Thompson			
Adam Meyers			
Jane Aikman	• (Chairman)	• (Member)	• (Member)
Daniela Barone Soares	• (Member)	• (Member)	• (Member)
Roy Twite	• (Member)	• (Member)	• (Member)
Tony Rice	• (Member)	• (Member)	• (Chairman)[1]
Carole Cran[2]	• (Member)	• (Member)	• (Member)

• Chairman • Member

[1] Appointed Chairman following Stephen Pettit's retirement in July 2015.
[2] Appointed in January 2016.

Executive Board



ANDREW WILLIAMS
CHIEF EXECUTIVE
Location UK

KEVIN THOMPSON
FINANCE DIRECTOR
Location UK

ADAM MEYERS
SECTOR CHIEF EXECUTIVE, MEDICAL
Location USA

The biographies of Andrew Williams, Kevin Thompson and Adam Meyers are on page 56.

CHUCK DUBOIS
SECTOR CHIEF EXECUTIVE,
ENVIRONMENTAL & ANALYSIS
Location USA

Chuck was appointed to the Executive Board in April 2008 and is Chief Executive of the Environmental & Analysis sector. He joined the Group in 1999 as Vice President of Perma Pure LLC and was previously President of Diba Industries. He earned his MBA from the F.W. Olin School of Business at Babson College and holds a Bachelor's degree in physics from the College of the Holy Cross. Chuck attended the Advanced Management Program at Harvard Business School in 2013.

PHILIPPE FELTEN
CHIEF EXECUTIVE,
PROCESS SAFETY
Location Belgium

Philippe joined the Executive Board in April 2012 and is Chief Executive of the Process Safety sector. He joined the Group as Sales Director of BEA Europe when that company was acquired in 2002 and was later Chief Executive of BEA Group. Philippe completed the Programme for Executive Development at IMD Lausanne, holds a degree in Marketing and Management (ICHEC – Brussels) and is an Electro-Mechanical Engineer (ECAM – Brussels).

NIGEL TRODD
SECTOR CHIEF EXECUTIVE,
INFRASTRUCTURE SAFETY
Location UK

Nigel was appointed to the Executive Board in July 2003 and is Chief Executive of the Infrastructure Safety sector. He joined Halma in July 2003 as Chief Executive of the Process Safety Division. Nigel is a member of the Chartered Institute of Marketing and a business studies graduate of Thames Valley University.

JENNIFER WARD
GROUP TALENT DIRECTOR
Location UK

Jennifer was appointed as Halma's first Group Talent Director in March 2014. Prior to joining Halma, Jennifer spent over 15 years leading HR, Talent and Organisational Development for divisions of PayPal (an eBay company), Bank of America and Honeywell. She has a Master's degree from Michigan State University and a Bachelor of Science degree from Oregon State University.

MARTIN ZHANG
PRESIDENT – HALMA CHINA
Location China

Martin joined the Executive Board in 2010 having advised that board since 2008. He joined the Group in June 2006. Martin holds an Executive MBA from the University of Texas at Arlington (Tongji University Shanghai) and a degree in chemical engineering from Chengdu University of Science and Technology. Martin attended the Advanced Management Program at Wharton Business School in 2014 and is also a Certified Management Accountant.

Leadership

THE ROLE OF THE BOARD

The ultimate role of the Board is to promote the long-term success of the Company by delivering sustainable shareholder value. In order to fulfil its duty, the Board must ensure that the Group operates within a clearly defined operating structure which fits within a robust governance and control framework. The Board has ultimate responsibility for the management, direction and performance of the Group, and sets the strategic goals which the Company's businesses implement through their business plans. The Board is also responsible for ensuring appropriate resources are in place to achieve its strategy and deliver sustainable performance.

The Board's powers are derived from the Company's Articles of Association but certain decisions and oversight roles have been delegated to its Committees. The Board has established a formal schedule of matters reserved for its decision and has approved terms of reference where it has delegated responsibilities to its Committees.

The Chairman of each Committee reports at Board meetings on the activities of the Committee and Committee minutes are reviewed and approved at Board meetings. Matters that are formally reserved for decision by the Board are set out in writing and include:

- setting the Group's long-term objectives and commercial strategy;
- approving annual operating and capital expenditure budgets;
- ceasing all or a material part of the Group's business;
- significantly extending the Group's activities into new business or geographic areas;
- changing the share capital or corporate structure of the Company;
- changing the Group's management and control structure;
- approving half year and full year results and reports;
- approving dividend policy and the declaration of dividends;
- approving significant changes to accounting policies;
- approving key policies;
- approving risk management procedures and policies, including anti-bribery and corruption;
- approving major investments, disposals, capital projects or contracts (including bank borrowings and debt facilities);
- approving guarantees and material indemnities (not otherwise delegated to the Bank Guarantees and Facilities Committee);
- approving resolutions to be put to the AGM and documents or circulars to be sent to shareholders; and
- approving changes to the Board structure, size or its composition (following the recommendation of the Nomination Committee).

CHAIRMAN AND CHIEF EXECUTIVE

The role of Chairman and Chief Executive are separate and the division of their responsibilities is set out below.

Board roles and responsibilities

CHAIRMAN'S RESPONSIBILITIES

Governance

- promoting high standards of corporate governance;
- leading, chairing and managing the Board;
- ensuring all Board Committees are properly structured and operate with appropriate terms of reference;
- regularly considering the composition and succession planning of the Board and its Committees;
- ensuring that the Board and its Committees' performance are evaluated on a regular basis;
- ensuring adequate time is available for all agenda items and that the Board receives accurate, clear and timely information; and
- ensuring that there is effective communication with shareholders.

Strategy

- leading the Board in developing the strategy of the business and achievement of its objectives;
- promoting open and constructive debate in Board meetings;
- ensuring effective implementation of Board decisions with the support of the Chief Executive;
- ensuring that the Board manages risk effectively; and
- consulting, where appropriate, with the Senior Independent Director on Board matters.

People

- chairing the Nomination Committee;
- identifying and meeting the induction and development needs of the Board and its committees;
- developing a strong working relationship with the Chief Executive;
- ensuring a strong working relationship between executive and non-executive Directors;
- setting clear expectations concerning the Company's culture, values and behaviours; and
- ensuring effective relationships are maintained with all major stakeholders in the business.

Board roles and responsibilities continued

CHIEF EXECUTIVE'S RESPONSIBILITIES	• providing coherent leadership and management of the Company with the Chairman; • developing objectives, strategy and performance standards to be agreed by the Board; • providing input to the Board's agenda; • providing effective leadership of the Executive Board to achieve the agreed strategies and objectives; • securing an Executive Board of the right calibre, with specific responsibility for its composition, and ensuring that its succession plan is reviewed annually with the Chairman and the non-executive Directors; • monitoring, reviewing and managing key risks and strategies with the Board; • ensuring that the assets of the Group are adequately safeguarded and maintained; • building and maintaining the Company's communications and standing with shareholders, financial institutions and the public and effectively communicating the Halma plc investment proposition to all stakeholders; • ensuring the Board is aware of the view of employees on issues of relevance to Halma plc; • living and fostering the Group values which promote ethical practices, integrity and a positive work environment, enabling the Group to attract, retain and motivate a diverse group of high-quality employees; and leading by example in establishing a performance orientated, customer focused and publicly responsible Group culture.
EXECUTIVE DIRECTORS	• implementing and delivering the strategy and operational decisions agreed by the Board; • making operational and financial decisions required in the day-to-day management of the Company; • providing executive leadership to senior management across the business; • championing the Group's values and reinforcing the governance and control procedures; and • promoting talent management, encouraging diversity and inclusion.
SENIOR INDEPENDENT DIRECTOR	• acting as a sounding board for the Chairman; • serving as a trusted intermediary for the other Directors; and • providing an alternative channel for shareholders to raise concerns, independent of executive management and the Chairman.
INDEPENDENT NON-EXECUTIVE DIRECTORS	• contributing independent thinking and judgement, and providing external experience and knowledge, to the Board agenda; • scrutinising the performance of management in delivering the Company's strategy and objectives; • providing constructive challenge to the executive Directors; and • monitoring the reporting of performance and ensuring that the Company is operating within the governance and risk framework approved by the Board.
COMPANY SECRETARY	• acting as a sounding board for the Chairman and other Directors; • ensuring clear and timely information flow to the Board and its Committees; and • providing advice and support to the Board on matters of corporate governance and risk.

CORPORATE GOVERNANCE FRAMEWORK

Halma companies benefit from a highly decentralised organisational structure which delivers sustainable competitive advantage while maintaining the benefit of being part of a larger group (through collaboration with other Group companies and central investment in areas such as talent development, innovation and international expansion). A robust corporate governance framework is essential in a decentralised group in order to maintain good oversight and control over: financial and management reporting; compliance and regulatory matters; risk management; and the approval of significant decisions (such as acquisitions, disposals or material agreements). The operation of the Board and its Committees is described in this Report and further information on each Committee is detailed within the separate Committee Reports.

The diagram opposite sets out the top level corporate governance framework for Halma and how the Board and its Committees interact. The interface between the operating companies and this governance framework is described below and is illustrated in the diagram on page 29 in relation to Group risk management.

Each operating subsidiary company within the Group has its own board of directors, which meets regularly to fulfil its legal duties and operational and financial obligations in managing the affairs of the company. The Sector CEO, or a Sector Vice President, is appointed as a director of each subsidiary within their sector and acts as Chairman at each board meeting. Each subsidiary must operate in accordance with the Group's internal procedures, which set out the minimum standards required in the areas of financial reporting, health and safety, ethics, administration and information technology. These procedures are made available throughout the Group via a centrally managed electronic portal and each procedure is subject to regular review.

Each of the four sectors has a management board which meets regularly to review financial and operational performance and governance matters relating to companies within that sector. Reports prepared by each Sector CEO are provided to, and reviewed by, the Executive Board.

Board governance structure

Board
Provides strategic leadership to the Group within a framework of robust corporate governance and internal control, setting the culture, values and standards that are embedded throughout our business to deliver long-term sustainable growth for the benefit of our shareholders and other stakeholders

Nomination Committee
- reviews the composition of the Board;
- oversees the Board's succession planning; and
- keeps under review the leadership needs of, and succession planning for, the Company.

Read more p66

Audit Committee
- monitors the integrity of financial statements;
- oversees risk management and control;
- monitors the effectiveness of the Internal Audit function; and
- reviews external auditor independence and will lead the audit tender process.

Read more p69

Remuneration Committee
- keeps under review the framework and policy on executive Director and senior management remuneration (including pension arrangements); and
- approves the design, targets and framework for share plan awards.

Read more p73

Executive Board
- a management committee chaired by the Chief Executive, which reviews operational matters and business performance;
- reinforces the operational and governance structures that are in place across the Group; and
- acts as a forum for management decisions.

Share Plans Committee
Responsible for the administration arrangements relating to employee share based incentives (following approval of the award basis by the Remuneration Committee or the Board).

Bank Guarantees and Facilities Committee
Agrees and approves arrangements for issuing guarantees, indemnities or other support for bank loans and other financing facilities.

Acquisition and Disposals Committee
Reviews and approves the terms and structure of acquisitions or disposals which have been agreed in principle by the Board.

Reporting requirements chart

Reporting requirement	Location
Description of the business model and strategy.	Chief Executive's Strategic Review and Sector Reviews See pages 4 to 12 and 34 to 41
Description of the significant issues that the Audit Committee considered in relation to the financial statements and how these issues were addressed, having regard to the matters communicated to it by the external audit team.	Audit Committee Report See page 69
Explanation of how the Audit Committee has assessed the effectiveness of the external audit process and the approach taken to the reappointment of the external auditor to enable shareholders to understand why it recommended reappointing.	Audit Committee Report See page 69
Identification of search consultancies used and any connections with the Company.	Nomination Committee report See page 66
Statement that the Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides information necessary for shareholders to assess the Company's position and performance.	Corporate Governance Report See page 54
Future policy table and notes, performance scenario charts, remuneration obligations in service contracts and statement of shareholder vote on the 2015 remuneration report.	Remuneration Committee Report See page 73
Policy implementation, remuneration paid to service advisers, single total figure tables, CEO pay comparison to Company performance and relative importance of spend on pay.	Remuneration Committee Report See page 73
Directors' shareholdings and variable pay awarded in the year.	Remuneration Committee Report See page 73

BOARD MEETINGS

The Board has six regular meetings scheduled each year but will meet, as required, to consider urgent matters. During the year an ad hoc meeting was held to consider and approve the US Private Placement.

Directors are issued with an agenda and comprehensive electronic meeting papers in the week preceding each Board meeting. The Board and each Director has access to the advice and services of the Company Secretary, as well as the option of obtaining independent professional advice at the Company's expense.

PRINCIPAL COMMITTEES OF THE BOARD

The Board has established three principal Committees:

- the Nomination Committee;
- the Audit Committee; and
- the Remuneration Committee.

Details of their constitution and the roles and responsibilities of each Committee are set out in their respective Reports, which follow this Corporate Governance Report.

The Board has also established three formal Committees to which it has delegated certain powers to negotiate, review and administer specific areas of responsibility:

- the Share Plans Committee;
- the Bank Guarantees and Facilities Committee; and
- the Acquisitions and Disposals Committee.

Each Committee operates under its own terms of reference, which have been approved by the Board.

In addition, the Board has established an informal management committee, the Executive Board, which is chaired by the Chief Executive. This Executive Board provides a forum in which the executives, representing their sector or functional area, can review and take decisions on operational and financial matters that arise in the day-to-day business operations. The Executive Board is also an effective means of communicating actions from the Halma Board and obtaining executive support to implement such decisions.

The Board's year

April 2015

- Budget
- Chairman and NED fees
- CEO conference objectives
- Sector review
- NED search and candidate specification
- AGM formal business
- Approval of terms of reference
- Approval of European cash pooling arrangements

June 2015

- Preliminary results
- Dividend planning
- Evaluation of prior year objectives
- Annual objectives for the Group
- Annual assessment of internal control processes
- AGM Notice of Meeting
- Review of new share plan rules
- Cyber security update
- Sector review

July 2015

- AGM and trading update
- PSP awards
- SIP award review
- M&A update
- Sector review
- Strategy planning review

STANDING BOARD AGENDA ITEMS

In addition to the above Board matters considered over the past year, at each meeting there are standing items, which include:

- Review and approval of the previous minutes;
- Status update on any matters outstanding from previous meetings;
- Updates from each Board Committee on the activities since the last Board meeting;
- Report from the Chief Executive;
- Report from the Finance Director;
- Investor Relations report;
- Health & Safety review;
- Risk review;
- Corporate governance update;
- Compliance & integrity report; and
- Updates from the Company Secretary on administrative matters.

STRATEGIC REPORT
GOVERNANCE
FINANCIAL STATEMENTS

October 2015

- Group strategic performance and priorities
- Talent assessment and development
- Diversity
- Sector strategy reviews
- PSP award vesting
- M&A update
- Cyber security update

November 2015

- Half year results
- Dividend planning
- Sector review
- M&A update

January 2016

- Budget (draft)
- Board effectiveness and Committee evaluation
- Annual review of non-executive Director conflicts, independence and division of responsibilities
- Trading update
- Risk management review
- Sector review
- M&A update
- Cyber security update
- Employee Benefit Trust funding
- HITE arrangements

Board meeting attendance

During the year attendance by Directors at Board and Committee meetings was as follows:

		Committees			
Board attendance	**Board**	**Audit**	**Remuneration**	**Nomination**	**Overall attendance %**
Paul Walker	6/6	–	4/4	3/3	100%
Andrew Williams	6/6	–	–	3/3	100%
Kevin Thompson	6/6	–	–	–	100%
Stephen Pettit[1]	3/3	1/1	2/2	1/1	100%
Neil Quinn[2]	1/1	–	–	–	100%
Jane Aikman[3]	6/6	3/3	4/4	2/3	94%
Adam Meyers	6/6	–	–	–	100%
Daniela Barone Soares[3]	6/6	3/3	4/4	2/3	94%
Roy Twite	6/6	3/3	4/4	3/3	100%
Tony Rice	6/6	3/3	4/4	3/3	100%
Carole Cran[4]	1/1	1/1	1/1	1/1	100%

1 Stephen Pettit retired following the conclusion of the AGM on 23 July 2015.
2 Neil Quinn retired from the Board on 14 May 2015.
3 Jane Aikman and Daniela Barone Soares were unable to attend the Nomination Committee meeting on 3 June 2015 due to illness.
4 Carole Cran was appointed as non-executive Director on 1 January 2016.

Effectiveness

COMPOSITION OF THE BOARD

The Board is comprised of the Chairman, five independent non-executive Directors and three executive Directors. The Board views this structure as a suitable balance of direct knowledge of the Group's operations with independent challenge and experience from outside the Company.

BOARD DIVERSITY

The Board recognises the benefits to an International group of greater diversity on the Board and in management positions throughout the Group. At the year end, and at the date of this Report, the Board comprised nine Directors, including three women (33%). The spread of nationalities are seven British, one American and one Brazilian.

Halma has the ambition to increase the number of executives based outside Europe and the USA to better reflect the revenue generated outside those markets and to embrace diversity and inclusion across the Group. To support this ambition, the Board has adopted a Diversity and Inclusion policy and a programme of training to support the policy has been rolled out to senior executives and head office personnel. Operating subsidiary company boards are encouraged to invite local personnel with diverse skill sets to attend board meetings to provide a fresh perspective and bring a diverse and inclusive approach to the decision-making body.

INDEPENDENCE

The Board has reviewed the independence of the Chairman and each non-executive Director and considers the Chairman and all of the non-executive Directors to be independent of management and free from business or other relationships that could interfere with the exercise of independent judgement. The Board believes that any shares in the Company held by the Chairman and non-executive Directors serve to align their interests with those of the shareholders.

Tony Rice was appointed as the Senior Independent Director in July 2015, following the retirement of Stephen Pettit from the Board.

TIME ALLOCATION

The Board benefits from the wide variety of skills, experience and knowledge that each Director has. However, being available and committing sufficient time to the Company is essential and therefore the number of external directorships that a non-executive Director holds is an important consideration when recruiting and when performing the annual evaluation of non-executive Directors effectiveness.

Executive Directors are permitted to accept one external appointment, subject to the prior approval of the Chairman. Approval will only be given where the appointment does not present a conflict of interest with the Group's activities and where the role is considered to be beneficial to the development of the individual, which will also benefit the Company.

In addition to the scheduled Board meetings (six per year), non-executive Directors are expected to attend the AGM, the annual strategy meeting and certain other Company events and site visits throughout the year. A time commitment of around 20 days per annum is the anticipated requirement for each non-executive Director. Confirmation is obtained on appointment from each non-executive Director that they can allocate sufficient time to the role. Details of Board attendance during the year is set out on page 63 and biographical details of each Director are set out on pages 56 and 57.

INDUCTION OF NEW DIRECTORS

Newly appointed non-executive Directors follow a tailored induction programme, which includes dedicated time with Group executives and visits to companies within each of the four sectors.

Carole Cran met with the Company Secretary to review the tailored induction materials, which provide a comprehensive overview of: the Group and the legal and organisational structure; the governance framework; the role of non-executive Director; key business contacts at Group, sector and operating company level; and details of the external advisers. In addition to the latest Annual Report and Company announcements, further materials such as recent broker coverage, the last Board evaluation and CEO conference presentations were also provided. Carole met the Chairman, Chief Executive and Finance Director on a one-to-one basis on her appointment and has subsequently met the other members of the Board and Executive Board along with senior managers from Head Office functions and the sectors. A varied programme of site visits to operating companies across the sectors is being arranged, which will include the opportunity for Carole to meet investors at the forthcoming investor event.

The Chairman reviews training and development needs of the Board, and each individual Director, at least annually. Briefings and presentations from subject specialists form part of the ongoing training needs for the Directors.

PERFORMANCE EVALUATION

The Board undertakes a formal evaluation of its performance, and of each Director, on an annual basis. The principal Committees of the Board undertake an annual evaluation of their effectiveness, in accordance with their terms of reference.

As in prior years, the Board met in January 2016 before its scheduled meeting to provide a forum for discussion of the Board evaluation outside the formal meeting. This forum has proven useful for a number of years. The Chairman and non-executive Directors also meet after each Board meeting without executive Directors present to ensure there is an opportunity to discuss potentially sensitive matters. The Chief Executive will join for part of these meetings at least once per annum. The Senior Independent Director meets with the non-executive Directors without the Chairman present, at least annually, to evaluate the Chairman's performance.

The Executives are also given the opportunity to meet with the Chairman and/or the Senior Independent Director separately. The outcome of these meetings is fed back to individuals by the Chairman, Senior Independent Director or Chief Executive, as appropriate.

The Board and Committee evaluations conducted in 2015 were externally facilitated by EquityCommunications. Accordingly, the Board and Committee evaluation for 2016 was an internal evaluation, conducted by the Chairman having a structured one-to-one session with each member of the Board/Committees and the Company Secretary. The results were anonymised and provided to the whole Board in January 2016.

The main areas of focus arising from the evaluation process, and subsequently discussed by the Board, were: the size and balance of the Board; the continued development of the Group's strategic priorities and future direction; executive succession planning; and the allocation of resources.

RE-ELECTION OF DIRECTORS

With the exception of Jane Aikman who will retire from the Board after the AGM, all of the current Directors will stand for re-election, and in the case of Carole Cran, election, at the forthcoming AGM.

Following the annual evaluation of the Board and its Committees, all Directors standing for election or re-election at the AGM continue to be effective, hold recent and relevant experience and continue to demonstrate commitment to the role. Biographical details of each Director standing for election or re-election are set out in the Notice of Meeting.

LIABILITY INSURANCE

Each Director is covered by appropriate directors' and officers' liability insurance, at the Company's expense. In addition, there are Deeds of Indemnity in place, which provide an indemnity from the Company to the Director in respect of any proceedings brought by third parties against Directors personally in their capacity as Directors of the Company. The indemnity does not extend to certain areas, including: any liability to pay a fine levied in criminal proceedings; defending criminal proceedings where the Director is convicted and such conviction is final; defending any civil proceedings brought by the Company or an associated company; or in any proceedings for disqualification of the Director.

RELATIONS WITH SHAREHOLDERS

The Board recognises the importance of effective communication with our shareholders. In regular meetings with shareholders and analysts the Chief Executive and Finance Director communicate the Group's strategy and results, disclosing such information as is permitted within the guidelines of the Listing Rules. Such meetings ensure that institutional shareholders representing over 50% of the Company's issued share capital meet or hold discussions with the Company on a regular basis. Major shareholders are also offered the opportunity to meet the Chairman and/or Senior Independent Director. Notes from all investor meetings are circulated to the Chairman with investor feedback from results roadshows circulated to the whole Board.

The Company consults with its major shareholders on significant matters – for example, the Remuneration Committee consulted the top 10 shareholders last year regarding its proposed remuneration policy and practice. Major shareholders are invited to attend briefings following the half-year and annual results. Once again, the Chief Executive hosted a dinner in London during February 2016 for analysts and institutional investors. No new material financial information or updates on trading is provided at such events. In September 2015, the Company hosted a site visit to Crowcon in Abingdon, UK, for analysts and investors. The event focused on Halma's Process Safety sector, including Crowcon's operations. Slides and a summary of the presentation given may be viewed or downloaded from the Company's website at www.halma.com.

The content of presentations to shareholders and analysts at results announcements, news releases about the Group and all regulatory announcements are also available on the Company's website. Shareholders are encouraged to visit www.halma.com to access Annual Report and Accounts, Half Year Reports, biographical information on Directors and the Executive Board, share price information and subsidiary company contact details (including links to their own websites). The website features the facility to request e-mail alerts relating to announcements made by the Group and there is a feedback form to invite suggestions for improvements to the website and our investor relations activities.

Shareholders can keep up to date with the latest Halma financial news, on the move, with our Investor Relations iPad app. This is available as a free download from the Apple iTunes store, as detailed below. The app is updated at the same time as our website and delivers news releases, regulatory announcements, presentations, reports, webcasts, videos, financial documents and the share price.

To help investors understand the scope of our business we have produced a series of corporate videos outlining our strategy, our performance, our future and an animated video on the products that we make. These can be viewed from the home page of our website (www.halma.com) and from our iPad investor app. Type this link into your browser to go to the Halma Investor Relations app download page on iTunes: http://goo.gl/4W91y

The Financial calendar is set out on page 180.

All shareholders are encouraged to attend the Annual General Meeting (AGM) in London where they can gain a better understanding of the Company and meet the Directors. The AGM provides an opportunity for shareholders to ask questions to the Board on the matters put to the meeting, including the Annual Report and Accounts and the management of the Company. The results of the AGM are published on the Company's website once they become available.

Nomination Committee

COMMITTEE CHAIRMAN'S OVERVIEW

Over the past year, we have seen minor re-shaping of the Board and Committee membership and change in individual responsibilities as described below.

In July 2015, Tony Rice succeeded Stephen Pettit as Senior Independent Director and Chairman of the Remuneration Committee. The search for a new non-executive Director, to fill the subsequent vacancy, was successfully concluded at the end of the calendar year and the Committee were delighted to recommend the appointment of Carole Cran to the Board. Carole will succeed Jane Aikman as Chairman of the Audit Committee after she steps down at our 2016 AGM.

I reported in the 2015 Committee report that the resignation of Neil Quinn from the Board provided an opportunity to consider the executive composition of the Board. The Committee has considered this over the past year and, at the present time, continues to believe that the balance of executive and non-executive Directors is appropriate, as the focus remains on building the new sector structure, both in terms of operations and talent. The Committee will keep the Board and Executive Board composition under review over the coming year.

ROLE OF THE COMMITTEE

The Committee is appointed by the Board and operates under written terms of reference, which are available on the Group's website. The primary role and responsibilities of the Committee is to:

- review the size, balance and composition (evaluating the skills, knowledge and experience) of the Board and its Committees, ensuring that they remain appropriate and making recommendations to the Board with regard to any changes;
- lead the process for Board appointments;
- oversee the succession planning requirements for the Board and other senior executives, including the identification and assessment of potential candidates and making recommendations to the Board for its approval; and
- keep under review the leadership needs of the Group in relation to both its executive Directors and other senior executives, including any recommendations made by the Chief Executive for changes to the executive membership of the Board.

COMPOSITION OF THE COMMITTEE

The Committee currently comprises the Chairman, the Chief Executive and five independent non-executive Directors, therefore comprising a majority of non-executive members. The Chairman acts as the Chairman of the Committee but would not chair a meeting which was dealing with the appointment of a successor to the chairmanship. The following members served on the Committee during the year:

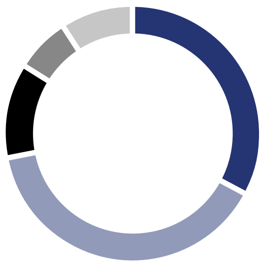
- Paul Walker (Chairman)
- Andrew Williams
- Stephen Pettit (retired 23 July 2015)
- Jane Aikman
- Daniela Barone Soares
- Roy Twite
- Tony Rice
- Carole Cran (appointed 1 January 2016)

ACTIVITIES IN 2015/16

During the year, the Committee has undertaken the following activities:

- recommending the appointment of Tony Rice as Senior Independent Director and Chairman of the Remuneration Committee;
- non-executive Director succession planning, resulting in the appointment of Carole Cran;
- preparing a non-executive profile for the replacement of Jane Aikman and working with Lygon Group to initiate the search;
- review of Executive succession plans and talent review;
- annual self-evaluation and review of Director independence in accordance with the terms of reference; and
- proposing the election and re-election of Directors at the AGM.

Allocation of time



Recruitment	33%
Succession planning	39%
Governance and reporting	12%
Independence and (re-)election of Directors	7%
Composition of the Board	9%

NON-EXECUTIVE DIRECTOR TENURE

As at the date of this Report, the tenure of the five non-executive Directors is spread across a nine-year period, as illustrated in the chart opposite. Any term beyond six years is subject to particularly rigorous review to ensure that the non-executive Director continues to be effective and that the Committee is not being stifled in any way.

Jane Aikman is in her final term, having served nearly nine years on the Board, Daniela Barone Soares is in her second three-year term, Tony Rice and Roy Twite are in their first three-year terms and Carole Cran will be subject to her first term on being elected at the AGM in July 2016.

BOARD APPOINTMENT PROCESS

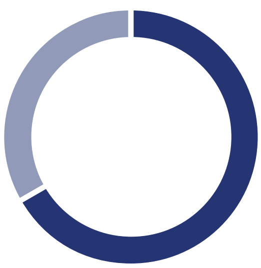
Prior to making a recommendation to the Board for the appointment of Carole Cran, the Committee undertook the following process:

- identification of skills, experience and knowledge that would be complimentary for the general role of non-executive Director, in addition to recent and relevant financial experience required for the role of Audit Committee Chairman;
- selection and recommendation of a global search firm. Lygon Group, who have no connection with the Company, were selected based on an interview process involving key executives and the Chairman;
- a shortlist of candidates was reviewed by the Committee based on candidate reports prepared by Lygon Group;
- interviews and meetings were arranged with the Chairman, Chief Executive, Finance Director and several members of the Committee and other senior management; and
- a full review of the candidates was undertaken by the Committee at its meeting in November and a unanimous recommendation made to the Board.

DIVERSITY

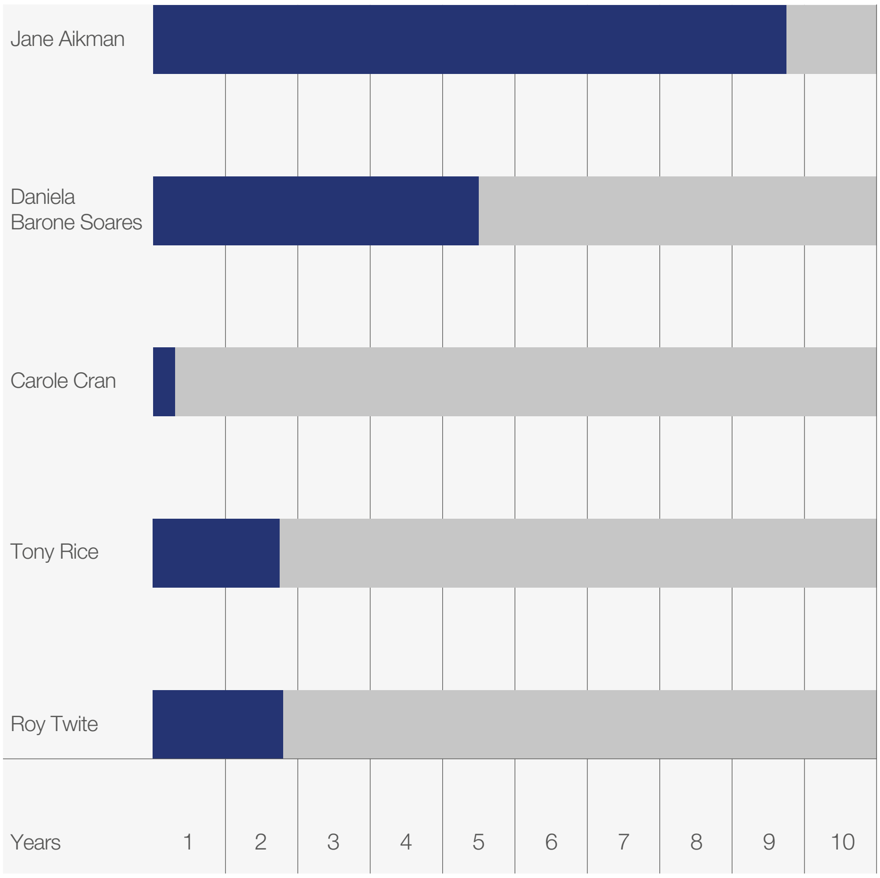
The Committee and the Board support diversity and inclusion and has developed a policy for use throughout our Group. Further details on Board diversity are set out in the Effectiveness section on page 64 and for the wider employee base, in the Sustainability section on pages 51 and 52.

BOARD GENDER



Male	6
Female	3

Non-executive Director tenure



PRIORITIES FOR 2016/17

The Committee's priorities for 2016/17 will be:

- to recruit a non-executive Director, to fill the vacancy when Jane Aikman steps down, with the right skills, knowledge and experience to bring further insight and challenge to the executive Directors; and
- a continued focus on succession planning and talent development.

On behalf of the Nomination Committee

Paul Walker
Chairman
14 June 2016

Accountability

INTERNAL CONTROL STATEMENT

The Board's responsibilities

The Board has overall responsibility to the shareholders for the Group's system of internal control and risk management, and the review of the system's effectiveness is carried out with the assistance of the Audit Committee. Whilst not providing absolute assurance against material misstatements or loss, this system is designed to identify and manage those risks that could adversely impact the achievement of the Group's objectives. The Group's risk management structure and process is detailed on pages 28 and 29. The Group's principal risks and uncertainties are detailed on pages 30 to 33.

The Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group and for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives. The Board, advised by the Audit Committee, regularly reviews the process, which has been in place for the year under review and up to the date of approval of the Annual Report and Accounts. This process is in accordance with the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting. The Board has continued to improve and embed controls throughout the Group and will continue to keep the systems under review to ensure that the internal control and risk management framework remains fit for purpose.

REVIEW OF INTERNAL CONTROL EFFECTIVENESS

The Board regularly reviews the effectiveness of the Group's risk management and internal control systems, including financial, operational and compliance controls. The review is principally based on reviewing reports from management to consider whether significant risks have been identified, evaluated, managed and controlled.

The Group's external Auditor, Deloitte LLP, has audited the financial statements and has reviewed the financial control systems to the extent considered necessary to support the audit report.

COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE 2014 (THE CODE)

Throughout the year ended 2 April 2016, the Company has fully complied with the provisions as set out in the Code. The Group's internal controls are summarised on pages 28 and 29.

The Directors confirm that they consider the Annual Report and Accounts, taken as a whole, to be fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance. The Group's business model is set out on page 12 and an explanation of the strategy and longer-term objectives of the Company is contained within the Strategic Review on pages 4 to 47.

GOING CONCERN

The Group's business activities, together with the main trends and factors likely to affect its future development, performance and position, and the financial position of the Group, its cash flows, liquidity position and borrowing facilities, are set out in the Strategic Report. In addition, note 26 to the financial statements includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposures to currency and liquidity risks.

The Group has considerable financial resources (including a £360m five-year revolving credit facility, of which £236m was undrawn at 2 April 2016) together with contracts with a diverse range of customers and suppliers across different geographic areas and industries. No one customer accounts for more than 2% of Group turnover. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully.

After conducting a formal review of the Group's financial resources, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

LONGER-TERM VIABILITY

In accordance with the UK Corporate Governance Code, the Board has considered the Company's longer term viability and sets out its Viability Statement below.

VIABILITY STATEMENT

During the year, the Board carried out a robust assessment of the principal risks affecting the Company, including those that would threaten its business model, future performance, solvency or liquidity. The principal risks and uncertainties, including an analysis of the potential impact and mitigating actions, are set out on pages 30 to 33 of the Strategic Report.

The Board has assessed the viability of the Company over a three year period, taking into account the Group's current position and the potential impact of the principal risks and uncertainties. Whilst the Board has no reason to believe that the Group will not be viable over a longer period, it has determined that three years is an appropriate period. In drawing its conclusion, the Board has aligned the period of viability assessment with the Group's strategic planning process (a three year period). The Board believes that this approach provides greater certainty over forecasting and, therefore, increases reliability in the modelling and stress testing of the Company's viability. In addition, a three year horizon is typically the period over which we review our external bank facilities, and is also the performance period over which awards granted under Halma's share-based incentive plan are measured.

In reviewing the Company's viability, the Board has identified the following factors which they believe support their assessment:

- the Group operates in diverse but relatively non-cyclical markets;
- there is considerable financial capacity under current facilities and the ability to raise further funds;
- the decentralised nature of our Group ensures that risk is spread across our businesses and sectors, with limited exposure to any particular industry or market;
- there is a strong culture of local responsibility and accountability within a robust governance and control framework; and
- an ethical approach to business is set from the top and flows throughout our business.

In making their assessment, the Board carried out a comprehensive exercise of financial modelling and stress-tested the model with various scenarios based on the principal risks identified in the Group's annual risk assessment process. In each scenario, the effect on the Group's KPIs and borrowing covenants was considered, along with any mitigating factors. Based on this assessment, the Board confirms that they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three year period to 31 March 2019.

Audit Committee

COMMITTEE CHAIRMAN'S OVERVIEW

This is the last Report that I will present to shareholders in my role as Chairman of the Audit Committee and I am proud of the work that the Committee has achieved in improving and embedding the control framework throughout Halma. I am working closely with Carole Cran, who will succeed me as Committee Chairman after the 2016 Annual General Meeting, and I wish her success in building on the solid foundation that has been laid during my tenure.

During the year, the Committee continued to focus on the effectiveness of the Group's controls and areas to improve awareness and compliance. The increased awareness of the identification and monitoring of risks at all levels, carried out at the Committee's request, has improved the Committee's oversight of risk.

The Committee agreed the content of the Viability Statement following a thorough process of review and stress testing the assumptions. The Viability Statement is set out on page 68 above.

I hope that you find this Report helpful in understanding the work of the Committee generally and the matters that it has considered over the past year.

ROLE AND RESPONSIBILITIES

The Committee is appointed by the Board and operates under written terms of reference, which are available on the Group's website. The primary role and responsibilities of the Committee is to:

Financial Reporting

- review significant financial reporting judgements and accounting policies and compliance with accounting standards;
- ensure the integrity of the financial statements and their compliance with UK company law and accounting regulation;
- ensure the Annual Report and Accounts are fair, balanced and understandable and recommend their approval to the Board;
- monitor announcements relating to the Group's financial performance;

Internal Controls

- monitor the effectiveness of internal controls and compliance with the UK Corporate Governance Code;
- review the operation of the Group's risk management processes and the control environment over financial risks;

Risk Management

- review and provide oversight, on behalf of the Board, of the processes by which risks are managed;
- review the process undertaken and stress testing required to approve the Group's Viability Statement and Going Concern statement;

Fraud and Whistleblowing

- receive reports on the processes in place throughout the Group to prevent and detect fraud and to enable employees to raise concerns in confidence;
- receive reports on fraud attempts or incidents;

Internal Audit

- agree the Internal Audit work programme and regularly review reports arising from internal audits;
- monitor the resourcing and review the effectiveness of the internal audit function;
- continue to strengthen the Internal Audit function to match the growth and complexity of the Group;
- monitor the status of actions resulting from internal audits and consider remedial action for overdue items;

External Audit

- manage the relationship with the Group's external auditor;
- monitor and review the independence and performance of the external auditor and, at least annually, formally evaluate their effectiveness;
- review the policy on non-audit services carried out by the external auditor, taking account of relevant ethical guidance;
- negotiate and agree the external auditor's fee;
- lead the audit tender process at least every 10 years; and
- make recommendations to the Board for the appointment or reappointment of the external auditor.

COMPOSITION OF THE COMMITTEE

The Committee currently comprises the five independent non-executive Directors. The following members served on the Committee during the year:

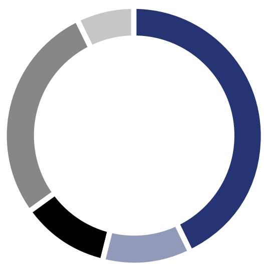
– Jane Aikman (Chairman)
– Stephen Pettit (retired 23 July 2015)
– Daniela Barone Soares
– Roy Twite
– Tony Rice
– Carole Cran (appointed 1 January 2016)

The Chairman, Chief Executive and Finance Director are also in attendance at Committee meetings. Representatives from the external Auditor and the Internal Audit Manager are invited to join the meeting for certain agenda items. The Committee, and separately the Committee Chairman, meet with the Internal Audit Manager on a regular basis.

ACTIVITIES IN 2015/16

The Committee spends a significant amount of time reviewing the effectiveness of the Group's risk management and internal control process which supports its oversight of the integrity of its financial reporting. Further detail on the areas reviewed by Committee throughout the year are set out in the table on page 70.

Allocation of time



Financial statements and business reports	43%
Risk management	11%
Internal audit	11%
External audit	28%
Other	7%

GOVERNANCE

The Committee meets at least three times per year and routinely meets with the external Auditor without the executive Directors present. It is chaired by Jane Aikman, independent non-executive Director, who is a chartered accountant with recent and relevant financial experience. The Finance Director works closely with the Committee Chairman to facilitate open communication and regular information flow.

Audit Committee activities

Financial statements and reports

- reviewed the 2016 Annual Report and Accounts, the 2015 Half Year Report and the trading updates issued in July 2015 and February 2016. As part of these reviews the Committee received a report from the external Auditor on the audit of the Annual Report and Accounts;
- reviewed the effectiveness of the Group's risk management and internal controls and disclosures made in the Annual Report and Accounts;
- reviewed the process and stress testing undertaken to support the Group's Viability and Going Concern statements;
- considered acquisition valuation and accounting methodology;
- reviewed pension fund accounts;
- reviewed treasury policy;
- reviewed currency exposure and hedging policies; and
- reviewed taxation provisions.

Risk management

- considered the output from the Group-wide risk review process to identify, evaluate and mitigate risks, the Group's changing risk profile and future risk reports;
- devoted additional time to adequately address risk management and internal control in the Group; and
- considered export controls and other compliance-related matters.

Internal audit

- evaluated the effectiveness and the scope of work to be undertaken by the Internal Audit function;
- reviewed management responses to audit reports issued during the year;
- reviewed the Group's whistleblowing policy and procedures; and
- reviewed the resourcing of Internal Audit.

External auditor and non-audit work

- considered the timing and process for the external Auditor tender;
- reviewed, considered and agreed the scope and methodology of the audit and non-audit work to be undertaken by the external Auditor;
- evaluated the independence and objectivity of the external Auditor;
- agreed changes to the policy on non-audit services; and
- agreed the terms of engagement and fees to be paid to the external Auditor for the audit of the 2 April 2016 financial statements.

The Committee receives regular updates on changes to financial accounting standards and reporting requirements, regulatory and governance changes, the evolving landscape around risk, fraud and cyber security.

In its advisory capacity, the Committee confirmed to the Board, that based on its review of the Annual Report and Accounts and internal controls that support the disclosures, that the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable, and provide the necessary information for shareholders to assess the Company's position and performance, its business model and strategy.

WHISTLEBLOWING

The Committee has responsibility for ensuring that arrangements are in place for employees to raise concerns or suspicions they may have about possible wrongdoing in financial reporting or other matters. An external organisation, Expolink, operates a 24 hour confidential reporting service for the Group, which provides employees with the choice of making a report via a multilingual telephone line or by web reporting. The service allows employees to remain anonymous (subject to local legislation) and also provides a case reporting number which ensures that there is a mechanism for two-way communication between the reporter and the Company, even if they have chosen to remain anonymous. Confidential reports from this service are provided to the Company Secretary for investigation and to report any significant cases to the Committee. The Internal Audit Manager investigates cases relating to financial matters (including fraud), the Company Secretary investigates other matters and monitors all open cases through to their conclusion.

During the year, the Committee carried out a review of the effectiveness of the Group's whistleblowing arrangements. A refresh of the whistleblowing service was carried out across the Group in May 2015.

ENGAGEMENT OF THE EXTERNAL AUDITOR

The external Auditor is engaged to express an opinion on the Group and Company financial statements. The audit includes the review and testing of the data contained in the financial statements to the extent necessary for expressing an audit opinion on the truth and fairness of the financial statements.

Deloitte LLP has been the external Auditor of the Group since 2003 and a review of the independence of Deloitte LLP is undertaken each year. At the year end, the Auditor formally confirmed its independence and that objectivity has been maintained. The Committee concluded that the relevant independence continues to be met. In addition, the Senior Statutory Auditor responsible for the Group audit is rotated at least every five years. A new Senior Statutory Auditor has been appointed for the financial year ended 2 April 2016.

Deloitte LLP provides the Committee with relevant reports, reviews and advice throughout the year, as set out in their terms of engagement.

EXTERNAL AUDITOR TENDERING

In accordance with UK Corporate Governance Code, the Committee has primary responsibility for making a recommendation to the Board on the reappointment of the external Auditor and will lead the process for putting the audit contract out to tender at least every 10 years. In accordance with The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 (the 2014 Order), Halma is required to re-tender the external audit contract by June 2023. As reported last year, it is anticipated that the external tender process will be completed before the end of December 2018. Accordingly, the Committee's current intention is to conduct a competitive tender process in the financial year 2018/19. The Committee believes that it is in the best interests of the Company's members to conduct a competitive tender ahead of the 2023 deadline and, due to the transitional arrangements, the change in Senior Statutory Auditor and Carole Cran being appointed as Committee Chairman from July 2016, that concluding a tender by December 2018 is also in the best interests of the Company. The Committee confirms that the Company was in compliance with the provisions of the 2014 Order during the financial year ended 2 April 2016.

POLICY ON AUDITOR INDEPENDENCE AND SERVICES

Prohibited non-audit services

- appraisal or valuation services;
- financial information systems design and implementation;
- bookkeeping services;
- management functions;
- executive recruiting and resource services;
- broker-dealer services; and
- legal services.

Audit-related services not subject to separate tender if fees <£150,000

- audits of businesses acquired or to be sold and due diligence services;
- opinions/audit reports on information provided by the Company upon request from a third party;
- advice on accounting policies;
- electronic data processing audits; and
- tax services including local tax compliance.

Permitted non-audit services, subject to approval with requirement to tender if fees >£150,000

- due diligence services relating to acquisitions with fees in excess of £150,000;
- public reporting on investment circulars;
- liquidation services in respect of redundant subsidiaries or associate companies; and
- tax-advisory fees in excess of £150,000 where the firm's existing knowledge of the Group structure is preferred.

AUDITOR INDEPENDENCE

The Group's 'Policy on Auditor Independence and Services provided by the External Auditor' sets out restrictions on the categories of non-audit services which the external auditor is allowed to provide to the Group, in order to safeguard auditor objectivity and independence. A summary of the services provided by the auditor which are permitted and prohibited under the policy, is set out above.

This policy is regularly reviewed and was most recently reviewed and updated in January 2016. Following that review, the threshold at which a tender process is required (to determine whether the auditor is the most suitable supplier of specific audit related or non-audit services) was increased from £100,000, which was set in 2005, to £150,000 reflecting the current size of the Group. In addition, the level at which the Committee are notified of all non-audit services carried out by the external auditor increased from fees between £50,000 and £100,000, to fees between £75,000 and £150,000.

The policy states that the Group will only use the appointed external auditor for non-audit services in cases where these services do not conflict with the auditor's independence.

The Committee confirms that Deloitte LLP remains best placed to advise the Group on matters related to tax compliance and the structure of the Group. The Committee accepts that certain work of a non-audit nature is best undertaken by Deloitte, and appointments are made taking into account factors including expertise and fees.

The Committee regularly reviews the amount and nature of the non-audit work that Deloitte performs. The fee levels for non-audit services are subject to an annual cap equal to 70% of the average audit fees charged over a three-year period.

At each meeting, the Committee receives a summary of all fees, audit and non-audit, payable to the external Auditor.

The audit fees payable to Deloitte LLP for the year ended 2 April 2016 were £957,000 (2015: £803,000) and non-audit service fees were £290,000 (2015: £172,000). The principal non-audit service is tax advisory related. A summary of fees paid to the external Auditor is set out in note 6 to the Accounts on page 125.

The external Auditor has confirmed its independence as Auditor of the Company, in a letter addressed to the Directors.

EXTERNAL AUDIT EFFECTIVENESS

The effectiveness of the external audit process is assessed by the Committee, which meets regularly throughout the year with the Senior Statutory Auditor and senior audit managers. Key to the overall effectiveness of the process is the open approach adopted by the Group and the Auditor under which each party raises potential accounting and financial reporting issues as and when they arise, rather than limiting this exchange to the period in which formal audit and review engagements take place. This approach is supported by a formal annual survey process involving subsidiary and Group management as well as Committee members and attendees.

Surveys are tailored and issued to three distinct groups of respondents:

- Subsidiary Finance Directors, including Group Finance;
- Sector Chief Executives and Sector Finance Directors; and
- Committee members and attendees.

The survey completed by the first group is divided between questions focusing on audit quality and client service. As this group is involved primarily in the execution phase of the audit, the responses cover practical audit management issues as well as observations made on the integrity and quality of audit field teams. As the second and third group interact mainly with the senior audit team and the Senior Statutory Auditor, the questions are focused more on general audit planning and wider areas of the audit relationship.

In addition to assessing the effectiveness of the external Auditor, the Committee recognises that Group management has an important role to play in the overall effectiveness of the external audit process and the Auditor is therefore asked to conduct its own survey of both subsidiary and head office companies with which Deloitte interacts. This survey addresses items such as the timeliness, quality and reliability of data provided to the Auditor.

Taken together, the Committee believes that sufficient and appropriate information is obtained to form an overall judgement on the effectiveness of the external audit process. The external audit effectiveness process findings from last year's review were incorporated into the audit processes for this year, to maintain the process of continuous improvement.

Taking into consideration the Auditor's confirmation that they remain independent and the review of the effectiveness of the external audit, the Committee unanimously recommended to the Board that a resolution for the reappointment of Deloitte LLP as the Company's independent Auditor be proposed to shareholders at the Annual General Meeting in July 2016. The Board has accepted and endorsed this recommendation.

RISK MANAGEMENT AND INTERNAL CONTROLS

Through monitoring of the effectiveness of its internal controls and risk management processes, the Committee is able to maintain a good understanding of business performance and key areas of judgement and decision-making within the Group.

Details of risk management and internal controls are set out on pages 28 and 29.

SIGNIFICANT ISSUES IN RELATION TO FINANCIAL REPORTING MATTERS IN 2016

During the year, the Committee considered significant risks and issues in relation to the Group's financial statements and disclosures relating to:

- the assessment of the carrying value of goodwill due to the significance of the amounts recorded on the Consolidated Balance Sheet and the judgements involved in assessing goodwill for impairment;
- the risk that acquisitions are not accounted for correctly in line with IFRS 3 'Business combinations' including the recording of fair value adjustments and the identification and valuation of acquired intangible assets;
- the valuation of any contingent consideration arising on acquisitions in current and prior periods;
- the judgements involved in valuing defined benefit pension plans including the discount rate, the mortality assumption and the inflation rate;
- the risk around capturing the capitalised development costs in relation to qualifying products as well as the subsequent impairment review based on predicted product launch and performance; and
- ensuring the Annual Report and Accounts are fair, balanced and understandable.

These issues were discussed with management at various stages during the year and during the preparation and finalisation of the financial statements. After reviewing the presentations and reports from management the Committee is satisfied that the financial statements appropriately address the critical judgements and key estimates, both in respect of the amounts reported and the disclosures made. The Committee is also satisfied that the significant assumptions used for determining the value of assets and liabilities have been appropriately scrutinised, challenged and are sufficiently robust. The Committee has discussed these issues with the Auditor during the audit planning process and at the finalisation of the year end audit and is satisfied that its conclusions are in line with those drawn by the Auditor in relation to these issues.

The Committee's process for challenging the assumptions of management and addressing the risks identified includes the following activities:

- considering the appropriateness of reviews conducted of acquisition purchase agreements against the related accounting entries and fair value calculations for the acquired opening balances. This involved challenging, where required, assumptions and key judgements underpinning the valuations, and benchmarking acquisitions;
- assessing treatments of contingent consideration payment arrangements against the requirements of IFRS 3 and IFRS 13;
- focusing on, monitoring regularly and constructively challenging, the reasonableness of the assumptions used in impairment calculations by management; challenging the appropriateness of judgements and forecasts used including discount rates, growth rates, the level of aggregation of individual cash generating units and methodology applied, and any other associated disclosures in note 11 to the Accounts;
- assessing capitalisation of development costs in line with the accounting policy and standards;
- assessing the assumptions in determining the pension obligations, particularly given market volatility and determining whether the key assumptions were reasonable. These assumptions were also benchmarked against other listed companies and variances highlighted for consideration; and
- considering the appropriateness and reasonableness of stated judgements and conclusions and that reporting was accurate.

As part of the above process the Committee specifically considered the following:

- the treatment and valuation of the contingent consideration payable in relation to Value Added Solutions LLC and Visiometrics, S.L.;
- review of the fair value of acquired intangible assets;
- composition of the cash generating units and related calculations;
- the evidence supporting the going concern basis of accounts preparation, the viability statement and the risk management and internal control disclosure requirements;
- the relative value of projects in development and completed projects comprising the capitalised development costs balance and the coverage of these values by expected future cash flows to test the assertion of management that no projects were at risk of impairment; and
- accounting assumptions and disclosures of the defined benefit pension plans.

FAIR, BALANCED AND UNDERSTANDABLE REPORT AND ACCOUNTS

One of the key governance requirements is for the report and accounts to be fair, balanced and understandable. Ensuring that this standard is met requires continuous assessment of the financial reporting issues affecting the Group on a year-round basis in addition to a number of focused exercises that take place during the Annual Report and Accounts production process.

These focused exercises can be summarised as follows:

- a qualitative review of disclosures and a review of internal consistency throughout the Annual Report and Accounts. This review assesses the Annual Report and Accounts against objective criteria drawn up for each component of the requirement (individual criteria that indicate 'fairness', 'balance' and 'understandability' as well as criteria that overlap two or more components);
- a risk comparison review, which assesses the consistency of the presentation of risks and significant judgements throughout the main areas of risk disclosure in the Annual Report and Accounts;
- a formal review of all Board and Committee meeting minutes by the Company Secretary to ensure that all significant issues are appropriately reflected and given due prominence in narrative reporting; and
- preparation and issue to the Audit Committee of the key working papers and results for each of the significant issues and judgements considered by the Audit Committee in the period.

The Directors' statement on a fair, balanced and understandable Annual Report and Accounts is set out on page 68.

On behalf of the Audit Committee

Jane Aikman
Chairman
14 June 2016

Remuneration Committee

COMMITTEE CHAIRMAN'S OVERVIEW

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 2 April 2016.

Our executive remuneration framework operates within a culture of strong governance, a discipline which is reflected throughout the Company's activities. Halma's strategy is to build a strong competitive advantage in specialised safety, health and environmental technology markets with resilient growth drivers. This strategy has long been underpinned by the remuneration framework which balances a short-term incentive related to improvements in the Economic Value Added (EVA) in a financial year – including an element deferred for two years in the form of shares – with a longer-term share incentive related to Return on Total Invested Capital (ROTIC) and Total Shareholder Return (TSR) and, more recently, Earnings per Share (EPS).

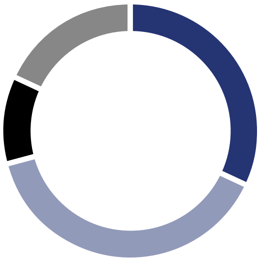
The Committee undertook a significant review of the remuneration policy in 2015 leading to a new policy receiving the support of 98% of shareholders at our 2015 AGM. This was our first full policy review for 10 years and coincided with the need to seek shareholder approval for a new long-term equity incentive plan to replace the previous time-expired plan.

Having reviewed the implementation of the policy in its first year of operation I am pleased to say that no structural changes are considered necessary to policy or its implementation for the forthcoming year.

REMUNERATION OUTCOMES IN 2015/16

The Company has delivered another year of strong performance against our KPIs. In particular revenue grew by 11%, adjusted EPS grew by 10% and the Board is proposing a further 7% increase in dividend per share for shareholders. With tight controls on capital, the economic value added performance condition generated total annual bonus payments to executive Directors of between 80% and 105% of base salary. Of these amounts one third will be deferred for two years and is payable in shares.

Allocation of time



Governance and reporting	32%
Remuneration Framework	39%
Incentive targets	11%
Equity incentives	18%

Performance was similarly strong over the three-year performance period for the performance share awards granted in 2013, with averaged ROTIC of 16.2% and Total Shareholder Return of 77% putting Halma in the top quartile of its comparator group. Accordingly, 94.7% of the performance share awards is expected to vest. The Committee is satisfied that there has been a robust link between reward and performance over these periods.

IMPLEMENTATION OF THE POLICY FOR 2016/17

As mentioned there are no structural changes proposed to the implementation of the policy for 2016/17. Base salaries for executive Directors have been increased by 2% to 2.1%, in line with the average increase for the workforce generally.

The Committee has determined appropriately stretching economic profit based targets for the annual bonus and has determined that the range of EPS and ROTIC targets for the performance share awards should be unchanged from the prior year.

The Committee is also responsible for determining the fee level for the Chairman and we have reviewed the current fee level against market positions in peer companies. Recognising the shortfall of the current fee level in relation to our assessment of an appropriate mid-market positioning, the Committee has determined that Paul Walker's fee should be increased to a mid-market level in two stages from the current £180,000 fee. Initially this will increase to £210,000 from 1 April 2016 and we anticipate this could be increased further in two years' time, coincident with the next triennial policy review, subject to the Committee considering this to be appropriate in the circumstances.

SHAREHOLDER VOTING AT THE 2016 AGM

As we are not making any further changes to our remuneration policy as approved by shareholders at the 2015 annual general meeting, there is no vote to approve the remuneration policy this year. There will be the usual advisory resolution to approve the Annual Report on Remuneration, which focuses on the remuneration outcomes for the year under review and how the Remuneration Committee intends to implement the policy next year.

The Committee is aware of the latest developments in the executive pay arena, particularly those from institutional shareholders and we monitor these closely.

My colleagues on the Remuneration Committee and I hope that you will support the resolution approving the Remuneration Report.

Tony Rice
Remuneration Committee Chairman
14 June 2016

Remuneration Policy

This section of the report details the remuneration policy for executive and non-executive Directors which shareholders approved at the 2015 annual general meeting. This policy formally came into effect from 23 July 2015, being the date of the 2015 AGM, and is effective for up to three years.

COMPLIANCE STATEMENT

This report has been prepared in accordance with the provisions of the Companies Act 2006 (the Act) and Regulation 11 and Schedule 8 of the Large and Medium-Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. The report also meets the relevant requirements of the Listing Rules of the Financial Conduct Authority and describes how the Board has applied the principles relating to Directors' remuneration in the UK Corporate Governance Code. As required by the Act, a resolution to approve the Annual Report on Remuneration will be proposed at the AGM of the Company at which the financial statements will be approved.

In line with the Regulations, the following parts of the Annual Report on Remuneration are audited: the single figure for total remuneration for each Director, including annual bonus and performance share plan outcomes for the financial year ending 2 April 2016; plan interests awarded during the year; pension entitlements; payments to past Directors and payments for loss of office; and Directors' shareholdings and share interests. All other parts of the Directors' Remuneration Report are unaudited.

Element and objective	Operation and process
Executive Directors	
Salary A fair, fixed remuneration reflecting the size and scope of the executive's responsibilities which attracts and retains high calibre talent necessary for the delivery of the Group's strategy.	Reviewed annually or following a material change in responsibilities. Salary is benchmarked periodically against appropriate comparators of a similar size and operating in a similar sector, and is linked to individual performance and contribution. Salary is the only element of remuneration that is pensionable.
Benefits To provide benefits that are competitive within the relevant market.	Benefits are appropriate to the location of the executive and typically comprise (but are not limited to) a company car, life insurance, permanent disability insurance, private medical insurance, relocation and tax advice for international assignments.
Pension To provide competitive post-retirement benefits, or the cash allowance equivalent, to provide the opportunity for executives to save for their retirement.	Executive Directors participate in either a Group Defined Contribution pension plan or the US 401k money purchase arrangement. Cash supplements in lieu of Company pension contributions may be made to some individuals at a level dependent upon seniority and length of service. Cash supplements may be reduced to reflect the additional employer social costs thereon. To the extent the pension contributions exceed the local tax allowance, the contributions may be paid to the executive, subject to taxes and social charges. Some executives are deferred members of the Group defined benefit pension plan which closed to future accrual in December 2014.

REMUNERATION POLICY

The remuneration policy is designed to promote the long-term interests of the Company by securing the high calibre executives needed to manage the Group successfully, and to align their interests with those of our shareholders by rewarding them for enhancing shareholder value. The policy also seeks to reward achievement of stretching performance targets without driving unacceptable behaviours or encouraging excessive risk-taking.

The Committee carried out a comprehensive review of remuneration during the 2014/15 year coincident with the expiry of the life of the 2005 Performance Share Plan. It noted that there were aspects of the previous policy that work well and were therefore retained. However, it also noted that both the Company and market practice have moved on in the 10 years since the last formal review. Accordingly, it introduced changes to the policy to reinforce the link between executive remuneration and the Company's long-term performance enhancing the executives' alignment with the long-term interests of shareholders.

There are six elements of the remuneration policy for executive Directors, which are summarised in the table below.

Opportunity	Performance measures
Base salary increases will be applied in line with the outcome of annual reviews (normally with effect from 1 April). Salaries for the financial year under review (and the following year) are disclosed in the Annual Report on Remuneration. Salary increases for executive Directors will not normally exceed the average of the wider employee population other than in exceptional circumstances. Where increases are awarded in excess of the wider employee population, for example where there is a material change in the responsibility, size or complexity of the role, the Committee will provide the rationale in the relevant year's Annual Report on Remuneration.	Not applicable
Benefits may vary by role, and the level is determined to be appropriate for the role and circumstances of each individual executive Director. The maximum value will equate to the reasonable market cost of such benefits. It is not anticipated that the current cost of benefits (as set out in the Annual Report on Remuneration) would increase materially over the period for which this policy applies. The Committee retains the discretion to approve a higher cost in exceptional circumstances (e.g. relocation expenses or an expatriation allowance on recruitment, etc.) or in circumstances where factors outside the Company's control have changed materially (e.g. market increases in insurance costs). The rationale behind the exercise of such discretion will be provided in the relevant year's Annual Report on Remuneration.	Not applicable
Defined Contribution: maximum contribution of 20% of pensionable salary which is capped at £155,528 (2014/15: £153,684). The maximum contribution rate for executives joining prior to 2014/15 was 27.5%. Cash supplement: Halma contributes up to 26% of full salary if the executive Director is a former active member of the defined benefit pension plan. Defined Contribution members whose contributions exceed the local tax allowance are paid the excess contributions, on the capped pensionable salary, as a cash supplement, net of employer social costs. 401k: contributions of 3% of salary with a discretionary 2% profit share component subject to IRS caps. Defined benefit: now closed to future accrual, but provides a maximum pension equivalent to two thirds of final pensionable salary, up to a CPI-indexed cap; £155,528 for 2015/16 and 2016/17.	Not applicable

Remuneration Policy continued

Element and objective	Operation and process
Executive Directors	
Annual Incentive To incentivise and focus management on the achievement of an objective annual target which is set to support the short- to medium-term strategy of the Group.	The structure of the Annual Incentive is reviewed at the start of the year to ensure that the performance measures and their weightings remain appropriately aligned with the Group's strategy and are sufficiently challenging. Performance targets are calibrated and set at the start of the year, with reference to a range of relevant reference points including the annual budget agreed by the Board. At the end of the year, the Committee determines the extent to which these targets have been achieved. Payment of one third of any bonus is in the form of an award of shares that is deferred for two years, with vesting normally subject to continued service. Dividend equivalents accrue over the vesting period. Dividend equivalents are paid in cash or shares at the end of the vesting period. Deferral into shares provides a link to the long-term strategy of the Group and enhances the retentiveness of the policy. A recovery and withholding provision enables the Company to recoup overpayments in the event of misstatement, error or misconduct, either through withholding future remuneration or requiring the executive to repay the requisite amount.
Executive Share Plan (ESP) To incentivise executives to achieve superior returns to shareholders over a three-year period rewarding them for sustained performance against challenging long-term targets; to retain key individuals and align interests with shareholders, reflecting the sustainability of the business model over the long term and the creation of shareholder value.	Executive Directors are granted annual awards over Halma plc shares or a cash equivalent where required by regulations as determined by the Committee; awards vest after a period of at least three years based on Group performance. Dividend equivalents accrue over the vesting period. Dividend equivalents are paid in cash or shares at the end of the vesting period, and only on those shares which vest. A recovery and withholding provision enables the Company to recoup overpayments in the event of misstatement, error or misconduct, either through withholding future remuneration or requiring the executive to repay the requisite amount.
Share Incentive Plan (SIP) To encourage share ownership across all UK-based employees using HMRC-approved schemes.	The SIP is an HMRC-approved arrangement. It entitles all UK-based employees to receive Halma shares in a potentially tax-advantageous manner.
Chairman and non-executive Directors	
Chairman and non-executive Director fees To attract individuals with the requisite skills, experience and knowledge to contribute to the Board.	Non-executive Director fees are determined by the Board and may comprise a base fee, committee chairmanship fee and Senior Independent Director fee. The Chairman's fee is determined by the Committee.

Notes to the Policy Table

Payments from Existing Awards

The Committee will honour any commitment entered into, and executive Directors will be eligible to receive payment from any award made, prior to the approval and implementation of the Remuneration Policy on 23 July 2015. Details of these awards are disclosed in the Annual Report on Remuneration.

Selection of Performance Measures

The performance measures used in Halma's executive incentives have been selected to ensure incentives are challenging and reinforce the Group's strategy and align executive interests closely with those of our shareholders.

In the annual bonus, the use of EVA, in summary, profit less a charge for capital employed (definition is provided on page 84) reinforces the Group's business objective to double every five years through a mix of acquisitions and organic growth. Profit is a function of the extent to which the Company has achieved both its organic growth target and its success in identifying appropriate acquisition targets in current and past years. Ensuring that the cost of funding acquisitions is reflected in the bonus model means that executives share the benefit of an acquisition that outperforms expectations, but equally bear the cost of overpaying for an acquisition. Good or poor management of working capital is also reflected in the calculation of EVA.

In the ESP, EPS provides a disciplined focus on increasing profitability and thereby provides close shareholder alignment through incentivising shareholder value creation, and ROTIC reinforces the focus on capital efficiency and delivery of strong returns, thereby further strengthening the alignment of remuneration with the Group strategy.

Opportunity	Performance measures
Maximum opportunity: 150% of base salary for the Chief Executive and Finance Director and 125% of base salary for other Directors. Target opportunity: 60% of maximum. Bonus payable at threshold: 0% of salary. In exceptional circumstances, the Committee has the ability to exercise discretion to override the formulaic bonus outcome within the limits of the scheme where it believes the outcome is not truly reflective of performance and to ensure fairness to both shareholders and participants.	The bonus is based 100% on the achievement of financial performance targets. The primary measure used to determine bonus outcomes is EVA, although the Committee may, at its discretion and from time to time, supplement EVA with additional financial measures that reflect Halma's strategic priorities for the year, provided any such additional measure accounts for no more than 30% of the overall bonus opportunity. Details of the measures, weightings and targets applicable for the financial year under review are provided in the Annual Report on Remuneration.
Maximum opportunity: Up to 200% of salary. In exceptional circumstances, such as to facilitate the recruitment of an external candidate, the Committee may, in its absolute discretion, exceed this maximum annual opportunity, subject to a limit of 250% of salary. Threshold performance will result in the vesting of 25% of the maximum award.	Vesting of performance share awards is subject to continued employment and the Company's performance over a three-year performance period. To the extent performance conditions are not met, awards will lapse. The performance measures will be Earnings per Share (EPS) and Return on Total Invested Capital (ROTIC), and subject to a minimum weighting of 25% on either of these measures. Details of the weightings and targets applicable for awards made in the financial year under review are provided in the Annual Report on Remuneration.
Participation limits are in line with those set by HMRC from time to time.	Not applicable.
Fees are normally reviewed annually in April, but typically only reset triennially. Increases are effective from 1 April. The fee paid to the Chairman is determined by the Committee, and fees to NEDs are determined by the Board. The fees are calculated by reference to market levels and take account of the time commitment and the responsibilities of the NEDs. Additional fees are payable for acting as Senior Independent Director and for being the chairman of a Board committee, as appropriate. Fees are paid in cash.	The fees paid to non-executive Directors in respect of the year under review (and for the following year) are disclosed in the Annual Remuneration Report.

Performance targets are set to be stretching yet achievable, taking into account the Company's strategic priorities and the economic environment in which it operates. Targets are calibrated taking into account a range of reference points, but are based primarily on the Group's strategic plan.

Remuneration Policy for Other Employees

Our approach to salary reviews is consistent across the Group, with consideration given to the level of responsibility, experience, individual performance, market levels and the Company's ability to pay. The Committee considers remuneration surveys to establish market rates, as appropriate, but uses such data carefully so as to avoid an upward ratchet.

Executive Board members and other senior executives participate in an annual bonus scheme on a similar basis as the executive Directors. A number of senior executives also receive ESP awards. Performance conditions are consistent for all participants, while award sizes vary by organisational level. All UK employees are eligible to participate in the SIP on the same terms.

Pension and benefits arrangements are tailored to local market conditions, and are determined to be appropriately competitive.

Approach to Recruitment Remuneration

The Committee's policy is to set pay for new executive Directors and Executive Board members within the existing remuneration policy in order to provide internal consistency. The Committee aims to ensure that the Company pays no more than is necessary to appoint individuals of an appropriate calibre.

Remuneration Policy continued

EXTERNAL APPOINTMENTS

In the case of appointing a new executive Director, the Committee may make use of any of the existing elements of remuneration, as follows:

Component	Approach
Salary	The base salaries of new appointees will be determined by reference to relevant market data, experience and skills of the individual, internal relativities and the current salary of any incumbent in the same role. Where a new appointee has an initial base salary set below market, the Committee may make phased increases over a period of several years to achieve the desired position, subject to the individual's development and performance in the role.
Benefits	New appointees will be eligible to receive benefits in line with the current policy, as well as expatriation allowances and any necessary expenses relating to an executive's relocation on appointment.
Pension	New appointees will be eligible to participate in the Company's Defined Contribution pension plan, receive a cash supplement or local equivalent.
Annual bonus	The scheme as described in the policy table will apply to new appointees with the relevant maximum being pro-rated to reflect the proportion of the year employed.
ESP	New appointees will be granted performance awards under the ESP on the same terms as other executives, as described in the policy table.
SIP	New appointees in the UK will be eligible to participate on identical terms to other employees.

In addition to the elements of remuneration set out in the policy table, in exceptional circumstances the Committee may consider it appropriate to grant an incentive award under a different structure in order to facilitate the recruitment of an individual or to replace incentive arrangements forfeited on leaving a previous employer. In making such awards, the Committee will look to replicate the arrangements being forfeited as closely as possible and in doing so consider relevant factors including any performance conditions attached to these awards, the payment mechanism, expected value and the remaining vesting period of these awards.

INTERNAL APPOINTMENTS

Remuneration for new executive Directors appointed by way of internal promotion will similarly be determined in line with the policy for external appointees, as detailed above. Where an individual has contractual commitments made prior to their promotion to the Board, the Company will continue to honour those commitments. Incentive opportunities for below-Board level employees are generally no higher than for executive Directors, and incentive measures vary to ensure they are appropriate.

SHARE OWNERSHIP GUIDELINES

To ensure alignment between the interests of executive Directors and those of shareholders, the Company requires executive Directors to progressively build up and maintain a beneficial holding of Halma plc shares equivalent to a minimum of 200% of salary (2014/15: 100%). Until such time as this threshold is achieved, executive Directors are required to retain no less than 50% of the net of tax value of any vested performance share award or deferred bonus share award.

EXECUTIVE DIRECTOR SERVICE CONTRACTS AND EXIT PAYMENT POLICIES

It is the Company's policy that executive Directors should have contracts with an indefinite term providing for a maximum of one year's notice. The details of the Directors' contracts are summarised in the table below. Contracts will be available for inspection at the AGM and throughout the year at the Company's registered office.

Executive Director	Date of service contract	Notice period
Andrew Williams	April 2003	One year
Kevin Thompson	April 2003	One year
Adam Meyers	July 2008	One year

The Company's policy is to limit payments on cessation to pre-established contractual arrangements. In the event that the employment of an executive Director is terminated, any amount payable will be determined in accordance with the terms of the service contract between the Company and the employee, as well as the rules of any incentive plans. No predetermined amount is provided for in the Directors' contracts. The UK executive Director contracts enable the Company to pay up to one year's salary in lieu of notice, with no contractual entitlement to any other benefits, and, under the rules, the Remuneration Committee may determine the individual's leaving status for share plan vesting purposes. If the financial year end has passed, any bonus earned is payable to the individual. Adam Meyers' service contract permits him to remain an employee for the entire period of notice enjoying any benefits related to employment. The share plan and bonus provisions are identical to the UK. Both contracts contain appropriate non-compete restrictions for a suitable period post-employment.

When considering termination payments under incentive schemes, the Committee reviews all potential incentive outcomes to ensure they are fair to both shareholders and participants. The table below summarises how the awards under the annual bonus and share plans are treated in specific circumstances under the rules of the relevant plan and the extent to which the Committee has discretion:

	Reason for leaving	Timing of payment/vesting	Calculation of payment/vesting
Annual bonus	Death, injury or disability, redundancy, retirement, or any other reasons the Committee may determine	After the end of the financial year, although the Committee has discretion to accelerate (e.g. in relation to death)	Performance against targets will be assessed at the end of the year in the normal way and any resulting bonus normally will be pro-rated for time served during the year
	All other reasons	No bonus is payable	–
Deferred bonus	Death, injury or disability, redundancy, retirement, or any other reasons the Committee may determine	On the second anniversary of the award	Awards vest in full
	All other reasons	Awards lapse	–
Share Plans	Injury or disability, redundancy, or any other reason the Committee may, at its discretion, determine	On the third anniversary of the award	Awards will normally be pro-rated for time to the date of cessation of employment and performance metrics assessed as at the third anniversary
	Death	Immediately (unless otherwise determined by the Committee at its discretion)	Any outstanding awards normally will be pro-rated for time and performance up to the point of death
	All other reasons	Awards lapse	–

Remuneration Policy continued

PAY-FOR-PERFORMANCE

The following charts provide an estimate of the potential future rewards for executive Directors, and the potential split between different elements of pay, under three different performance scenarios: 'Fixed', 'On-target' and 'Maximum'.

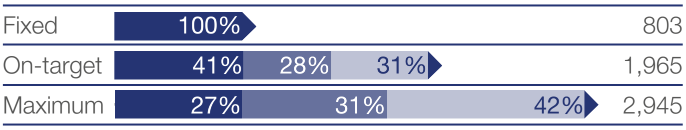
Potential reward opportunities are based on Halma's remuneration policy, applied to salaries as at 1 April 2016. In the case of the Chief Executive, Finance Director and other executive Directors this assumes a performance share award level of 200%, 175% and 150% of salary respectively (which is the basis on which the policy will be applied in 2016/17). The projected values exclude the impact of any share price movements and dividend equivalents.

The 'Fixed' scenario shows base salary, pension and benefits only.

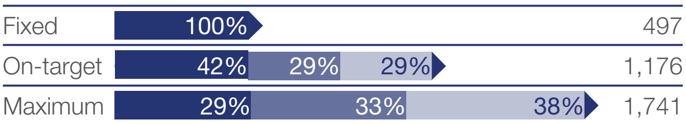
The 'On-target' scenario shows fixed remuneration as above, plus a target pay out of 60% of the maximum under the annual bonus and vesting of 50% of a single year's award under the ESP.

The 'Maximum' scenario reflects fixed remuneration, plus maximum payout of annual bonus and ESP awards.

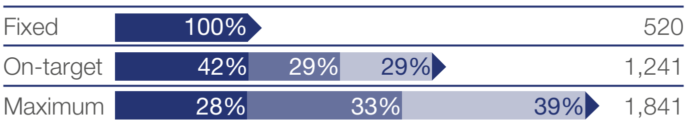
Andrew Williams, Chief Executive
Percentages/amounts £000



Kevin Thompson, Finance Director
Percentages/amounts £000



Adam Meyers, Sector Chief Executive – Medical
Percentages/amounts $000



Fixed Annual incentive ESP

NON-EXECUTIVE DIRECTORS

Unless otherwise indicated, all non-executive Directors (NEDs) have a specific three-year term of engagement, subject to annual re-election at the AGM, which may be renewed for up to two further three-year terms if both the Director and the Board agree. The remuneration of the Chairman and the NEDs is determined by the Committee and the Board in accordance with the remuneration policy approved by shareholders.

The contract in respect of the Chairman's services provides for termination, by either party, by giving not less than six months' notice. The non-executive Directors have contracts in respect of their services, which can be terminated, by either party, by giving not less than three months' notice. Contracts are available for inspection at the AGM and throughout the year at the Company's registered office.

Summary details of terms and notice periods for NEDs are included below.

Non-executive Director	Date of appointment	Notice period
Paul Walker	April 2013	6 months
Jane Aikman*	August 2007	3 months
Daniela Barone Soares	November 2011	3 months
Roy Twite	July 2014	3 months
Tony Rice	August 2014	3 months
Carole Cran	January 2016	3 months

* Jane Aikman has given notice of her intention to retire from the Board effective at the close of the 2016 AGM. As such, she is not seeking re-election to the Board.

NEDs do not receive benefits from the Company and they are not eligible to join the Company's pension plan or participate in any incentive schemes. Any reasonable expenses that they incur in performing their duties are reimbursed by the Company.

Paul Walker's personal assistant is an employee of the Company.

Details of the policy on NED fees are set out in the table on pages 76 and 77.

NED RECRUITMENT

In recruiting a new Chairman or NED, the Committee will use the policy as set out in the table on pages 76 and 77.

CONSIDERATION OF CONDITIONS ELSEWHERE IN THE GROUP

The Committee considers the remuneration and employment conditions elsewhere in the Group when determining remuneration for executive Directors. However, the Committee does not currently consult specifically with employees on the executive remuneration policy.

CONSIDERATION OF SHAREHOLDER VIEWS

When determining remuneration, the Committee takes into account the views of our shareholders and 'best practice' guidelines set by shareholder representative bodies. As part of their consideration of the new remuneration policy, the Committee consulted widely with the Company's major institutional shareholders and their representative bodies. The Committee always welcomes feedback from shareholders on the Company's remuneration policy. Detail on the votes received on the remuneration policy and Annual Report on Directors' Remuneration at the previous annual general meeting is provided in the Annual Remuneration Report.

EXTERNAL DIRECTORSHIPS

The Committee acknowledges that executive Directors may be invited to become independent non-executive directors of other listed companies which have no business relationship with the Company and that these roles can broaden their experience and knowledge to Halma's benefit.

Executive Directors are permitted to accept one such appointment with the prior approval of the Chairman. Approval will only be given where the appointment does not present a conflict of interest with the Group's activities and the wider exposure gained will be beneficial to the development of the individual. Where fees are payable in respect of such appointments, these are retained by the executive Director.

Andrew Williams is a non-executive director of Capita plc. Fees paid to him during the period to 2 April 2016 were £64,000 (2015: £16,000).

Annual Remuneration Report

The following section provides details of how Halma's remuneration policy was implemented during the financial year ending 2 April 2016, and how it will be implemented in 2016/17.

ROLE AND RESPONSIBILITIES

The primary responsibilities of the Remuneration Committee are to:

- make recommendations to the Board on the framework for executive Directors' and senior executives' remuneration based on proposals formulated by the CEO;
- determine and agree with the Board the policy and framework for the remuneration of the Chairman, CEO, other executive Directors, the Company Secretary and members of the Executive Board;
- approve the design of, and determine targets for, any performance-related pay plans operated by the Company and agree the total annual payments made under such plans;
- review the design of all share incentive plans for approval by the Board and shareholders, and determine, each year, whether awards will be made, and if so, the overall amount of such awards, the individual awards to executive Directors and other senior executives and the performance targets to be set; and
- determine the policy for, and scope of, pension arrangements for each executive Director and other senior executives.

The Committee also monitors and considers, with the CEO, the framework of remuneration for subsidiary CEOs and directors and ensures a consistent approach is applied.

The full terms of reference can be found on the Company's website.

As at 2 April 2016, the Committee comprised the following non-executive Directors:

- Tony Rice (Chairman)
- Paul Walker
- Jane Aikman
- Daniela Barone Soares
- Roy Twite
- Carole Cran (from 1 January 2016)

Stephen Pettit was a member and chairman of the Committee during part of the year, until his retirement from the Board at the July 2015 annual general meeting.

All members of the Committee are considered independent within the definition set out in the Code. None of the Committee has any personal financial interest in Halma (other than as shareholders), conflicts of interests arising from cross directorships or day-to-day involvement in running the business.

During the year the Committee met formally four times. Attendance by individual members of the Committee is disclosed in the Corporate Governance Report on page 63. In addition, Tony Rice met with Stephen Pettit and Carol Chesney as part of the induction process he underwent when assuming chairmanship of the Committee.

Only members of the Committee have the right to attend Committee meetings. The CEO and Company Secretary attend the Committee's meetings by invitation, but are not present when their own remuneration is discussed. The Committee also takes independent professional advice as required.

EXTERNAL ADVISERS

New Bridge Street (NBS) acted as the independent remuneration adviser to the Committee during the year, having been appointed by the Committee in October 2014; prior to that date, Kepler Associates advised the Committee. NBS attends Committee meetings, as appropriate, and provides advice on remuneration for executives, analysis on all elements of the remuneration policy and regular market and best practice updates. NBS reports directly to the Committee Chairman and is a signatory to the Code of Conduct for Remuneration Consultants of UK-listed companies (which can be found at www.remunerationconsultantsgroup.com). NBS provides no other services to the Company, and is therefore considered independent. NBS's fees for the year were £72,000 (2015: £47,000).

SHAREHOLDER VOTE AT 2015 ANNUAL GENERAL MEETING

The following table shows the results of the voting at the 23 July 2015 annual general meeting.

	For	Against	Total	Withheld
Remuneration Policy				
Number of votes cast	268,394,004	5,594,080	273,988,084	4,260,712
% of votes cast	98.0%	2.0%	100%	
Directors' Remuneration Report				
Total number of votes	265,588,464	3,357,657	268,946,121	9,300,675
% of votes cast	98.7%	1.3%	100%	

SINGLE FIGURE OF TOTAL REMUNERATION FOR DIRECTORS

The tables below set out the single figure of total remuneration received by Directors for the year to 2 April 2016 and the prior year.

Executive Directors	**Salary £000**	**Benefits[1] £000**	**Pension[2] £000**	**Annual bonus[3] £000**	**PSP[4] £000**	**SOS/SIP[5] £000**	**2016 Total remuneration £000**
Andrew Williams	**600**	**31**	**156**	**480**	**923**	**4**	**2,194**
Kevin Thompson	**375**	**14**	**218**	**307**	**572**	**4**	**1,489**
Adam Meyers[6]	**311**	**15**	**12**	**326**	**505**	**–**	**1,169**
Non-executive Directors							
Paul Walker	**180**	**–**	**–**	**–**	**–**	**–**	**180**
Jane Aikman	**56**	**–**	**–**	**–**	**–**	**–**	**56**
Daniela Barone Soares	**48**	**–**	**–**	**–**	**–**	**–**	**48**
Roy Twite[7]	**48**	**–**	**–**	**–**	**–**	**–**	**48**
Tony Rice[7]	**56**	**–**	**–**	**–**	**–**	**–**	**56**
Carole Cran[7]	**12**	**–**	**–**	**–**	**–**	**–**	**12**
Past Directors							
Stephen Pettit[8]	**20**	**–**	**–**	**–**	**–**	**–**	**20**
Neil Quinn[8]	**30**	**2**	**–**	**–**	**–**	**–**	**32**
							5,304

Executive Directors	Salary £000	Benefits[1] £000	Pension[2] £000	Annual bonus[3] £000	PSP[4] £000	SOS/SIP[5] £000	2015 Total remuneration £000
Andrew Williams	515	27	134	271	879	180	2,006
Kevin Thompson	330	14	186	173	609	256	1,568
Adam Meyers[6]	279	9	12	270	512	346	1,428
Non-executive Directors							
Paul Walker	180	–	–	–	–	–	180
Jane Aikman	56	–	–	–	–	–	56
Daniela Barone Soares	48	–	–	–	–	–	48
Roy Twite[7]	33	–	–	–	–	–	33
Tony Rice[7]	31	–	–	–	–	–	31
Past Directors							
Stephen Pettit[8]	59	–	–	–	–	–	59
Neil Quinn[8]	250	14	–	250	434	225	1,173
							6,615

1 Benefits: company car and private medical insurance.

2 Pension: value based on increase in accrued pensions (net of inflation) multiplied by a factor of 20, and/or the Company's pension contribution during the year. Neil Quinn had reached the Normal Retirement Date and therefore no future pension contribution or cash supplement was payable.

3 Annual bonus: payment for performance during the year; from 2016, two thirds is payable in cash and one third is payable in shares which vest two years from award. Table shows total bonus including amounts to be deferred.

4 PSP: the value of awards vesting on performance during the years ending 2 April 2016 (estimated) and 28 March 2015 (actual).

5 SOS: gains on awards vesting in the period; SIP: valued based on the face value of shares at grant.

6 Remunerated in US dollars and translated at the average exchange rate for the year (2016: US$1.51; 2015: US$1.61).

7 Roy Twite was appointed to the Board on 24 July 2014; Tony Rice on 8 August 2014; and Carole Cran on 1 January 2016.

8 Neil Quinn retired from the Board on 14 May 2015 and remained employed until 31 March 2016; the table shows his salary and benefits to 14 May 2015 only; Stephen Pettit retired from the Board effective 23 July 2015.

Annual Remuneration Report continued

OTHER PAYMENTS

No payments were made to former Directors after their retirement, nor were any payments made on cessation during the year under review. Neil Quinn was employed from the date he retired from the Board (14 May 2015) through 31 March 2016 and was paid salary of £220,000 for this period. He received benefits of £13,000 and vested share awards of £398,000. Mr Quinn's unvested share awards will vest at the usual vesting dates subject to the performance targets being met and pro-rated for employment as a proportion of the total vesting period.

INCENTIVE OUTCOMES FOR 2016

Annual bonus in respect of 2016

In 2016, the maximum bonus opportunity for executive Directors was 125% to 150% of salary, solely linked to performance as measured by an Economic Value Added (EVA) calculation.

For the CEO and FD (150% maximum), bonuses are calculated based on Group profit exceeding a target calculated from the profits for the three preceding financial years after charging cost of capital, including the cost of acquisitions. As the EVA for each year is utilised for a further three years in the comparator calculations, executives must consider the medium-term interests of the Group otherwise there is the potential for an adverse impact on their capacity to earn a bonus.

EVA calculation:

Profit for each year	**Minus**	**Minus**	**Plus/minus**	**Minus**	**Equals**
	A charge on cost of acquisitions	A charge on working capital	Unrealised profit in inventory	The resultant bonus itself (to make it self-financing)	The EVA for each year

In the case of a Sector CEO (125% maximum), a bonus is earned if the profit of the sector for which they are responsible exceeds a target calculated from the profits of the three preceding financial years. The profits calculated for this purpose regard each sector as a stand-alone group of companies charging it with the cost of capital it utilises including the cost of acquisitions.

Bonuses for 2016 are based on the sectoral allocation that existed throughout 2016. Transitional provisions exist for restructuring to ensure Sector CEOs remain appropriately incentivised. Subsidiary executives participate in bonus arrangements similar to those established for senior executives.

Further details of the bonuses payable (cash and deferred share awards) and performance against targets are provided in the tables below.

Executive Director	EVA threshold 000	EVA actual 000	Overall bonus outcome (% of salary)	EVA maximum 000
Andrew Williams	**£154,130**	**£169,656**	**80%**	**£178,768**
Kevin Thompson	**£154,130**	**£169,656**	**82%**	**£178,768**
Adam Meyers	**$70,177**	**$81,257**	**105%**	**$82,752**

No discretion was applied by the Committee in determining the annual bonus outcome calculation for 2016. The EVA maximum column represents the EVA performance at which the maximum bonus is payable for each individual.

Performance Share Plan (PSP): 2013 Awards (vesting during the year to 1 April 2017)

In August 2013, the executive Directors received awards of performance shares under the PSP. The performance targets for the 2013 awards are illustrated below and the vesting criteria are 50% TSR-related and 50% ROTIC-related.

Performance conditions for awards made in 2012/13 to 2014/15

	TSR (percentile)		
Percentage of award which vests	**<50%**	**50%**	**≥75%**
ROTIC (post-tax)			
≤ 9.5%	0%	16.7%	50.0%
12.0%	16.7%	33.3%	66.7%
14.5%	33.3%	50.0%	83.3%
17.0%	50%	66.7%	100%

The three-year period over which these two independent performance metrics is measured ends on 1 August 2016. ROTIC is 16.20% (the average ROTIC for financial years 2014, 2015 and 2016) and TSR relative to the FTSE 250 excluding financial companies was 77th percentile through year end, which results in vesting of 94.69% of the maximum award. The vesting estimate included in the single figure of Total Remuneration for Directors for 2016 is detailed in the table below:

Executive Director	Interest held	Face value at grant £000	Vesting %	Interest vesting	Three-month average price at year end	Vesting value £000
Andrew Williams	**114,646**	**639**	**94.69%**	**108,558**	**850.12p**	**923**
Kevin Thompson	**71,041**	**396**		**67,269**		**572**
Adam Meyers	**62,767**	**350**		**59,434**		**505**
Neil Quinn (former Director)	**49,129**	**274**		**46,521**		**395**

Vested awards are satisfied in shares with sufficient shares being sold to meet tax and social costs owing, at the recipient's direction, and the net balance of shares transferred to the individual. Awards lapse if they do not vest on the third anniversary of their award.

Executive Share Plan: Awards (granted during the year to 2 April 2016)

On 31 July 2015, the executive Directors were granted performance share awards under the ESP.

Executive Director	Awards made during the year	Five-day average market price at date of award	Face value at date of award	Face value at date of award (% of salary)	Maximum award permitted
Andrew Williams	160,547	745.2p	£1,196,396	199.4%	200%
Kevin Thompson	87,580		£652,646	174.0%	175%
Adam Meyers	58,761		£437,887	150.0%	150%

The percentages above are relative to base salaries. UK executive Directors had part of their award delivered by the Share Incentive Plan.

The three-year performance period over which ROTIC and EPS performance will be measured is April 2015 to March 2018. The ROTIC element will be based on the average ROTIC for 2016, 2017 and 2018. The EPS element will be based on EPS growth from April 2015 to March 2018. The award is eligible to vest in its entirety on the third anniversary of the date of grant (31 July 2018), subject to 50% on ROTIC performance and 50% on EPS performance.

IMPLEMENTATION OF REMUNERATION POLICY FOR THE YEAR TO 1 APRIL 2017

Salary

The Committee approved the following salary increases with effect from 1 April 2016. By way of comparison, the average salary increase across the sectors for 2017 was between 2% and 4%.

Executive Director	Salary from 1 April 2016	Salary from 1 April 2015	% change
Andrew Williams	**£612,000**	£600,000	2.0%
Kevin Thompson	**£383,000**	£375,000	2.1%
Adam Meyers	**$480,000**	$470,000	2.1%

Pension and benefits

No change to the executive Directors' current pension and benefits arrangements is planned for 2017.

Annual bonus

The maximum annual bonus opportunity for 2017 will remain at 150% of salary for the Group CEO and FD and 125% of salary for other executive Directors with one third of the bonus earned being payable in shares which are deferred for two years.

Bonuses will continue to be based on EVA performance against a weighted average target of EVA for the past three years for an executive's sector, in the case of a Sector CEO, or the Group, in the case of the Group CEO and FD.

Bonus payments will be subject to recovery and withholding provisions during a period of three years from the date of payment.

Annual Remuneration Report continued

ESP

Under the ESP, performance share awards and deferred bonus awards will be made in July 2016. The number of shares over which awards will be made is determined by the share price leading up to the award.

The value of each performance share award, relative to salary has been fixed as follows:

Executive Director	Salary for 2016/17	Performance share award	Value of award
Andrew Williams	£612,000	200%	£1,224,000
Kevin Thompson	£383,000	175%	£670,250
Adam Meyers	$480,000	150%	$720,000

The performance share awards to be granted in July 2016 will be subject to an earnings per share performance target for 50% of the award and a ROTIC target for 50% of the award measured over the three financial years 2017, 2018 and 2019. The performance targets are set out below:

Performance targets for 2016 and 2017 PSP awards

ROTIC* (post tax)	% of award vesting**
<11.0%	0%
11.0%	12.5%
17.0% or more	50%

* Average ROTIC over the performance period.

** There is straight line vesting in between threshold and maximum vesting.

EPS*	% of award vesting**
<5%	0%
5%	12.5%
12% or more	50%

* Adjusted earnings per share growth over the three-year performance period.

** There is straight line vesting in between threshold and maximum vesting.

The deferred bonus awards are derived as one third of the bonus earned for the 2016 year. The number of shares over which awards will be made is determined by the share price leading up to the award, but the value of each award, relative to the bonus has been fixed as follows:

Executive Director	Bonus for 2016	Cash-settled	Value of 2016 deferred bonus award
Andrew Williams	£480,000	£320,000	£160,000
Kevin Thompson	£307,000	£205,000	£102,000
Adam Meyers	$492,000	$328,000	$164,000

Awards vest in full on their second anniversary.

Chairman and non-executive Director fees

The Chairman's and the NEDs' fees, as detailed below, were increased by the Board in April 2016. Fees are subject to an annual review each April, but resetting is normally expected to be triennial. The next resetting is anticipated to be in 2018 to align with the executive review.

Fees	**Fees from 1 April 2016**	Fees from 1 April 2015
Chairman	**£210,000**	£180,000
Base fee	**£52,000**	£48,000
Senior Independent Director	**£7,500**	£5,000
Audit Committee Chairman	**£10,000**	£7,500
Remuneration Committee Chairman	**£8,000**	£7,500
Committee Member	**£nil**	£nil

PERCENTAGE CHANGE IN CEO REMUNERATION

The table below shows the percentage change in the CEO's remuneration from the prior year compared to the average percentage change in remuneration for other employees. To provide a meaningful comparison, the analysis includes only salaried management employees and is based on a consistent set of employees.

	2016	2015		
	CEO £000	CEO £000	**CEO % change**	**Other employees % change**
Salary	**600**	515	**16.5%**	6.8%
Taxable benefits	**31**	27	**14.8%**	–%
Annual bonus	**480**	271	**77.6%**	20.3%

RELATIVE IMPORTANCE OF SPEND ON PAY

The table below shows the percentage change in total employee pay expenditure and shareholder distributions (i.e. dividends and share buybacks) from the financial year ended 28 March 2015 to the financial year ended 2 April 2016.

	2016 £m	2015 £m	**% change**
Distribution to shareholders	**48.5**	45.3	7. 1%
Employee remuneration (gross)	**225.6**	199.8	12.9%
Employee remuneration (pro-rated)	**225.6**	210.1	7.4%

The Directors are proposing a final dividend for the year ended 2 April 2016 of 7.83p per share (2015: 7.31p).

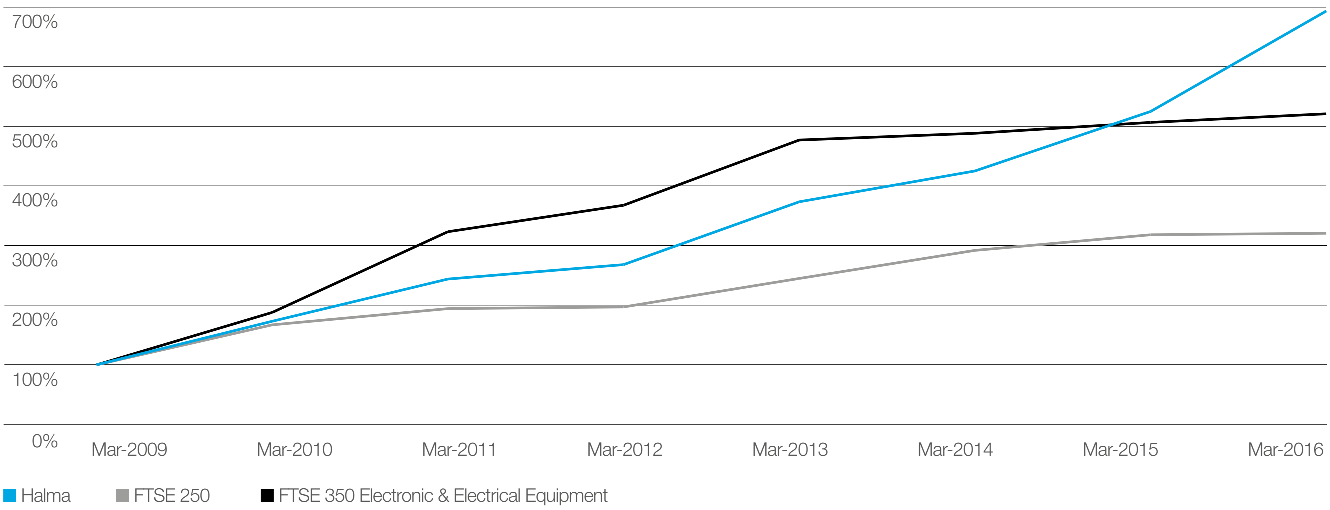
Pro-rated employee remuneration represents a restatement of the prior year employee remuneration for the current year number of employees.

PAY FOR PERFORMANCE

The seven-year graph below shows the Company's TSR performance over the seven years to 2 April 2016 as compared to the FTSE 250 and the FTSE 350 Electronic & Electrical Equipment indices. Over the period indicated, the Company's TSR was 694% compared to 321% for the FTSE 250 and 521% for the FTSE 350 Electronic & Electrical Equipment Index.

The FTSE 250 has been selected as a broad market comparator, and the FTSE 350 Electronic & Electrical Equipment index has been selected because the Company believes that the constituent companies of this index are the most appropriate for this comparison as they are affected by similar commercial and economic factors to Halma. The table below the chart details the CEO's single figure remuneration and actual variable pay outcomes over the same period.

TOTAL SHAREHOLDER RETURN (SEVEN YEARS)



	2010	2011	2012	2013	2014	2015	**2016**
CEO single figure remuneration (£000)	£1,472	£1,999	£1,715	£1,958	£1,543	£2,006	**£2,194**
Annual bonus outcome (% of maximum)	19%	100%	40%	48%	37%	53%	**53%**
PSP vesting outcome (% of maximum)	96%	100%	100%	98%	74%	78%	**95%**

Annual Remuneration Report continued

DIRECTORS' INTERESTS IN HALMA SHARES

The interests of the Directors in office at 2 April 2016 (and their connected family members) in the ordinary shares of the Company at the following dates were as follows:

	Shares 2 April 2016	Shares 28 March 2015
Paul Walker	**30,000**	30,000
Andrew Williams	**551,626**	541,130
Kevin Thompson	**377,608**	369,112
Jane Aikman	**2,000**	2,000
Adam Meyers	**328,480**	318,480
Daniela Barone Soares	**1,319**	1,319
Roy Twite	**2,000**	2,000
Tony Rice	**7,665**	7,665
Carole Cran	**–**	–

The table above includes Share Incentive Plan awards held in trust (see table below for details).

The executive Directors each meet the new guideline for 2016 of holding Company shares to the value of at least two times salary (2015 and prior: one times salary). Carole Cran held no interest in the Company's shares upon her appointment. There are no other non-beneficial interests of Directors. There were no changes in Directors' interests from 2 April 2016 to 14 June 2016.

Details of Directors' interests in shares and options under Halma's long-term incentives are set out in the sections below.

DIRECTORS' INTERESTS IN HALMA SHARE PLANS

Details of Directors' outstanding performance shares under the ESP and PSP and free shares under the SIP are outlined in the tables below.

	Date of grant	As at 28 March 2015	Granted/ (vested) in the year	Five-day average share price on grant (p)	**As at 2 April 2016**
Executive and Performance Share Plans					
Andrew Williams	8 Aug 12	141,658	(110,988)	403.70	**–**
	6 Aug 13	114,646		557.60	**114,646**
	12 Aug 14	117,748		569.90	**117,748**
	31 July 15		160,547	745.20	**160,547**
Kevin Thompson	8 Aug 12	98,066	(76,834)	403.70	**–**
	6 Aug 13	71,041		557.60	**71,041**
	12 Aug 14	77,829		569.90	**77,829**
	31 July 15		87,580	745.20	**87,580**
Adam Meyers	8 Aug 12	82,408	(64,566)	403.70	**–**
	6 Aug 13	62,767		557.60	**62,767**
	12 Aug 14	62,821		569.90	**62,821**
	31 July 15		58,761	745.20	**58,761**

The performance conditions attached to the 2012, 2013 and 2014 awards are outlined on page 84 and those attaching to the 2015 award are on page 85. As at year end, the vesting expectations for grants made in 2013 is 94.7%; for grants made 2014, 92.2%, and for grants made in 2015, 75.3%.

	Date of grant	As at 28 March 2015	Granted/ (withdrawn) in the year	Share price on award (p)	**As at 2 April 2016**
Share Incentive Plan					
Andrew Williams	1 Oct 10	857		319.60	**857**
	1 Oct 11	921		315.60	**921**
	1 Oct 12	695		431.10	**695**
	1 Oct 13	528		567.50	**528**
	1 Oct 14	601		598.50	**601**
	1 Oct 15		496	724.50	**496**
Kevin Thompson	1 Oct 10	882		319.60	**882**
	1 Oct 11	949		315.60	**949**
	1 Oct 12	695		431.10	**695**
	1 Oct 13	528		567.50	**528**
	1 Oct 14	601		598.50	**601**
	1 Oct 15		496	724.50	**496**

The SIP shares are held in an external trust and become the employee's absolutely after three years. There are tax benefits for retaining the shares in the trust for at least five years. Adam Meyers does not participate in the SIP as he is not UK based.

There have been no variations to the terms and conditions or performance criteria for share options during the financial year.

DIRECTORS' PENSIONS

As noted below, two UK executive Directors are deferred members of the Halma Group Pension Plan (Plan). Their benefit is a funded final salary occupational pension from a plan registered with HMRC providing a maximum pension of two thirds of final pensionable salary after 25 or more years' service at normal pension age (60). Up to 5 April 2006, final pensionable salary was the greatest salary of the last three complete tax years immediately before retirement or leaving service. From 6 April 2011, final pensionable salary was capped at £139,185 and is increased annually thereafter by CPI (currently £155,528).

Bonuses and other fluctuating emoluments and benefits-in-kind are not pensionable nor subject to any pension supplement. The Plan also provides pensions in the event of early retirement through ill-health and dependants' pensions of one-half of the member's prospective pension. Where an executive has a form of pension protection, life cover is provided by a separate trust.

Early retirement pensions, currently possible from age 55 with the consent of the Company and the trustees of the Plan, are subject to actuarial reduction. Pensions in payment increase by 3% per annum for service up to 5 April 1997, by price inflation (subject to a maximum of 5%) through to 31 March 2007 and 3% thereafter.

UK executive Directors receive pension supplements to compensate them for the fact that their pension accrual entitlement under the Halma Group Pension Plan is limited by the pensionable salary cap introduced from 6 April 2006 or the Lifetime Allowance. The Company introduced a pensionable salary cap in order to address changes affecting the Plan made in the Pension Act 2006.

The Company closed the DB section to future accrual with effect from 1 December 2014. The Company obtains external advice regarding the changes to the Plan and executive pension arrangements and provides educational seminars on the impact of pension legislation changes (annual and lifetime allowances) on individuals. Otherwise, executive Directors are responsible for obtaining advice specific to their circumstances.

Annual Remuneration Report continued

Prior to drawing his pension, to the extent that an executive's current salary exceeds the Plan salary cap, the Company compensates him at an annual rate of 26% of the excess. In April 2006, Kevin Thompson chose to cease future service accrual in the Plan in return for the pension supplement on his full salary. In April 2014, Andrew Williams chose to cease future service accrual in the Plan in return for the pension supplement on his full salary. This change is, broadly, cost neutral.

Two Directors accrued benefits under the Company's defined benefit pension plan during the year as follows.

Executive Director	Age at 2 April 2016	Years of pensionable service at 2 April 2016	Increase in accrued benefits £000	Increase in accrued benefits net of inflation £000	Accrued benefits at 2 April 2016 £000
Andrew Williams	48	20	–	–	**61**
Kevin Thompson	56	18	6	6	**124**

The accrued pension shown is that which would be paid annually on retirement at age 60 based on service to the end of the year.

Executive Director	Transfer value at 28 March 2015 £000	Transfer value at 2 April 2016 £000	Director contribution in the year £000	Transfer value increase/ (decrease) after deducting Director contribution £000
Andrew Williams	1,149	**1,250**	**–**	**101**
Kevin Thompson	2,599	**2,917**	**–**	**318**

The transfer values disclosed above do not represent a sum paid or payable to the individual Director. Instead they represent a potential liability of the pension plan. The transfer values are Gilt-related and depend upon the relative standings of the Gilt market at the respective valuation dates. The increase in transfer values in recent years is predominantly due to the significant reduction in the yields available on UK Gilts. Other factors that have increased the transfer values are the impact of any additional service, revaluation in line with inflation and any real salary increases as well as the anticipated ageing of the member. These values have been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11.

Adam Meyers is a member of the US 401k money purchase scheme. Company contributions paid in the year were US$18,156 (£12,024) (2015: US$18,863 (£11,716)).

Other Statutory Information

ACTIVITIES

Halma plc is a holding company. A list of its subsidiary companies is set out on pages 166 to 168. The principal operating companies and their activities are set out on pages 176 to 179.

ORDINARY DIVIDENDS

The Directors recommend a final dividend of 7.83p per share and, if approved, this dividend will be paid on 17 August 2016 to ordinary shareholders on the register at the close of business on 15 July 2016. Together with the interim dividend of 4.98p per share already paid, this will make a total of 12.81p (2015: 11.96p) per share for the financial year.

SHARE CAPITAL AND CAPITAL STRUCTURE

Details of the share capital, together with details of the movements in the share capital during the year, are shown in note 22 to the accounts. The Company has one class of ordinary shares which carry no right to fixed income. Each share carries the right to one vote at general meetings of the Company.

There are no other classes of share capital. There are no specific restrictions on the size of a holding nor on the transfer of shares, with both governed by the general provisions of the Articles of Association and prevailing legislation. No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

RIGHTS AND OBLIGATIONS OF ORDINARY SHARES

Holders of ordinary shares are entitled to attend and speak at general meetings of the Company and to appoint one or more proxies or, if the holder of shares is a corporation, one or more corporate representatives. On a show of hands, each holder of ordinary shares who (being an individual) is present in person or (being a corporation) is present by a duly appointed corporate representative, not being themself a member, shall have one vote, as shall proxies (unless they are appointed by more than one holder, in which case they may vote both for and against the resolution in accordance with the holders' instructions). On a poll every holder of ordinary shares present in person or by proxy shall have one vote for every share of which they are the holder. Electronic and paper proxy appointments and voting instructions must be received not later than 48 hours before the meeting. A holder of ordinary shares can lose the entitlement to vote at general meetings where that holder has been served with a disclosure notice and has failed to provide the Company with information concerning interests held in those shares. Except as set out above and as permitted under applicable statutes, there are no limitations on voting rights of holders of a given percentage, number of votes or deadlines for exercising voting rights.

The Company has established an Employee Benefit Trust and the trustee has waived its right to all dividends.

RESTRICTIONS ON TRANSFER OF SHARES

The Directors may refuse to register a transfer of a certificated share that is not fully paid, provided that the refusal does not prevent dealings in shares in the Company from taking place on an open and proper basis or where the Company has a lien over that share. The Directors may also refuse to register a transfer of a certificated share unless the instrument of transfer is: (i) lodged, duly stamped (if necessary), at the registered office of the Company or any other place as the Board may decide accompanied by the certificate for the share(s) to be transferred and/or such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer; (ii) in respect of only one class of shares; (iii) in favour of a person who is not a minor, infant, bankrupt or a person of unsound mind; or (iv) in favour of not more than four persons jointly.

Transfers of uncertificated shares must be carried out using CREST and the Directors can refuse to register a transfer of an uncertificated share in accordance with the regulations governing the operation of CREST.

There are no other restrictions on the transfer of ordinary shares in the Company except certain restrictions which may from time to time be imposed by laws and regulations (for example insider trading laws); or where a shareholder with at least a 0.25% interest in the Company's certificated shares has been served with a disclosure notice and has failed to provide the Company with information concerning interests in those shares. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

TREASURY SHARES

Shares held in treasury do not have voting rights and are not eligible for dividends.

EMPLOYEE SHARE PLANS

Details of employee share plans are set out in note 23 to the accounts.

The Company introduced a new Executive Share Plan, which was approved by shareholders at the 2015 AGM, and reflects current legislation, best practice and corporate governance requirements including recovery and withholding provisions. In addition, the new Plan includes flexibility to grant performance-related share awards, other share awards and deferred bonus awards.

The new Plan will be used primarily to grant performance-related awards and deferred bonus awards to executive Directors and selected senior employees. The Remuneration Committee believes that the ability to continue to grant long term share-based incentives as part of a balanced remuneration package will create a strong alignment of long term interest between senior management and shareholders.

Initial performance awards were made to executive Directors and selected senior management in July 2015, following shareholder approval of the Plan. The first grants of the deferred bonus awards will be made shortly after the payment of the cash element of the bonus.

Other Statutory Information continued

DILUTION LIMITS

The Performance Share Plan has awarded shares, before lapses, over a ten-year period totalling 4.0% of the Company's issued share capital; this is within the 10.0% overall limit and the 7.5% limit for discretionary share awards agreed in 2005. The Company has utilised treasury shares to satisfy all such awards.

The new 2015 Executive Share Plan provides that overall dilution through the issuance of new shares for employee share schemes (including treasury shares) should not exceed an amount equivalent to 10% of the Company's issued share capital over a ten-year period and for discretionary share awards to senior management 5% over a ten-year period. As at the date of this report, the Company remains within these limits.

APPOINTMENT AND REPLACEMENT OF DIRECTORS

With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association, the UK Corporate Governance Code, the Companies Act and related legislation. Directors can be appointed by the Company by ordinary resolution at a general meeting or by the Board. If a Director is appointed by the Board, such Director will hold office until the next annual general meeting and shall then be eligible for election at that meeting. In accordance with the UK Corporate Governance Code each of the Directors, being eligible (with the exception of Jane Aikman who will step down as a Director), will offer themselves for election or re-election at this year's Annual General Meeting. The Company can remove a Director from office, including by passing a special resolution or by notice being given by all the other Directors. The Articles themselves may be amended by special resolution of the shareholders.

POWER OF DIRECTORS

The powers of Directors are described in the Matters Reserved for the Board, copies of which are available on request from the Company Secretary, and are summarised in the Corporate Governance Report on page 59.

ESSENTIAL CONTRACTS AND CHANGE OF CONTROL

There are a number of agreements that take effect, alter or terminate upon a change of control of the Company, principally bank loan agreements, private placement debt and employee share plans.

There are two significant agreements, in terms of the likely impact on the business of the Group as a whole, containing such provisions:

- the £360m syndicated revolving credit facility which, if within 10 days of a change of control notice to the Loan agent, can result in 30 days' notice being given to the Company by any Lender, for all amounts outstanding to that Lender, to be immediately due and payable, at which time the commitment of that Lender will be cancelled. If all of the Lenders give this notice the whole facility would be cancelled; and
- the US$250 million US Private Placement Note Purchase Agreement under which, in the event of a change of control, the Company is required to make an offer to the holders of the US Private Placement notes to prepay the principal amount of the notes together with interest accrued.

The Group has contractual arrangements with a wide range of suppliers. The Group is not unduly dependent upon contractual arrangements with any particular customer. Whilst the loss or disruption to certain of these arrangements could temporarily affect the Group's business, none is considered to be essential.

The Company's share plans contain provisions as a result of which options and awards may vest and become exercisable on a change of control of the Company in accordance with the rules of the plans.

The Directors are not aware of any agreements between the Company and its Directors or employees that provide for compensation for loss of office or employment that occurs because of a takeover bid.

ALLOTMENT AUTHORITY

Under the Companies Act 2006 the Directors may only allot shares if authorised by shareholders to do so. At the Annual General Meeting an ordinary resolution will be proposed which, if passed, will authorise the Directors to allot and issue new shares up to an aggregate nominal value of £12,500,000 (up to 125,000,000 new ordinary shares of 10p each), being just less than one third of the issued share capital of the Company (excluding treasury shares) as at 13 June 2016 (the latest practicable date prior to the publication of the Notice of Meeting).

In accordance with the Directors' stated intention to seek annual renewal, the authority will expire at the conclusion of the annual general meeting of the Company in 2017. Passing this resolution will give the Directors flexibility to act in the best interests of shareholders, when opportunities arise, by issuing new shares.

As at 13 June 2016 (the latest practicable date prior to the publication of the Notice of Meeting), the Company had 379,645,332 ordinary shares of 10p each in issue of which 940,421 were held as treasury shares, which is equal to approximately 0.25% of the issued share capital of the Company (excluding treasury shares) as at that date.

The Companies Act 2006 also requires that, if the Company issues new shares for cash or sells any treasury shares, it must first offer them to existing shareholders in proportion to their current holdings. At the Annual General Meeting a special resolution will be proposed which, if passed, will authorise the Directors to issue a limited number of shares for cash and/or sell treasury shares without offering them to shareholders first. The authority is for an aggregate nominal amount of up to 10% of the aggregate nominal value of the issued share capital of the Company as at 13 June 2016 (the latest practicable date prior to the publication of the Notice of Meeting) of £3,780,000. The resolution will also modify statutory pre-emption rights to deal with legal, regulatory or practical problems that may arise on a rights issue or other pre-emptive offer or issue. The authority will expire at the same time as the resolution conferring authority on the Directors to allot shares. The Directors consider this authority necessary in order to give them flexibility to deal with opportunities as they arise, subject to the restrictions contained in the resolution. There are no present plans to issue shares, except under share plans previously approved in general meeting.

PURCHASE OF THE COMPANY'S OWN SHARES

The Company was authorised at the 2015 annual general meeting to purchase up to 37,800,000 of its own 10p ordinary shares in the market. This authority expires at the end of the 2016 Annual General Meeting. In accordance with the Directors' stated intention to seek annual renewal, a special resolution will be proposed at the Annual General Meeting to renew this authority until the end of next year's annual general meeting, in respect of up to 37,800,000 ordinary shares, which is approximately 10% of the Company's issued share capital (excluding treasury shares) as at 13 June 2016 (the latest practicable date prior to the publication of the Notice of Meeting).

The Directors consider it desirable that the possibility of making such purchases, under appropriate circumstances, is available. The authority, if granted, will only be exercised if market conditions make it advantageous to do so. The Directors will only make purchases under the authority where they believe that to do so would result in an increase in earnings per share for the remaining shareholders, or where the purchased shares are used to satisfy awards made under employee share plans, and such purchases are considered to be in the best interests of shareholders generally.

Their present intention is that the shares purchased under the authority will be held in treasury for future cancellation, sale for cash or transfer for the purposes of, or pursuant to, an employee share plan, although in the light of circumstances at the time it may be decided to cancel them immediately on repurchase. The effect of any cancellation would be to reduce the number of shares in issue. For most purposes, while held in treasury, shares are treated as if they have been cancelled (for example, they carry no voting rights and do not rank for dividends).

Following approval of the Performance Share Plan (PSP) at the 2005 annual general meeting, the Directors made routine purchases of Halma shares in the market for holding in treasury until required for vesting under the PSP. In the year to 2 April 2016, no shares were purchased in the market for treasury. Under the Executive Share Plan approved at the 2015 annual general meeting, shares vesting may be satisfied with market purchased shares held in trust or in treasury or with new issue shares. Otherwise, the Directors have no present intention of using this authority. In reaching a decision to purchase shares, the Directors will take into account the Company's cash resources, capital requirements and the effect of any purchase on the Company's earnings per share. It is anticipated that renewal of the authority will be requested at subsequent annual general meetings.

As at 13 June 2016, which is the latest practicable date prior to the publication of the Notice of Meeting, no further options were outstanding.

ANNUAL GENERAL MEETING

The Company's Annual General Meeting will be held on 21 July 2016. The Notice of Meeting, together with an explanation of the proposed resolutions, is enclosed with this Annual Report and Accounts and is also available on the Company's website at www.halma.com.

SUBSTANTIAL SHAREHOLDINGS

As at 13 June 2016, the Company had been notified, in accordance with chapter 5 of the Disclosure and Transparency Rules, of the following voting rights as a shareholder of the Company.

	2 April 2016		13 June 2016		
	No. of ordinary shares	Percentage of voting rights and issued share capital	No. of ordinary shares	Percentage of voting rights and issued share capital	Nature of holdings
Massachusetts Financial Services Company	37,841,275	10.00	37,841,275	10.00	Indirect
Capital Group	22,865,085	6.04	22,865,085	6.04	Indirect
Mawer Investment Management	18,943,311	5.00	18,943,311	5.00	Direct
Sprucegrove Investment Management Ltd	18,776,510	4.96	18,776,510	4.96	Indirect
BlackRock Inc	14,646,007	3.87	14,646,007	3.87	Indirect

SPECIAL BUSINESS

The Board will propose four special resolutions under Special Business at the Annual General Meeting. One of these is to permit the Company to retain the ability to call general meetings (other than annual general meetings) at 14 days' notice rather than 21 days' notice, in accordance with Section 307A of the Companies Act 2006 (as amended).

AUDITOR

Each of the persons who is a Director at the date of approval of this Annual Report and Accounts confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's Auditor is unaware; and
- the Director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Deloitte LLP has expressed its willingness to continue in office as Auditor and a resolution to reappoint Deloitte LLP will be proposed at the forthcoming Annual General Meeting.

SCOPE OF THE REPORTING IN THIS ANNUAL REPORT AND ACCOUNTS

The Directors present their annual report on the affairs of the Group, together with the financial statements and Auditor's Report, for the year ended 2 April 2016. The Corporate Governance Report set out on page 54, which includes details of the Directors who served during the year, forms part of this report.

There have been no significant events since the balance sheet date. An indication of the likely future developments in the business of the Company and details of research and development activities are included in the Strategic Review on pages 4 to 47. Details related to employee and environmental matters, including greenhouse gas emissions reporting, are included within the Sustainability report on pages 48 to 53.

Information about the use of financial instruments by the Company and its subsidiaries is given in note 26 to the financial statements.

For the purposes of compliance with DTR 4.1.5 R(2) and DTR 4.1.8 R, the required content of the management report can be found in the Strategic Report and these Regulatory disclosures, including the sections of the Annual Report and Accounts incorporated by reference.

For the purposes of LR 9.8.4C R, the following items are not applicable: (1) interest capitalised; (2) publication of unaudited financial information; (5) waiver of emoluments by a Director; (6) waiver of future emoluments by a Director; (7) non pre-emptive issues of equity for cash; (8) non pre-emptive issues of equity for cash in relation to major subsidiary undertakings; (9) parent participation in a placing by a listed subsidiary; (11) provisions of services by a controlling shareholder; and (14) agreements with controlling shareholders.

Applicable items can be located as follows: (4) details of long-term incentive schemes – note 23 to the financial statements; (10) contracts of significance; (12) shareholder waiver of dividends; and (13) shareholder waivers of future dividends – Other Statutory Information, pages 91 to 94.

By order of the Board

Carol Chesney
Company Secretary
14 June 2016

Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have chosen to prepare the parent company financial statements in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework*. Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether Financial Reporting Standard 101 *Reduced Disclosure Framework* has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

DIRECTORS' RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

By order of the Board

Andrew Williams
Chief Executive

Kevin Thompson
Finance Director
14 June 2016

Independent Auditor's Report to the Members of Halma plc

OPINION ON FINANCIAL STATEMENTS OF HALMA PLC

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 2 April 2016 and of the Group's profit for the 53 week period then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The financial statements comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and parent company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated and parent company Statements of Changes in Equity and the related notes 1 to 31 and C1 to C14. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

GOING CONCERN AND THE DIRECTORS' ASSESSMENT OF THE PRINCIPAL RISKS THAT WOULD THREATEN THE SOLVENCY OR LIQUIDITY OF THE GROUP

As required by the Listing Rules we have reviewed the directors' statement regarding the appropriateness of the going concern basis of accounting on page 68 of the financial statements and the directors' statement on the longer-term viability of the Group contained within the Corporate Governance Report on page 68.

We have nothing material to add or draw attention to in relation to:

- the directors' confirmation on page 68 that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures on pages 30 to 33 that describe those risks and explain how they are being managed or mitigated;
- the directors' statement in the accounting policies note in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the group's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- the directors' explanation on page 68 as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We agreed with the directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

INDEPENDENCE

We are required to comply with the Financial Reporting Council's Ethical Standards for Auditors and we confirm that we are independent of the group and we have fulfilled our other ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non-audit services referred to in those standards.

OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.

The risks identified below are the same risks as identified in the prior year.

Risk	How the scope of our audit responded to the risk
Impairment of the carrying value of goodwill At 2 April 2016, the net book value of goodwill was £544m (2015: £406m), the increase is due to the four acquisitions in the period. Management perform an impairment review under IAS 36 'Impairment of Assets' on an annual basis and whenever an indication of impairment exists. Assessment of the carrying value of goodwill is a significant risk due to the quantum of the balance and the judgements involved in setting the key assumptions and assertions used by management to support their assessment of the carrying value. In testing the carrying value for impairment, management has made a number of key assumptions, including short-term and long-term growth rates, discount rates and the use of 11 (2015: 10) cash generating unit ("CGU") groups. During the period, management has established a new CGU group in respect of Sensor Technologies, to which the goodwill arising on the CenTrak acquisition has been allocated for impairment testing. *The associated disclosure is included in note 11. The Audit Committee has included their assessment of this risk on page 72 and it is included in the key accounting estimates and judgements on page 110.*	We assessed whether the CGU groups represent the lowest level within the Group at which the goodwill is monitored for internal management purposes and the appropriateness of establishing the new Sensor Technologies CGU group to allocate the goodwill arising on the CenTrak acquisition. We challenged the reasonableness of the short term growth rates with reference to the budgets approved by the Board, historical performance and post period trading data. We assessed the long term growth rates by reference to market specific GDP growth rates based on third party sources. We performed a specific review and challenge, involving Deloitte's valuation specialists, of the discount rates applied for each group of CGUs. We assessed the Group's weighted average cost of capital and sector specific risk premiums using external input data and benchmarking the discount rates against published peer group rates. We recalculated management's sensitivity analysis on key assumptions and replaced key assumptions with alternative scenarios e.g. applying further changes to discount rates and forecast growth rates. We have reviewed the disclosures made in the financial statements and assessed compliance with IAS 36.
Acquisition accounting There were four acquisitions in the period with a total initial consideration of £188m. The acquisitions were Value Added Solutions LLC, Firetrace USA LLC, Visiometrics S.L. and Visual Diagnostics Inc. (together Visiometrics) and CenTrak Inc. The total value of separable intangible assets arising on these acquisitions in the period is £100m. There is a risk that acquisitions are not accounted for correctly in line with IFRS 3 'Business combinations'. The risk relates to the assumptions and assertions used by management to fair value the acquired assets and liabilities, including separately identified intangible assets, together with the determination of deferred contingent consideration at the date of acquisition. In determining the fair value of acquired intangible assets management use a valuation model that incorporates their assumptions in respect of forecast revenues, useful life, forecast margins and discount rates. Management engaged third party valuation experts to assist them in the preparation of the acquisition accounting for the Firetrace acquisition. There is a maximum amount of potential deferred contingent consideration payable in respect of the acquisition of Visiometrics of €107m. Significant judgement has been applied by Management in establishing their best estimate of the liability which is £21m based on a risk weighted assessment of the forecast future performance of the acquired business. *Details of the acquisitions are disclosed in note 24 to the accounts. The Audit Committee has included their assessment of this risk on page 72 and it is included in the key accounting estimates and judgements on page 110.*	We obtained the models for the acquisitions in the period and reviewed the opening balance sheet and fair value adjustments by reference to supporting schedules and evidence as applicable. Our audit of the separately identified acquired intangible assets focused on the assumptions in management's valuation model. We challenged the key assumptions including forecast revenues, useful life, forecast margin and discount rates utilising our internal valuation specialists to support our assessment of the discount rates used. We benchmarked the output of the acquisition models, including the goodwill to intangible asset ratio, to similar prior year acquisitions challenging any significant variances and considering the business rationale. We agreed the underlying data in the deferred contingent consideration calculation to signed sale and purchase agreements. We assessed Management's process and the assumptions used to determine the estimate of future deferred contingent consideration payable including a comparison of forecast trading performance against historical and post-acquisition financial results. Given the dependence on future trading we have also considered the disclosures in respect of this. We assessed management's treatment of deferred contingent consideration payments as additional purchase consideration (as opposed to post-acquisition remuneration by reviewing the terms of the Sale and Purchase Agreements (SPA)).

Defined benefit pension scheme assumptions At 2 April 2016 the net retirement benefit liability recognised in the Consolidated Balance Sheet related to the Group's defined benefit pension schemes was £52m (2015: £67m). There is a risk relating to judgements made by management in valuing the defined benefit pension schemes including the use of key model input assumptions such as discount rates, mortality assumptions and inflation rates. These variables can have a material impact in calculating the quantum of the retirement benefit liability. Management utilise the services of third party actuarial advisers to determine their key assumptions. Details of the defined benefit pension scheme are disclosed in note 28 to the accounts. The Audit Committee has included their assessment of this risk on page 72 and it is included in the key accounting estimates and judgements on page 110.	We used our internal actuarial experts to assess the assumptions applied in accounting for the defined benefit pension liability and determined whether the key assumptions are reasonable. This included reviewing available yield curves and inflation data to recalculate a reasonable range for the key assumptions. We challenged management to understand the sensitivity of changes in assumptions and quantify a range of reasonable rates that could be used in their calculation. We discussed the output of sensitivity analysis with management and their third party actuarial advisers. Additionally we benchmarked key assumptions against other listed companies to check for any outliers in the data used. We also considered the adequacy of the Group's disclosures in respect of the sensitivity of the deficit to changes in these key assumptions.

The description of risks above should be read in conjunction with the significant issues considered by the Audit Committee discussed on page 72.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

OUR APPLICATION OF MATERIALITY

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the Group to be £7.3m (2015: £6.6m), which is 5% (2015: 5%) of statutory pre-tax profit.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £365,000 (2015: £132,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. This threshold has been increased in the current period based on our assessment of what constitutes a clearly trivial audit difference. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

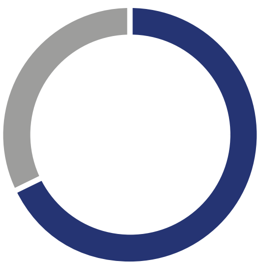
AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. Based on that assessment, we focused our Group audit scope primarily on the audit work at 53 out of 98 trading entities (2015: 52 out of 88). The increase in the total trading entities was a result of the acquisitions in the period. 51 (2015: 47) of these were subject to a full audit, whilst the remaining 3 (2015: 5) were subject to specified audit procedures where the extent of our testing was based on our assessment of the risks of material misstatement and of the materiality of the Group's operations at those locations. The full scope and specified audit procedures entities represent the principal business units and account for 68% (2015: 70%) of the Group's revenue, 77% (2015: 73%) of the Group's profit before tax and 80% (2015: 78%) of the Group's net assets. They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. Our audit work on the 54 entities was executed at levels of materiality applicable to each individual entity which were lower than Group materiality and ranged from £15,000 to £1,972,000 (2015: £42,000 to £976,000).

The Group audit team have established a programme of planned component visits based on their risk assessment. As a minimum, each year a senior member of the Group audit team will visit the significant components (defined as contributing greater than 10% of Group profit or revenue, of which only Apollo UK met this criterion in the period), in addition to visiting the US component auditor and selected US components. Furthermore all 27 UK components are directly overseen by the Group engagement partner or Group director. In years when we do not visit a component that is in scope, we will include the component audit team in our team briefing, discuss their risk assessment, and review documentation of the findings from their work.

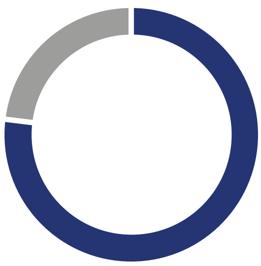
At the parent entity level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances. These procedures also included, at a minimum, obtaining the bank reconciliations and statements for all entities above a £365,000 threshold. For a selection of relevant entities, based on a risk threshold criteria, we also performed revenue cut off, subsequent cash receipt and inventory provision tests necessary to conclude on these balances.

Revenue



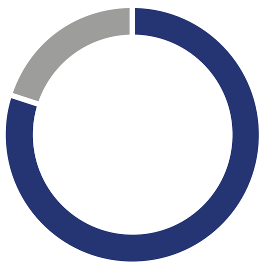
Full audit scope and specified procedures audits	68%
Review at Group level	32%

Profit before tax



Full audit scope and specified procedures audits	77%
Review at Group level	23%

Net assets



Full audit scope and specified procedures audits	80%
Review at Group level	20%

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns. We have nothing to report arising from these matters.

Corporate Governance Statement

Under the Listing Rules we are also required to review part of the Corporate Governance Statement relating to the company's compliance with certain provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

Our duty to read other information in the Annual Report

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the Annual Report is fair, balanced and understandable and whether the Annual Report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's 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 and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Nigel Thomas (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, UK
14 June 2016

Consolidated Income Statement

	Notes	53 weeks to 2 April 2016 Before adjustments* £000	Adjustments* (note 1) £000	Total £000	52 weeks to 28 March 2015 Before adjustments* £000	Adjustments* (note 1) £000	Total £000
Continuing operations							
Revenue	1	**807,805**	**–**	**807,805**	726,134	–	726,134
Operating profit		**173,225**	**(30,282)**	**142,943**	158,500	(21,437)	137,063
Share of results of associate	14	**(159)**	**–**	**(159)**	64	–	64
Profit on disposal of operations	29	**–**	**556**	**556**	–	1,430	1,430
Finance income	4	**217**	**–**	**217**	167	–	167
Finance expense	5	**(7,269)**	**–**	**(7,269)**	(5,113)	–	(5,113)
Profit before taxation	6	**166,014**	**(29,726)**	**136,288**	153,618	(20,007)	133,611
Taxation	9	**(36,373)**	**8,926**	**(27,447)**	(35,706)	6,096	(29,610)
Profit for the year attributable to equity shareholders	1	**129,641**	**(20,800)**	**108,841**	117,912	(13,911)	104,001
Earnings per share	2						
From continuing operations							
Basic		**34.26p**		**28.76p**	31.17p		27.49p
Diluted				**28.76p**			27.48p
Dividends in respect of the year	10						
Paid and proposed (£000)				**48,472**			45,229
Paid and proposed per share				**12.81p**			11.96p

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

Consolidated Statement of Comprehensive Income and Expenditure

	Notes	**53 weeks to 2 April 2016 £000**	52 weeks to 28 March 2015 £000
Profit for the year		**108,841**	104,001
Items that will not be reclassified subsequently to the Consolidated Income Statement:			
Actuarial gains/(losses) on defined benefit pension plans	28	**8,841**	(34,795)
Tax relating to components of other comprehensive income that will not be reclassified	9	**(2,304)**	6,791
Items that may be reclassified subsequently to the Consolidated Income Statement:			
Effective portion of changes in fair value of cash flow hedges	26	**(990)**	71
Exchange gains on translation of foreign operations and net investment hedge		**30,036**	30,900
Exchange losses transferred to Income Statement on disposal of operation		**22**	189
Tax relating to components of other comprehensive income that may be reclassified	9	**209**	(23)
Other comprehensive income for the year		**35,814**	3,133
Total comprehensive income for the year attributable to equity shareholders		**144,655**	107,134

The exchange gain of £30,036,000 (2015: gain of £30,900,000) includes gains of £9,336,000 (2015: gains of £862,000) which relate to net investment hedges as described on page 115.

Consolidated Balance Sheet

	Notes	2 April 2016 £000	28 March 2015 £000
Non-current assets			
Goodwill	11	**544,259**	406,190
Other intangible assets	12	**231,753**	138,691
Property, plant and equipment	13	**96,562**	86,303
Interest in associate	14	**3,722**	4,236
Deferred tax asset	21	**44,424**	28,596
		920,720	664,016
Current assets			
Inventories	15	**105,318**	79,734
Trade and other receivables	16	**183,619**	156,464
Tax receivable		**190**	20
Cash and bank balances		**53,938**	41,230
Derivative financial instruments	26	**1,131**	1,069
		344,196	278,517
Total assets		**1,264,916**	942,533
Current liabilities			
Trade and other payables	17	**122,791**	102,717
Borrowings	18	**4,748**	1,705
Provisions	19	**4,437**	11,746
Tax liabilities		**15,158**	12,405
Derivative financial instruments	26	**2,196**	636
		149,330	129,209
Net current assets		**194,866**	149,308
Non-current liabilities			
Borrowings	18	**295,908**	140,419
Retirement benefit obligations	28	**52,323**	66,790
Trade and other payables	20	**10,153**	3,756
Provisions	19	**18,510**	1,549
Deferred tax liabilities	21	**92,352**	51,862
		469,246	264,376
Total liabilities		**618,576**	393,585
Net assets		**646,340**	548,948
Equity			
Share capital	22	**37,965**	37,965
Share premium account		**23,608**	23,608
Own shares*		**(8,219)**	(8,450)
Capital redemption reserve		**185**	185
Hedging reserve		**(610)**	171
Translation reserve		**75,387**	45,329
Other reserves		**(5,831)**	(4,073)
Retained earnings		**523,855**	454,213
Shareholders' funds		**646,340**	548,948

* Referred to in prior years as Treasury shares

The financial statements of Halma plc, company number 00040932, were approved by the Board of Directors on 14 June 2016.

A J Williams
Director

K J Thompson
Director

Consolidated Statement of Changes in Equity

	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	37,965	23,608	(8,450)	185	171	45,329	(4,073)	454,213	548,948
Profit for the year	–	–	–	–	–	–	–	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 operations	–	–	–	–	–	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	–	–	–	–	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 payment 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	37,965	23,608	(8,219)	185	(610)	75,387	(5,831)	523,855	646,340

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

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

Own shares are ordinary shares in Halma plc purchased by the Company and held to fulfil the Company's obligations under the Group's share plans. At 2 April 2016 the number of treasury shares held was 940,421 (2015: 1,371,785) and the number of shares held by the Employee Benefit Trust was 311,444 (2015: nil). The market value of Own shares was £11,417,000 (2015: £9,616,000).

The Translation reserve is used to record the difference arising from the retranslation of the financial statements of foreign operations. The Hedging reserve is used to record the portion of the cumulative net change in fair value of cash flow hedging instruments that are deemed to be an effective hedge.

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

Consolidated Statement of Changes in Equity continued

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

* The presentation of the Hedging and Translation reserves, which were previously netted, has been amended to show the two reserves and their movements in the year separately. There has been no impact on Shareholders' funds in either year.

** The purchase of Employee Benefit Trust shares/treasury shares and performance share plan awards vested were shown net in Own shares in prior years, as were the share-based payments charge and performance share plan awards vested in Other reserves. There has been no impact on Shareholders' funds in either year.

Consolidated Cash Flow Statement

	Notes	53 weeks to 2 April 2016 £000	52 weeks to 28 March 2015 £000
Net cash inflow from operating activities	25	**149,273**	137,231
Cash flows from investing activities			
Purchase of property, plant and equipment	13	**(22,418)**	(22,164)
Purchase of computer software	12	**(1,669)**	(1,021)
Purchase of other intangibles	12	**(535)**	(382)
Proceeds from sale of property, plant and equipment		**2,364**	1,411
Proceeds from sale of capitalised development costs		**166**	–
Development costs capitalised	12	**(8,579)**	(7,213)
Interest received		**217**	134
Acquisition of businesses, net of cash acquired	24	**(202,575)**	(87,743)
Disposal of operations, net of cash disposed	29	**907**	4,248
Net cash used in investing activities		**(232,122)**	(112,730)
Financing activities			
Dividends paid		**(46,473)**	(43,399)
Proceeds from issue of share capital		**–**	893
Purchase of Own shares		**(3,003)**	(6,843)
Interest paid		**(4,149)**	(3,118)
Loan arrangement fee paid		**(770)**	–
Proceeds from bank borrowings	25	**74,788**	68,962
Repayment of bank borrowings	25	**(97,000)**	(35,341)
Proceeds on issue of loan notes	26	**167,473**	–
Net cash generated from/(used in) financing activities		**90,866**	(18,846)
Increase in cash and cash equivalents	25	**8,017**	5,655
Cash and cash equivalents brought forward		**39,525**	33,126
Exchange adjustments		**1,984**	744
Cash and cash equivalents carried forward		**49,526**	39,525

	Notes	53 weeks to 2 April 2016 £000	52 weeks to 28 March 2015 £000
Reconciliation of net cash flow to movement in net debt			
Increase in cash and cash equivalents		**8,017**	5,655
Net cash outflow/(inflow) from repayment/(drawdown) of bank borrowings	25	**22,212**	(33,621)
Proceeds from issue of loan notes	26	**(167,473)**	–
Net debt acquired		**–**	(468)
Loan notes issued in respect of acquisitions*		**(288)**	(657)
Loan notes repaid in respect of acquisitions*		**367**	2,731
Exchange adjustments		**(8,659)**	(38)
		(145,824)	(26,398)
Net debt brought forward		**(100,894)**	(74,496)
Net debt carried forward		**(246,718)**	(100,894)

* Of the £657,000 loan notes issued in the prior year £367,000 was converted at par into cash on 17 July 2015. New loan notes were issued totalling £288,000 on 15 April 2015, 8 July 2015 and 30 November 2015 in respect of the acquisition of Advanced Electronics Limited in the prior year. These loan notes, which attract interest at 1%, are convertible into cash at par on each anniversary of the acquisition date until 14 May 2019. A further £336,000 of loan notes outstanding at the balance sheet date were converted at par into cash post year-end on 14 May 2016.

Accounting Policies

BASIS OF ACCOUNTING

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted for use in the European Union (EU) and therefore comply with Article 4 of the EU IAS legislation and with those parts of the Companies Act 2006 that are applicable to companies reporting under IFRS. The financial statements have also been prepared in accordance with IFRS and International Financial Reporting Interpretations Committee (IFRIC) interpretations issued and effective at the time of preparing these accounts.

The principal Group accounting policies are explained below and have been applied consistently throughout the years ended 2 April 2016 and 28 March 2015 other than those noted below.

The Group accounts have been prepared under the historical cost convention, except as described below under the heading 'Derivative financial instruments and hedge accounting'.

NEW STANDARDS AND INTERPRETATIONS NOT YET APPLIED

At the date of authorisation of these financial statements, the following Standards and Interpretations that are potentially relevant to the Group, and which have not been applied in these financial statements, were in issue but not yet effective (and in some cases had not yet been adopted by the 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.
- IFRS 10 and IAS 28 (amended) 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture' – effective for accounting periods beginning on or after 1 January 2016.
- IAS 16 and IAS 38 (amended) 'Clarification of Acceptable Methods of Depreciation and Amortisation' – effective for accounting periods beginning on or after 1 January 2016.
- Annual Improvements 2012-2014 Cycle – effective for accounting periods beginning on or after 1 January 2016, specifically amendments to IAS 34 'Interim Financial Reporting'.
- Amendments to IAS 1 – effective for accounting periods beginning on or after 1 January 2016.
- Amendments to IAS 27 'Equity Method in Separate Financial Statements' – applicable for accounting periods beginning on or after 1 January 2016.
- Amendments to IFRS 11 'Accounting for Acquisitions of Interests in Joint Operations' – applicable for accounting periods beginning on or after 1 January 2016.

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 except for IFRS 9 'Financial Instruments', which will introduce a number of changes in the presentation of financial instruments, IFRS 15 'Revenue from Contracts with Customers', which may change the timing of revenue recognition for some companies within the Group, and IFRS 16 'Leases', which will bring a significant portion of the Group's operating leases on balance sheet.

NEW STANDARDS AND INTERPRETATIONS APPLIED FOR THE FIRST TIME

The following Standards with an effective date of 1 January 2015 have been adopted without any significant impact on the amounts reported in these financial statements:

- IAS19 (amended) 'Defined Benefit Plans: Employee Contributions'.
- Annual Improvements 2010-2012 Cycle, specifically amendments to IFRS 2 'Share Based Payments' and IFRS 8 'Operating Segments'.
- Annual Improvements 2011-2013, specifically amendments to IFRS 3 'Business Combinations' and IFRS 13 'Fair Value Measurement'.

KEY ACCOUNTING POLICIES

Below we set out our key accounting policies, with a list of all other accounting policies thereafter.

Going concern

The Directors have, at the time of approving the financial statements, a high level of confidence that despite the current economic uncertainty the Company has the necessary liquid resources to meet its liabilities as they fall due and will be able to sustain its business model, strategy and operations and remain solvent for the foreseeable future. Thus, the Directors continue to adopt the going concern basis in preparing these financial statements. Further detail is contained on page 68.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred. Any contingent consideration payable may be accounted for as either:

a) Consideration transferred, which is recognised at fair value at the acquisition date. If the contingent purchase consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent purchase consideration are recognised in the Consolidated Income Statement; or
b) Remuneration, which is expensed in the Income Statement over the associated period of service. An indicator of such treatment includes when payments to employees of the acquired company are contingent on a post-acquisition event, but may be automatically forfeited on termination of employment.

For acquisitions between 4 April 2004 (the date from which the financial statements were reported under IFRS) and 2 April 2010, goodwill represents the difference between the cost of the acquisition, including acquisition costs and the fair value of the net identifiable assets acquired. Goodwill is not amortised, but is tested annually for impairment.

Goodwill is recognised as an intangible asset in the Consolidated Balance Sheet. Goodwill therefore includes non-identified intangible assets including business processes, buyer-specific synergies, know-how and workforce-related industry-specific knowledge and technical skills. Negative goodwill arising on acquisitions would be recognised directly in the Consolidated Income Statement. On closure or disposal of an acquired business, goodwill would be taken into account in determining the profit or loss on closure or disposal.

As permitted by IFRS 1, the Group elected not to apply IFRS 3 'Business Combinations' to acquisitions prior to 4 April 2004 in its consolidated accounts. As a result, the net book value of goodwill recognised as an intangible asset under UK GAAP at 3 April 2004 was brought forward unadjusted as the cost of goodwill recognised under IFRS at 4 April 2004 subject to impairment testing on that date; and goodwill that was written off to reserves prior to 28 March 1998 under UK GAAP will not be taken into account in determining the profit or loss on disposal or closure of previously acquired businesses from 4 April 2004 onwards.

Intangible assets
(a) Product development costs
Research expenditure is written off in the financial year in which it is incurred.

Development expenditure is written off in the financial year in which it is incurred, unless it relates to the development of a new or substantially improved product, is incurred after the technical feasibility and economic viability of the product has been proven and the decision to complete the development has been taken, and can be measured reliably. Such expenditure is capitalised as an intangible asset in the Consolidated Balance Sheet at cost and is amortised through the Consolidated Income Statement on a straight-line basis over its estimated economic life of three years.

(b) Acquired intangible assets
An intangible resource acquired with a subsidiary undertaking is recognised as an intangible asset if it is separable from the acquired business or arises from contractual or legal rights, is expected to generate future economic benefits and its fair value can be measured reliably. Acquired intangible assets, comprising trademarks and customer relationships, are amortised through the Consolidated Income Statement on a straight-line basis over their estimated economic lives of between three and thirteen years.

Pensions
The Group makes contributions to various pension plans, covering the majority of its employees.

For defined benefit plans, the asset or liability recorded in the Consolidated Balance Sheet is the difference between the fair value of the plan's assets and the present value of the defined obligation at that date. The defined benefit obligation is calculated separately for each plan on an annual basis by independent actuaries using the projected unit credit method.

Actuarial gains and losses are recognised in full in the period in which they occur, and are taken to other comprehensive income.

Current and past service costs, along with the impact of any settlements or curtailments, are charged to the Consolidated Income Statement. The net interest expense on pension plans' liabilities and the expected return on the plans' assets is recognised within finance expense in the Consolidated Income Statement.

Contributions to defined contribution plans are charged to the Consolidated Income Statement when they fall due.

CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY
The preparation of Group accounts in conformity with IFRS requires the Directors to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experiences and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The following four areas of key estimation uncertainty and critical accounting judgement have been identified as having significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next financial year:

Critical accounting judgements

Goodwill impairment

Determining whether goodwill is impaired requires an estimation of the value in use of cash generating units (CGUs) to which goodwill has been allocated. In turn, the value in use calculation involves an estimation of the present value of future cash flows of CGUs. The future cash flows are based on annual budgets, as approved by the Board, to which the management's expectation of market-share and long-term growth rates are applied. The present value is then calculated based on management's judgement of future discount rates. The Board reviews these key assumptions (market-share, long-term growth rates, and discount rates) and the sensitivity analysis around these assumptions. Further details are provided in note 11.

Intangible assets

IFRS 3 (revised) 'Business Combinations' requires that goodwill arising on the acquisition of subsidiaries is capitalised and included in intangible assets. IFRS 3 (revised) also requires the identification and valuation of other separable intangible assets at acquisition. The assumptions involved in valuing these intangible assets require the use of estimates and judgements.

IAS 38 'Intangible Assets' requires that development costs, arising from the application of research findings or other technical knowledge to a plan or design of a new or substantially improved product, are capitalised, subject to certain criteria being met. Determining the technical feasibility and estimating the future cash flows generated by the products in development requires judgements which may differ from the actual outcome.

The estimates and judgements made in relation to both acquired intangible assets and capitalised development costs, cover future growth rates, expected inflation rates and the discount rate used.

Key sources of estimation uncertainty

Contingent consideration

Determining the value of contingent consideration recognised as part of the acquisition of subsidiaries requires assumptions to determine the expected performance of the acquired business and the amount of contingent consideration that will therefore become payable. Initial estimates of expected performance are made by the Directors responsible for completing the acquisition and form a key component of the financial due diligence that takes place prior to completion. Subsequent measurement of contingent consideration is based on the Directors' appraisal of the acquired business' performance in the post-acquisition period with any required adjustments to the amount payable recognised in the Consolidated Income Statement as required under IFRS 3. Further details are provided in note 24.

Defined benefit pension plan liabilities

Determining the value of the future defined benefit obligation requires judgement in respect of the assumptions used to calculate present values. These include future mortality, discount rate and inflation. Management makes these judgements in consultation with an independent actuary. Details of the judgements made in calculating the defined benefit obligation are disclosed in note 28.

OTHER ACCOUNTING POLICIES

Basis of consolidation

The Group accounts include the accounts of Halma plc and all of its subsidiary companies made up to 2 April 2016, adjusted to eliminate intra-Group transactions, balances, income and expenses. The results of subsidiary companies acquired or discontinued are included from the month of their acquisition or to the month of their discontinuation.

Investments in associate

An associate is an entity over which the Group is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee. Significant influence is the power to participate in the financial and operating policy decisions of the investee but without control or joint control over those policies.

The results and assets and liabilities of the associate are incorporated in these financial statements using the equity method of accounting. Investments in associate are carried in the Consolidated Balance Sheet at cost as adjusted by post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the fair values of the identifiable net assets of the associate at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any deficiency of the cost of acquisition below the Group's share of the fair values of the identifiable net assets of the associate at the date of acquisition (i.e. discount on acquisition) is credited in profit or loss in the year of acquisition.

Where a Group company transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate. Losses may provide evidence of an impairment of the asset transferred in which case appropriate provision is made for impairment.

Other intangible assets

(a) Computer software

Computer software that is not integral to an item of property, plant or equipment is recognised separately as an intangible asset, and is amortised through the Consolidated Income Statement on a straight-line basis over its estimated economic life of between three and five years.

(b) Other intangibles

Other intangibles are amortised through the Consolidated Income Statement on a straight-line basis over their estimated economic lives of between three and five years.

Impairment of non-current assets

All non-current assets are tested for impairment whenever events or circumstances indicate that their carrying value may be impaired. Additionally, goodwill and capitalised development expenditure relating to a product that is not yet in full production are subject to an annual impairment test.

An impairment loss is recognised in the Consolidated Income Statement to the extent that an asset's carrying value exceeds its recoverable amount, which represents the higher of the asset's net realisable value and its value in use. An asset's value in use represents the present value of the future cash flows expected to be derived from the asset or from the cash generating unit to which it relates. The present value is calculated using a discount rate that reflects the current market assessment of the time value of money and the risks specific to the asset concerned.

Impairment losses recognised in previous periods for an asset other than goodwill are reversed if there has been a change in the estimates used to determine the asset's recoverable amount, but only to the extent that the carrying amount of the asset does not exceed its carrying amount had no impairment loss been recognised in previous periods. Impairment losses in respect of goodwill are not reversed.

Segmental reporting

An operating segment is a distinguishable component of the Group that is engaged in business activities from which it may earn revenues and incur expenses, and whose operating results are reviewed regularly by the Chief Operating Decision Maker (the Chief Executive) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Reportable segments are operating segments that either meet the thresholds and conditions set out in IFRS 8 or are considered by the Board to be appropriately designated as reportable segments. Segment result represents operating profits and includes an allocation of Head Office expenses. Segment result excludes tax and financing items. Segment assets comprise goodwill, other intangible assets, property, plant and equipment (excluding land and buildings), inventories, trade and other receivables. Segment liabilities comprise trade and other payables, provisions and other payables. Unallocated items represent land and buildings, corporate and deferred taxation balances, defined benefit plan liabilities, contingent purchase consideration, all components of net cash/borrowings and derivative financial instruments.

Inventories

Inventories and work in progress are included at the lower of cost and net realisable value. Cost is calculated either on a 'first in, first out' or an average cost basis and includes direct materials and the appropriate proportion of production and other overheads considered by the Directors to be attributable to bringing the inventories to their location and condition at the year end. Net realisable value represents the estimated selling price less all estimated costs to complete and costs to be incurred in marketing, selling and distribution.

Revenue

Revenue represents sales, less returns, by subsidiary companies to external customers excluding value added tax and other sales related taxes. Transactions are recorded as revenue when the delivery of products or performance of services takes place in accordance with the contracted terms of sale.

Revenue on long-term contracts is recognised while the contracts are in progress. Revenue is recognised proportionally to the stage of completion of the contract, based on the fair value of goods and services provided to date, taking into account the sign-off of milestone delivery by customers. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Adjusting items

When items of income or expense or material and they are relevant to an understanding of the entity's financial performance, they are disclosed separately within the financial statements. Such adjusting items include material costs or reversals arising from acquisitions or disposals of businesses, including acquisition costs, material creation or reversals of provisions related to changes in estimates for contingent consideration on acquisition, amortisation of acquired intangible assets, and other one-off items that may arise.

Taxation

Taxation comprises current and deferred tax. Tax is recognised in the Consolidated Income Statement except to the extent that it relates to items recognised directly in Shareholders' funds, in which case it too is recognised in Shareholders' funds. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or subsequently enacted at the balance sheet date, along with any adjustment to tax payable in respect of previous years. Taxable profit differs from net profit as reported in the Consolidated Income Statement because it excludes items that are never taxable or deductible.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes and is accounted for using the balance sheet liability method, apart from the following differences which are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and differences relating to investments in subsidiaries to the extent they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amounts of assets and liabilities, using tax rates and laws, which are expected to apply in the year when the liability is settled or the asset is realised. Deferred tax assets are only recognised to the extent that recovery is probable.

Foreign currencies
The Group presents its accounts in Sterling. Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates prevailing at that date. Any gain or loss arising from subsequent exchange rate movements is included as an exchange gain or loss in the Consolidated Income Statement.

Net assets of overseas subsidiary companies are expressed in Sterling at the rates of exchange ruling at the end of the financial year, and trading results and cash flows at the average rates of exchange for the financial year. Goodwill arising on the acquisition of a foreign business is treated as an asset of the foreign entity and is translated at the rate of exchange ruling at the end of the financial year. Exchange gains or losses arising on these translations are taken to the Hedging and translation reserve within Shareholders' funds.

In the event that an overseas subsidiary is disposed of or closed, the profit or loss on disposal or closure will be determined after taking into account the cumulative translation difference held within the Hedging and translation reserve attributable to that subsidiary. As permitted by IFRS 1, the Group has elected to deem the Hedging and translation to be £nil at 4 April 2004. Accordingly, the profit or loss on disposal or closure of foreign subsidiaries will not include any currency translation differences which arose before 4 April 2004.

Derivative financial instruments and hedge accounting
The Group enters into derivative financial instruments to manage its exposure to foreign exchange rate risk using forward exchange contracts. Further details of derivative financial instruments are disclosed in note 26.

Derivative financial instruments are classified as fair value through profit and loss (held for trading) unless they are in a designated hedge relationship.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in the Consolidated Income Statement, unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the Consolidated Income Statement depends on the nature of the hedge relationship. The Group designates certain derivatives as hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investments in foreign operations.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Cash flow hedge accounting
The Group designates certain hedging instruments as cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument has been or is expected to be highly effective in offsetting changes in fair values or cash flows of the hedged item.

Note 26 sets out details of the fair values of the derivative instruments used for hedging purposes and the movements in the hedging reserve in equity.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion as a result of being over hedged is recognised immediately in the Consolidated Income Statement.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to the Consolidated Income Statement in the periods when the hedged item is recognised in the Consolidated Income Statement. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income at that time is accumulated in equity and is recognised, when the forecast transaction is ultimately recognised, in the Consolidated Income Statement. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in the Consolidated Income Statement.

Net investment hedge accounting
The Group uses foreign currency denominated borrowings as a hedge against the translation exposure on the Group's net investment in overseas companies. Where the hedge is fully effective at hedging the variability in the net assets of such companies caused by changes in exchange rates, the changes in value of the borrowings are recognised in the Consolidated Statement of Comprehensive Income and accumulated in the Hedging and translation reserve. The ineffective part of any change in value caused by changes in exchange rates is recognised in the Consolidated Income Statement.

Employee share plans
Share-based incentives are provided to employees under the Group's share incentive plan, the performance share plan and the executive share plan.

(a) Share incentive plan
Awards of shares under the share incentive plan are made to qualifying employees depending on salary and service criteria. The shares awarded under this plan are purchased in the market by the plan's trustees at the time of the award, and are then held in trust for a minimum of three years. The costs of this plan are recognised in the Consolidated Income Statement over the three year vesting period of the awards.

(b) Performance share plan
Awards under this plan are partly equity-settled and partly cash-settled. Grants were subject to both market-based and non-market-based vesting criteria. No further grants will be made under this plan.

The fair value of the equity-settled portion at the date of grant is established by using an appropriate simulation method to reflect the likelihood of market-based performance conditions being met. The fair value is charged to the Consolidated Income Statement on a straight-line basis over the three year vesting period, with appropriate adjustments being made during this period to reflect expected and actual forfeitures arising from the non-market-based performance conditions only. The corresponding credit is to Shareholders' funds.

(c) Executive share plan
During the year ended 2 April 2016, Halma plc introduced the Executive Share Plan, in which executive Directors and certain senior employees participate. Grants under this Plan are in the form of Performance Awards or Deferred Share Awards.

Performance Awards are subject to non-market-based vesting criteria, and Deferred Share Awards are subject only to continuing service of the employee. Share awards are equity settled. The fair value of the awards at the date of grant, which is estimated to be equal to the market value, is charged to the Consolidated Income Statement on a straight-line basis over the vesting period, with appropriate adjustments being made during this period to reflect expected and actual forfeitures. The corresponding credit is to Shareholders' funds.

(d) Cash settled
For cash-settled awards, a liability equal to the portion of the services received is recognised at the current fair value determined at each balance sheet date.

Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of the cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Deferred government grant income
Government grant income that is linked to capital expenditure is deferred to the Consolidated Balance Sheet and credited to the Consolidated Income Statement over the life of the related asset. In addition, the Group claims research and development expenditure credits arising on qualifying expenditure in its UK-based subsidiaries and shows these 'above the line' in Operating profit. Where the credits arise on expenditure that is capitalised as part of Internally generated capitalised development costs, the income is deferred to the Consolidated Balance Sheet and credited to the Consolidated Income Statement over the life of the related asset in line with the policy stated above.

Operating profit
Operating profit is stated after charging restructuring costs but before the share of results of associates, profit or loss on disposal of operations, finance income and finance costs.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, deposits with an initial maturity of less than three months, and bank overdrafts that are repayable on demand.

Dividends

Dividends payable to the Company's shareholders are recognised as a liability in the period in which the distribution is approved by the Company's shareholders.

Property, plant and equipment

Property, plant and equipment is stated at historical cost less provisions for impairment and depreciation which, with the exception of freehold land which is not depreciated, is provided on a straight-line basis over each asset's estimated economic life. The principal annual rates used for this purpose are:

Freehold property	2%
Leasehold properties:	
Long leases (more than 50 years unexpired)	2%
Short leases (less than 50 years unexpired)	Period of lease
Plant, equipment and vehicles	8% to 33.3%

Leases

Leases that confer rights and obligations similar to those that attach to owned assets are classified as finance leases, of which the Group has none. All other leases are classified as operating leases.

Operating lease rentals, and any incentives receivable, are charged to the Consolidated Income Statement on a straight-line basis over the lease term.

Notes to the Accounts

1 SEGMENTAL ANALYSIS

Sector analysis

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

Segment revenue and results

	Revenue (all continuing operations)	
	53 weeks to 2 April 2016 £000	52 weeks to 28 March 2015 £000
Process Safety	**155,467**	158,372
Infrastructure Safety	**264,843**	234,063
Medical	**198,715**	169,333
Environmental & Analysis	**188,928**	164,412
Inter-segmental sales	**(148)**	(46)
Revenue for the year	**807,805**	726,134

Inter-segmental sales are charged at prevailing market prices and have not been disclosed separately by segment as they are not considered material. Revenue derived from the rendering of services was £25,134,000 (2015: £22,022,000). All revenue was otherwise derived from the sale of products.

	Profit (all continuing operations)	
	53 weeks to 2 April 2016 £000	52 weeks to 28 March 2015 £000
Segment profit before allocation of adjustments*		
Process Safety	**39,557**	44,772
Infrastructure Safety	**56,167**	49,992
Medical	**51,695**	45,385
Environmental & Analysis	**34,527**	27,403
	181,946	167,552
Segment profit after allocation of adjustments*		
Process Safety	**36,095**	40,280
Infrastructure Safety	**50,965**	49,585
Medical	**34,747**	31,981
Environmental & Analysis	**30,413**	25,699
Segment profit	**152,220**	147,545
Central administration costs	**(8,880)**	(8,988)
Net finance expense	**(7,052)**	(4,946)
Group profit before taxation	**136,288**	133,611
Taxation	**(27,447)**	(29,610)
Profit for the year	**108,841**	104,001

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

1 SEGMENTAL ANALYSIS continued

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

These adjustments are analysed as follows:

53 weeks to 2 April 2016

		Acquisition items					
	Amortisation of acquired intangible assets £000	**Transaction costs £000**	**Adjustments to contingent consideration £000**	**Release of fair value adjustments to inventory £000**	**Total amortisation charge and acquisition items £000**	**Disposal of operations (note 29) £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 acquisitions (see note 24) of Value Added Solutions, LLC (VAS), Firetrace USA, LLC (Firetrace), Visiometrics, S.L. (Visiometrics), and CenTrak Inc. (CenTrak), which were acquired on 19 May 2015, 5 October 2015, 16 December 2015 and 3 February 2016 respectively.

The £827,000 charge in the Infrastructure Safety sector related to a revision in the estimate of the remaining contingent consideration payable on Advanced Electronics Limited (Advanced) acquired in the prior year. The £826,000 charge in the Medical sector related to exchange differences arising on the revaluation of Visiometric's contingent consideration which is denominated in Euros. The remaining £111,000 credit to contingent consideration related to a revision in the estimate of the remaining payable on a prior year acquisition (ASL) from £197,000 to £86,000.

The release of fair value adjustments to inventory arises from revaluing the inventories of Firetrace and CenTrak at acquisition.

The £590,000 profit on disposal in the Medical sector relates to the disposal of 8.8% of the Group's ownership interest in Optomed Oy on 26 August 2015. See note 29 for further details. The £34,000 loss on disposal of operations relates to warranty claims arising on the Monitor disposal in the prior year.

52 weeks to 28 March 2015

		Acquisition items					
	Amortisation of acquired intangible assets £000	Transaction costs £000	Adjustments to contingent consideration £000	Release of fair value adjustments to inventory £000	Total amortisation charge and acquisition items £000	Disposal of operations (note 29) £000	Total £000
Process Safety	(3,026)	(928)	–	(538)	(4,492)	–	(4,492)
Infrastructure Safety	(765)	(486)	(102)	(130)	(1,483)	1,076	(407)
Medical	(12,156)	(21)	(1,581)	–	(13,758)	354	(13,404)
Environmental & Analysis	(4,007)	–	2,303	–	(1,704)	–	(1,704)
Total Segment & Group	(19,954)	(1,435)	620	(668)	(21,437)	1,430	(20,007)

The transaction costs arose mainly on the acquisitions of Rohrback Cosasco Systems Inc. (RCS), Advanced and Plasticspritzerei AG, which were acquired in the prior year. The charge of £1,581,000 to contingent consideration related mainly to a revision in the estimate of the remaining MST payable from US$6,504,000 to US$9,061,000. The £2,303,000 credit to contingent consideration related to a revision in the estimate of the remaining ASL payable from £2,500,000 to £197,000. The release of fair value adjustments to inventory arose from revaluing the inventories of RCS and Advanced at acquisition.

1 SEGMENTAL ANALYSIS continued
Segment assets and liabilities

Before goodwill, interest in associate and acquired intangible assets are allocated to specific segment assets/liabilities	Assets		Liabilities	
	2 April 2016 £000	28 March 2015 £000	**2 April 2016 £000**	28 March 2015 £000
Process Safety	**66,582**	65,141	**19,104**	21,842
Infrastructure Safety	**122,093**	97,424	**43,761**	33,112
Medical	**90,177**	62,981	**38,186**	23,947
Environmental & Analysis	**81,726**	72,599	**31,237**	26,288
Total segment assets/liabilities excluding goodwill, interest in associate and acquired intangible assets	**360,578**	298,145	**132,288**	105,189
Goodwill	**544,259**	406,190	**–**	–
Interest in associate	**3,722**	4,236	**–**	–
Acquired intangible assets	**204,095**	119,541	**–**	–
Total segment assets/liabilities including goodwill, interest in associate and acquired intangible assets	**1,112,654**	828,112	**132,288**	105,189

After goodwill, interest in associate and acquired intangible assets are allocated to specific segment assets/liabilities	Assets		Liabilities	
	2 April 2016 £000	28 March 2015 £000	**2 April 2016 £000**	28 March 2015 £000
Process Safety	**156,351**	154,677	**19,104**	21,842
Infrastructure Safety	**283,189**	191,701	**43,761**	33,112
Medical	**468,763**	286,990	**38,186**	23,947
Environmental & Analysis	**204,351**	194,744	**31,237**	26,288
Total segment assets/liabilities including goodwill, interest in associate and acquired intangible assets	**1,112,654**	828,112	**132,288**	105,189
Cash and bank balances/borrowings	**53,938**	41,230	**300,656**	142,124
Derivative financial instruments	**1,131**	1,069	**2,196**	636
Other unallocated assets/liabilities	**97,193**	72,122	**183,436**	145,636
Total Group	**1,264,916**	942,533	**618,576**	393,585

Segment assets and liabilities, excluding the allocation of goodwill, interest in associate and acquired intangible assets, have been disclosed separately above as this is the measure reported to the Chief Executive for the purpose of monitoring segment performance and allocating resources between segments. Other unallocated assets include land and buildings and tax assets, and unallocated liabilities include contingent purchase consideration, retirement benefit obligations and tax liabilities.

Other segment information

	Additions to non-current assets		Depreciation and amortisation	
	2 April 2016 £000	28 March 2015 £000	**2 April 2016 £000**	28 March 2015 £000
Process Safety	**4,480**	71,846	**7,651**	6,743
Infrastructure Safety	**70,542**	28,995	**9,806**	8,490
Medical	**168,172**	13,403	**17,367**	15,509
Environmental & Analysis	**8,645**	5,499	**9,336**	9,708
Total segment additions/depreciation and amortisation	**251,839**	119,743	**44,160**	40,450
Unallocated	**700**	513	**738**	461
Total Group	**252,539**	120,256	**44,898**	40,911

1 SEGMENTAL ANALYSIS continued

Non-current asset additions comprise acquired and purchased goodwill, other intangible assets and property, plant and equipment.

An impairment loss of £nil was recognised during the year (2015: £236,000 within Environmental & Analysis).

Geographic information

The Group's revenue from external customers (by location of customer) and its non-current assets by geographic location are detailed below:

	Revenue by destination		Non-current assets	
	53 weeks to 2 April 2016 £000	52 weeks to 28 March 2015 £000	**2 April 2016 £000**	28 March 2015 £000
United States of America	**272,933**	223,374	**527,903**	337,278
Mainland Europe	**179,290**	167,363	**203,646**	151,805
United Kingdom	**144,821**	138,312	**111,697**	112,550
Asia Pacific	**124,992**	116,842	**33,002**	33,750
Africa, Near and Middle East	**55,712**	44,037	**–**	–
Other countries	**30,057**	36,206	**48**	37
	807,805	726,134	**876,296**	635,420

Non-current assets comprise goodwill, other intangible assets, interest in associate and property, plant and equipment.

Information about major customers

No single customer accounts for more than 2% of the Group's revenue.

2 EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share are calculated using the weighted average of 378,412,359 shares in issue during the year (net of shares purchased by the Company and held as Own shares) (2015: 378,328,541). Diluted earnings per ordinary share are calculated using the weighted average of 378,412,359 shares (2015: 378,475,804), which includes dilutive potential ordinary shares of nil (2015: 147,263). Dilutive potential ordinary shares were calculated from those exercisable share options where the exercise price is less than the average price of the Company's ordinary shares during the year.

Adjusted earnings are calculated as earnings from continuing operations excluding the amortisation of acquired intangible assets; acquisition items; profit or loss on disposal of operations; 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:

			Per ordinary share	
	53 weeks to 2 April 2016 £000	52 weeks to 28 March 2015 £000	**53 weeks to 2 April 2016 pence**	52 weeks to 28 March 2015 pence
Earnings from continuing operations	**108,841**	104,001	**28.76**	27.49
Amortisation of acquired intangible assets (after tax)	**16,102**	14,121	**4.26**	3.73
Acquisition transaction costs (after tax)	**2,941**	1,423	**0.78**	0.38
Release of fair value adjustments to inventory (after tax)	**998**	474	**0.26**	0.13
Adjustments to contingent consideration (after tax)	**1,315**	(1,162)	**0.35**	(0.31)
Profit on disposal of operations (after tax)	**(556)**	(945)	**(0.15)**	(0.25)
Adjusted earnings	**129,641**	117,912	**34.26**	31.17

3 NON-GAAP MEASURES

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

Return on Total Invested Capital

	2 April 2016 £000	28 March 2015 £000
Post-tax profit before adjustments*	**129,641**	117,912
Total shareholders' funds	**646,340**	548,948
Add back retirement benefit obligations	**52,323**	66,790
Less associated deferred tax assets	**(9,619)**	(13,085)
Cumulative amortisation of acquired intangible assets	**112,478**	83,958
Historical adjustments to goodwill**	**89,549**	89,549
Total Invested Capital	**891,071**	776,160
Average Total Invested Capital	**833,616**	721,255
Return on Total Invested Capital (ROTIC)	**15.6%**	16.3%

Return on Capital Employed

	2 April 2016 £000	28 March 2015 £000
Operating profit before adjustments*, but after share of results of associate	**173,066**	158,564
Computer software costs within intangible assets	**3,215**	2,835
Capitalised development costs within intangible assets	**23,540**	15,865
Other intangibles within intangible assets	**903**	450
Property, plant and equipment	**96,562**	86,303
Inventories	**105,318**	79,734
Trade and other receivables	**183,619**	156,464
Trade and other payables	**(122,791)**	(102,717)
Current provisions	**(4,437)**	(11,746)
Net tax liabilities	**(14,968)**	(12,385)
Non-current trade and other payables	**(10,153)**	(3,756)
Non-current provisions	**(18,510)**	(1,549)
Add back contingent purchase consideration	**17,075**	9,650
Capital Employed	**259,373**	219,148
Average Capital Employed	**239,261**	204,428
Return on Capital Employed (ROCE)	**72.3%**	77.6%

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

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

3 NON-GAAP MEASURES continued

Organic growth

Organic growth measures the change in revenue and profit from continuing Group operations. At the year end, the method for calculating organic growth was changed. The revised method 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		
	53 weeks to 2 April 2016 £000	52 weeks to 28 March 2015 £000	**% growth**	**53 weeks to 2 April 2016 £000**	52 weeks to 28 March 2015 £000	**% growth**
Continuing operations	**807,805**	726,134		**166,014**	153,618	
Acquired and disposed revenue/profit	**(27,070)**	(1,124)		**(4,376)**	64	
Organic growth	**780,735**	725,010	**7.7%**	**161,638**	153,682	**5.2%**
Constant currency adjustment	**(14,466)**			**(2,725)**	–	
Organic growth at constant currency	**766,269**	725,010	**5.7%**	**158,913**	153,682	**3.4%**

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

Adjusted operating profit

	53 weeks to 2 April 2016 £000	52 weeks to 28 March 2015 £000
Operating profit	**142,943**	137,063
Add back:		
Acquisition items	**7,179**	1,483
Amortisation of acquired intangible assets	**23,103**	19,954
Adjusted operating profit	**173,225**	158,500

Adjusted operating cash flow

	53 weeks to 2 April 2016 £000	52 weeks to 28 March 2015 £000
Net cash from operating activities (note 25)	**149,273**	137,231
Add back:		
Taxes paid	**27,186**	30,824
Proceeds from sale of property, plant and equipment	**2,364**	1,411
Proceeds from sale of capitalised development costs	**166**	–
Share awards vested not settled by own shares*	**2,478**	–
Less:		
Purchase of property, plant and equipment	**(22,418)**	(22,164)
Purchase of computer software and other intangibles	**(2,204)**	(1,403)
Development costs capitalised	**(8,579)**	(7,213)
Adjusted operating cash flow	**148,266**	138,686
Cash conversion % (adjusted operating cash flow/adjusted operating profit)	**86%**	87%

* See Consolidated Statement of Changes in Equity

4 FINANCE INCOME

	53 weeks to 2 April 2016 £000	52 weeks to 28 March 2015 £000
Interest receivable	**217**	134
Fair value movement on derivative financial instruments	**–**	33
	217	167

5 FINANCE EXPENSE

	53 weeks to 2 April 2016 £000	52 weeks to 28 March 2015 £000
Interest payable on borrowings	**4,104**	3,090
Amortisation of finance costs	**561**	530
Net interest charge on pension plan liabilities	**2,013**	1,419
Other interest payable	**45**	28
	6,723	5,067
Fair value movement on derivative financial instruments	**508**	–
Unwinding of discount on provisions	**38**	46
	7,269	5,113

6 PROFIT BEFORE TAXATION

Profit before taxation comprises:

	53 weeks to 2 April 2016 £000	52 weeks to 28 March 2015 £000
Revenue	**807,805**	726,134
Direct materials/direct labour	**(290,650)**	(257,231)
Production overhead	**(95,218)**	(85,641)
Selling costs	**(107,854)**	(98,788)
Distribution costs	**(17,059)**	(15,868)
Administrative expenses	**(154,081)**	(131,543)
Operating profit	**142,943**	137,063
Share of results of associate	**(159)**	64
Profit on disposal of operations	**556**	1,430
Net finance expense	**(7,052)**	(4,946)
Profit before taxation	**136,288**	133,611

Included within administrative expenses are the amortisation of acquired intangible assets, transaction costs and adjustments to contingent consideration. The release of fair value adjustments to inventory is included in direct materials/direct labour.

6 PROFIT BEFORE TAXATION continued

		53 weeks to 2 April 2016 £000	52 weeks to 28 March 2015 £000
Profit before taxation is stated after charging/(crediting):			
Depreciation		**15,245**	14,005
Amortisation		**29,653**	26,670
Impairment of internally generated capitalised development costs		**–**	236
Research and development*		**32,651**	27,394
Foreign exchange gain		**(1,673)**	(1,765)
Profit on disposal of operations		**(556)**	(1,430)
Profit on sale of property, plant and equipment and computer software		**(1,345)**	(590)
Cost of inventories recognised as an expense		**388,899**	348,170
Staff costs (note 7)		**225,636**	199,763
Auditor's remuneration	Audit services to the Company	**201**	162
	Audit of the Company's subsidiaries	**756**	641
	Total audit fees	**957**	803
	Interim agreed upon procedures	**19**	18
	Tax compliance services	**6**	–
	Tax advisory services	**231**	133
	Other services	**18**	1
	Total non-audit fees	**274**	152
	Audit of Group pension plans	**16**	20
	Total fees	**1,247**	975
Operating lease rentals:	Property	**10,123**	8,888
	Other	**770**	921

* A further £8,579,000 (2015: £7,213,000) of development costs has been capitalised in the year. See note 12.

7 EMPLOYEE INFORMATION

The average number of persons employed by the Group (including Directors) by entity location was:

	53 weeks to 2 April 2016 Number	52 weeks to 28 March 2015 Number
United States of America	**1,813**	1,609
Mainland Europe	**839**	797
United Kingdom	**1,985**	1,895
Asia Pacific	**948**	1,011
Other countries	**19**	16
	5,604	5,328

7 EMPLOYEE INFORMATION continued

The average number of persons employed by the Group (including Directors) by employee location was:

	53 weeks to 2 April 2016 Number	52 weeks to 28 March 2015 Number
United States of America	**1,802**	1,491
Mainland Europe	**815**	770
United Kingdom	**1,946**	1,947
Asia Pacific	**968**	1,064
Other countries	**73**	56
	5,604	5,328

Group employee costs comprise:

	53 weeks to 2 April 2016 £000	52 weeks to 28 March 2015 £000
Wages and salaries	**185,688**	164,581
Social security costs	**25,852**	23,429
Pension costs (note 28)	**8,213**	7,117
Share-based payment charge (note 23)	**5,883**	4,636
	225,636	199,763

8 DIRECTORS' REMUNERATION

The remuneration of the Directors is set out on pages 82 to 90 within the Remuneration Report described as being audited and forms part of these financial statements.

Directors' remuneration comprises:

	53 weeks to 2 April 2016 £000	52 weeks to 28 March 2015 £000
Wages, salaries and fees	**3,165**	3,063
Pension costs	**12**	12
Share-based payment charge	**1,092**	1,233
	4,269	4,308

9 TAXATION

	53 weeks to 2 April 2016 £000	52 weeks to 28 March 2015* £000
Current tax		
UK corporation tax at 20% (2015: 21%)	**9,093**	9,397
Overseas taxation	**25,014**	24,851
Adjustments in respect of prior years	**(3,422)**	(725)
Total current tax charge	**30,685**	33,523
Deferred tax		
Origination and reversal of timing differences	**(4,833)**	(4,075)
Adjustments in respect of prior years	**1,595**	162
Total deferred tax credit	**(3,238)**	(3,913)
Total tax charge recognised in the Consolidated Income Statement	**27,447**	29,610
Reconciliation of the effective tax rate:		
Profit before tax	**136,288**	133,611
Tax at the UK corporation tax rate of 20% (2015: 21%)	**27,258**	28,058
Overseas tax rate differences	**9,970**	7,562
Tax incentives, exemptions and credits (including patent box, R&D and High-Tech status)	**(5,964)**	(3,675)
Permanent differences	**(1,990)**	(1,772)
Adjustments in respect of prior years	**(1,827)**	(563)
	27,447	29,610
Effective tax rate	**20.1%**	22.2%

* The comparative has been restated for consistency with the current year disclosure. There is no change to the prior year tax charge.

	53 weeks to 2 April 2016 £000	52 weeks to 28 March 2015 £000
Adjusted* profit before tax	**166,014**	153,618
Total tax charge on adjusted* profit	**36,373**	35,706
Effective tax rate	**21.9%**	23.2%

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

9 TAXATION continued

In addition to the amount charged to the Consolidated Income Statement, the following amounts relating to tax have been recognised directly in the Consolidated Statement of Comprehensive Income and Expenditure:

	53 weeks to 2 April 2016 £000	52 weeks to 28 March 2015 £000
Deferred tax (note 21)		
Retirement benefit obligations	**2,304**	(6,791)
Short-term timing differences	**(209)**	23
	2,095	(6,768)

In addition to the amounts charged to the Consolidated Income Statement and the Consolidated Statement of Comprehensive Income and Expenditure, the following amounts relating to tax have been recognised directly in equity:

	53 weeks to 2 April 2016 £000	52 weeks to 28 March 2015 £000
Current tax		
Excess tax deductions related to share-based payments on exercised awards	**737**	1,044
Deferred tax (note 21)		
Change in estimated excess tax deductions related to share-based payments	**109**	291
	846	1,335

10 DIVIDENDS

	Per ordinary share			
	53 weeks to 2 April 2016 pence	52 weeks to 28 March 2015 pence	**53 weeks to 2 April 2016 £000**	52 weeks to 28 March 2015 £000
Amounts recognised as distributions to shareholders in the year				
Final dividend for the year to 28 March 2015 (29 March 2014)	**7.31**	6.82	**27,629**	25,799
Interim dividend for the year to 2 April 2016 (28 March 2015)	**4.98**	4.65	**18,844**	17,600
	12.29	11.47	**46,473**	43,399
Dividends declared in respect of the year				
Interim dividend for the year to 2 April 2016 (28 March 2015)	**4.98**	4.65	**18,844**	17,600
Proposed final dividend for the year to 2 April 2016 (28 March 2015)	**7.83**	7.31	**29,628**	27,629
	12.81	11.96	**48,472**	45,229

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 21 July 2016 and has not been included as a liability in these financial statements.

11 GOODWILL

	2 April 2016 £000	28 March 2015 £000
Cost		
At beginning of year	**406,190**	335,278
Additions (note 24)	**114,826**	53,026
Exchange adjustments	**23,243**	17,886
At end of year	**544,259**	406,190
Provision for impairment		
At beginning and end of year	**–**	–
Carrying amounts	**544,259**	406,190

The Group identifies cash generating units (CGUs) at the operating company level as this represents the lowest level at which cash flows are largely independent of other cash flows. Goodwill acquired in a business combination is allocated, at acquisition, to the groups of CGUs that are expected to benefit from that business combination.

Before recognition of any impairment losses, the carrying amount of goodwill has been allocated to CGU groups as follows:

	2 April 2016 £000	28 March 2015 £000
Process Safety		
Gas Detection	**–**	–
Bursting Discs	**8,157**	7,826
Safety Interlocks and Corrosion Monitoring	**54,147**	51,826
	62,304	59,652
Infrastructure Safety		
Fire	**48,919**	22,711
Doors, Security and Elevators	**67,609**	63,912
	116,528	86,623
Medical		
Health Optics	**157,358**	125,581
Fluid Technology	**37,368**	34,746
Sensor Technologies*	**67,280**	–
	262,006	160,327
Environmental & Analysis		
Water	**28,757**	28,089
Photonics	**61,565**	58,931
Environmental Monitoring	**13,099**	12,568
	103,421	99,588
Total Group	**544,259**	406,190

* Sensor Technologies is a new CGU following the acquisition of CenTrak in the year.

Goodwill values have been tested for impairment by comparing them against the 'value in use' in perpetuity of the relevant CGU group. The value in use calculations were based on projected cash flows, derived from the latest budget approved by the Board, discounted at CGU specific, risk adjusted, discount rates to calculate their net present value.

11 GOODWILL continued

Key assumptions used in 'value in use' calculations

The calculation of 'value in use' is most sensitive to the following assumptions:

- CGU specific operating assumptions that are reflected in the budget period for the financial year to March 2017;
- Discount rates; and
- Growth rates used to extrapolate risk adjusted cash flows beyond the budget period.

CGU specific operating assumptions are applicable to the budgeted cash flows for the year to March 2017 and relate to revenue forecasts, expected project outcomes and forecast operating margins in each of the operating companies. The relative value ascribed to each assumption will vary between CGUs as the budgets are built up from the underlying operating companies within each CGU group. A short-term growth rate is applied to the March 2017 budget to derive the cash flows arising in the year to March 2018 and a long-term rate is applied to these values for the year to March 2019 and onwards, as described below.

Discount rates are based on estimations of the assumptions that market participants operating in similar sectors to Halma would make, using the Group's economic profile as a starting point and adjusting appropriately. The Directors do not currently expect any significant change in the present base discount rate of 10.79% (2015: 9.72%). The base discount rate, which is pre-tax and is based on short-term variables, may differ from the Weighted Average Cost of Capital (WACC) used in long-term return measures such as ROTIC. Discount rates are adjusted for economic risks that are not already captured in the specific operating assumptions for each CGU group. This results in the impairment testing using discount rates ranging from 9.86% to 14.00% (2015: 10.10% to 12.91%) across the CGU groups.

CGU groups to which 10% or more of the total goodwill balance is allocated are deemed to be significant. The assumptions used to determine 'value in use' for these CGU groups are:

	Risk adjusted discount rate		Short-term growth rates		Long-term growth rates	
Significant CGU groups	**2 April 2016**	28 March 2015	**2 April 2016**	28 March 2015	**2 April 2016**	28 March 2015
Safety Interlocks and Corrosion Monitoring	**12.29%**	11.49%	**(11.65)%**	7.20%	**2.33%**	2.79%
Doors, Security and Elevators	**12.95%**	10.58%	**5.18%**	7.20%	**1.92%**	2.15%
Health Optics	**14.00%**	12.91%	**5.18%**	7.20%	**2.06%**	2.35%
Photonics	**11.26%**	11.68%	**5.18%**	(3.26)%	**1.86%**	2.17%
Sensor Technologies*	**12.93%**	–	**13.7%**	–	**2.31%**	–

* Sensor Technologies is a new CGU following the acquisition of CenTrak in the year.

Short-term growth rates for all CGU groups, with the exception of Sensor Technologies, are based on sectoral organic growth rates achieved in the current year, but are capped at the Group's overall current year organic growth rate to ensure that future uncertainties are adequately reflected. Safety Interlocks and Corrosion Monitoring CGU is in the Process Safety sector which was impacted by the challenging energy market conditions in the year and therefore the short-term growth rate is based on the organic decline for that sector; It is expected to improve in the future. Long-term growth rates are capped at the weighted average GDP growth rates of the markets that the Group sells into.

Sensor Technologies is a new CGU in the year following the acquisition of CenTrak. Growth rates are based on forecasts at the acquisition date. An average short-term growth rate of 14% per year has been applied over the years to March 2018, trending to an average long-term growth rate of 2% thereafter. This reflects the company's growth strategy of further market penetration into the USA, international expansion and, in the longer term, new applications in other sectors.

SENSITIVITY TO CHANGES IN ASSUMPTIONS

Management believes that no reasonable potential change in any of the above key assumptions would cause the carrying value of any unit to exceed its recoverable amount.

12 OTHER INTANGIBLE ASSETS

	Acquired intangible assets							
	Customer and supplier relationship[1] £000	Technical know-how[2] £000	Trademarks, brands and patents[3] £000	Total £000	Internally generated capitalised development costs[4] £000	Computer software £000	Other intangibles[5] £000	Total £000
Cost								
At 29 March 2014	111,659	12,356	34,264	158,279	37,228	12,122	363	207,992
Transfer between category	–	–	–	–	225	(21)	–	204
Assets of businesses acquired	20,003	10,194	2,137	32,334	1,196	435	147	34,112
Assets of business sold	–	–	–	–	–	(263)	–	(263)
Additions at cost	–	–	–	–	7,213	1,021	382	8,616
Disposals and retirements	–	–	–	–	(465)	(385)	–	(850)
Exchange adjustments	9,250	2,502	1,134	12,886	90	241	74	13,291
At 28 March 2015	**140,912**	**25,052**	**37,535**	**203,499**	**45,487**	**13,150**	**966**	**263,102**
Transfer between category	–	–	–	–	–	**(16)**	–	**(16)**
Assets of businesses acquired (note 24)	**63,862**	**31,296**	**4,717**	**99,875**	**3,600**	–	**64**	**103,539**
Additions at cost	–	–	–	–	**8,579**	**1,669**	**535**	**10,783**
Disposals and retirements	–	–	–	–	**(1,620)**	**(176)**	–	**(1,796)**
Exchange adjustments	**9,010**	**1,923**	**2,266**	**13,199**	**1,429**	**427**	**56**	**15,111**
At 2 April 2016	**213,784**	**58,271**	**44,518**	**316,573**	**57,475**	**15,054**	**1,621**	**390,723**
Accumulated amortisation								
At 29 March 2014	40,588	6,059	14,677	61,324	24,247	9,312	355	95,238
Charge for the year	13,425	2,406	4,123	19,954	5,390	1,211	115	26,670
Impairment loss recognised	–	–	–	–	236	–	–	236
Assets of business sold	–	–	–	–	–	(143)	–	(143)
Disposals and retirements	–	–	–	–	(465)	(384)	–	(849)
Exchange adjustments	2,283	669	(272)	2,680	214	319	46	3,259
At 28 March 2015	**56,296**	**9,134**	**18,528**	**83,958**	**29,622**	**10,315**	**516**	**124,411**
Charge for the year	**15,833**	**3,317**	**3,953**	**23,103**	**5,020**	**1,348**	**182**	**29,653**
Disposals and retirements	–	–	–	–	**(1,455)**	**(174)**	–	**(1,629)**
Exchange adjustments	**3,367**	**568**	**1,482**	**5,417**	**748**	**350**	**20**	**6,535**
At 2 April 2016	**75,496**	**13,019**	**23,963**	**112,478**	**33,935**	**11,839**	**718**	**158,970**
Carrying amounts								
At 2 April 2016	**138,288**	**45,252**	**20,555**	**204,095**	**23,540**	**3,215**	**903**	**231,753**
At 28 March 2015	84,616	15,918	19,007	119,541	15,865	2,835	450	138,691

1 Customer and supplier relationship assets are amortised over their useful economic lives estimated to be between three and thirteen years. Within this balance individually material balances relate to RCS: £13,996,000 (2015: £15,090,000), Firetrace: £14,010,000 and £15,295,000, Visiometrics: £12,936,000 and CenTrak: £10,265,000 and £11,427,000. The remaining amortisation periods for these assets are eight years, twelve years, nine years, ten years and ten years respectively.

2 Technical know-how assets are amortised over their useful economic lives, estimated to be between three and ten years. Within this balance individually material items relate to RCS which has a carrying value of £9,708,000 (2015: £10,466,000) and CenTrak with a carrying value of £24,389,000. The remaining amortisation periods for these assets are eight years and ten years respectively.

3 Trademarks, brands and patents (which include protected intellectual property) are amortised over their useful economic lives estimated to be between eight and ten years. There are no individually material items within this balance.

4 Internally generated capitalised development costs are amortised over their useful economic lives estimated to be three years. There are no individually material items within this balance, which comprises capitalised costs arising from the development phase of the R&D projects undertaken by the Group.

5 Other intangibles comprise licence and product registration costs amortised over their useful economic lives estimated to be between three and five years.

13 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings			Plant, equipment and vehicles £000	Total £000
	Freehold[1] £000	Long leases £000	Short leases £000		
Cost					
At 29 March 2014	34,374	3,320	7,308	125,339	170,341
Transfer between category	–	1,158	(11)	(1,351)	(204)
Assets of businesses acquired	366	29	48	1,895	2,338
Assets of business sold	–	–	(59)	(660)	(719)
Additions at cost	4,868	495	2,059	14,742	22,164
Disposals and retirements	(171)	(159)	(1,617)	(9,006)	(10,953)
Exchange adjustments	319	314	245	3,986	4,864
At 28 March 2015	**39,756**	**5,157**	**7,973**	**134,945**	**187,831**
Transfer between category	**–**	**–**	**7**	**9**	**16**
Assets of businesses acquired (note 24)	**–**	**–**	**79**	**894**	**973**
Additions at cost	**4,397**	**123**	**2,962**	**14,936**	**22,418**
Disposals and retirements	**(444)**	**–**	**(595)**	**(4,312)**	**(5,351)**
Exchange adjustments	**1,590**	**160**	**277**	**4,341**	**6,368**
At 2 April 2016	**45,299**	**5,440**	**10,703**	**150,813**	**212,255**
Accumulated depreciation					
At 29 March 2014	9,505	1,451	5,128	79,840	95,924
Charge for the year	669	352	818	12,166	14,005
Assets of business sold	–	–	(28)	(283)	(311)
Disposals and retirements	(124)	(158)	(1,606)	(8,296)	(10,184)
Exchange adjustments	84	104	144	1,762	2,094
At 28 March 2015	**10,134**	**1,749**	**4,456**	**85,189**	**101,528**
Charge for the year	**679**	**416**	**905**	**13,245**	**15,245**
Disposals and retirements	**(158)**	**–**	**(566)**	**(3,632)**	**(4,356)**
Exchange adjustments	**391**	**67**	**94**	**2,724**	**3,276**
At 2 April 2016	**11,046**	**2,232**	**4,889**	**97,526**	**115,693**
Carrying amounts					
At 2 April 2016	**34,253**	**3,208**	**5,814**	**53,287**	**96,562**
At 28 March 2015	29,622	3,408	3,517	49,756	86,303

1 Included within freehold land and buildings is £8,269,000 (2015: £3,497,000) of assets under construction.

14 INTEREST IN ASSOCIATE

	2 April 2016 £000	28 March 2015 £000
Interest in associate		
At beginning of the year	**4,236**	5,088
Disposal cost of investments	**(386)**	(951)
Exchange adjustments	**(25)**	35
Group's share of profit of associate before Group eliminations	**(103)**	64
At end of year	**3,722**	4,236

On the 26 August 2015, the Group disposed of 9,176 shares in Optomed Oy (Optomed), representing 8.8% of its ownership interest in the associate (see note 29). As one of the largest shareholders, the Group continues to exercise significant influence, but not control, over the company and so continues to apply the equity method of accounting for its interest.

Later during the year another investor exercised an option over outstanding warrants, further diluting the Group's ownership to 26.7% at the year-end as disclosed below. Following the part disposal, Optomed continues to be classified as an investment in associate and therefore, as required by IAS 28, following this transaction the Group did not remeasure the carrying value of its investment.

	2 April 2016 £000	28 March 2015 £000
Aggregated amounts relating to associate		
Total assets	**7,488**	4,424
Total liabilities	**(4,129)**	(2,530)
Net assets	**3,359**	1,894
Group's share of net assets of associate	**897**	626
Total revenue	**4,352**	3,333
(Loss)/profit	**(313)**	193
(Loss)/profit after group eliminations*	**(838)**	193
Group's share of (loss)/profit of associate	**(103)**	64
Group's share of (loss)/profit of associate after Group eliminations*	**(159)**	64

*Group eliminations relate to profit on inventory held by the Group on product sold by Optomed.

Optomed has a 31 December year end. However, results coterminous with the Group's year end have been included based on the Group's remaining share of the associate.

Details of the Group's associate held at 2 April 2016 are as follows:

Name of associate	Country of incorporation	Proportion of ownership interest	Principal activity
Optomed Oy	Finland	26.7%	Design, manufacture and selling

The Group owns 95,034 (2015: 104,210) Class A shares in Optomed out of a total of 355,932 (2015: 315,110) shares in issue (Class A and B shares). Each A and B share entitles the holder to one vote.

15 INVENTORIES

	2 April 2016 £000	28 March 2015 £000
Raw materials and consumables	**54,936**	43,480
Work in progress	**9,907**	8,439
Finished goods and goods for resale	**40,475**	27,815
	105,318	79,734

The above is stated net of provision for slow-moving and obsolete stock, movements of which are shown below:

	2 April 2016 £000	28 March 2015 £000
At beginning of the year	**12,600**	10,220
Amounts reversed against inventories previously impaired and utilisation	**(789)**	(307)
Write downs of inventories recognised as an expense	**1,248**	1,743
Recognition of provisions for businesses acquired	**1,768**	653
De-recognition of provisions for business disposed	**–**	(197)
Exchange adjustments	**585**	488
At end of the year	**15,412**	12,600

Previous write-downs against inventory have been reversed as a result of increased sales in certain markets or where previously written down inventories have been disposed.

There is no material difference between the balance sheet value of inventories and their cost of replacement. None of the inventory has been pledged as security.

16 TRADE AND OTHER RECEIVABLES

	2 April 2016 £000	28 March 2015 £000
Trade receivables	**164,249**	141,551
Allowance for doubtful debts	**(4,238)**	(2,802)
	160,011	138,749
Other receivables	**7,508**	5,293
Prepayments	**16,023**	12,083
Accrued income	**77**	339
	183,619	156,464

The movement in the allowance for doubtful debts in respect of trade receivables during the year was as follows:

	2 April 2016 £000	28 March 2015 £000
At beginning of the year	**2,802**	2,353
Net impairment loss recognised	**1,494**	923
Amounts recovered against trade receivables previously written down	**(828)**	(641)
Recognition of provisions for businesses acquired	**649**	151
De-recognition of provisions for business disposed	**–**	(3)
Exchange adjustments	**121**	19
At end of the year	**4,238**	2,802

16 TRADE AND OTHER RECEIVABLES continued

Impairment charges are recorded against the trade receivables which the Group believes may not be recoverable. In the case of trade receivables that are past due, management makes an assessment of the risk of non-collection, taking into account factors such as previous default experience, any disputes or other factors delaying payment and the risk of bankruptcy or other failure of the customer to meet their obligations. For trade receivables that are not past due, taking into account good historical collection experience, management records an impairment charge only where there is a specific risk of non-collection.

The fair value of trade and other receivables approximates to book value due to the short-term maturities associated with these items. There is no impairment risk identified with regards to prepayments and accrued income or other receivables where no amounts are past due.

The ageing of trade receivables was as follows:

	Gross trade receivables		Trade receivables net of doubtful debts	
	2 April 2016 £000	28 March 2015 £000	**2 April 2016 £000**	28 March 2015 £000
Not yet due	**120,236**	105,649	**119,773**	105,463
Up to one month overdue	**26,125**	22,178	**26,101**	22,054
Up to two months overdue	**6,387**	4,413	**6,210**	4,346
Up to three months overdue	**3,746**	1,999	**3,180**	1,861
Over three months overdue	**7,755**	7,312	**4,747**	5,025
	164,249	141,551	**160,011**	138,749

17 TRADE AND OTHER PAYABLES: FALLING DUE WITHIN ONE YEAR

	2 April 2016 £000	28 March 2015 £000
Trade payables	**68,049**	57,633
Other taxation and social security	**4,998**	4,673
Other payables	**4,737**	2,888
Accruals	**38,204**	34,508
Deferred income	**6,679**	2,891
Deferred government grant income	**124**	124
	122,791	102,717

18 BORROWINGS

	2 April 2016 £000	28 March 2015 £000
Loan notes falling due within one year	**336**	–
Overdrafts	**4,412**	1,705
Total borrowings falling due within one year	**4,748**	1,705
Unsecured loan notes falling due after more than one year	**172,112**	657
Unsecured bank loans falling due after more than one year	**123,796**	139,762
Total borrowings falling due after more than one year	**295,908**	140,419
	300,656	142,124

Of loan notes falling due after more than one year £242,000 relate to loan notes arising on the acquisition of Advanced. The remainder relate to the issue of loan notes following a United States Private Placement in the year. See note 26.

Information concerning the security, currency, interest rates and maturity of the Group's borrowings is given in note 26.

19 PROVISIONS

Provisions are presented as:

	2 April 2016 £000	28 March 2015 £000
Current	4,437	11,746
Non-current	18,510	1,549
	22,947	13,295

	Contingent purchase consideration £000	Dilapidations and empty property £000	Product warranty £000	Legal, contractual and other £000	Total £000
At beginning of the year	9,650	1,379	2,166	100	13,295
Unwinding of discount	38	–	–	–	38
Additional provision in the year	843	448	1,275	51	2,617
Arising on acquisition*	21,990	52	948	–	22,990
Utilised during the year	(16,725)	(33)	(173)	(15)	(16,946)
Released during the year	(111)	(111)	(351)	(54)	(627)
Exchange adjustments	1,390	30	158	2	1,580
At end of the year	17,075	1,765	4,023	84	22,947

* Comprises £21,990,000 contingent purchase consideration arising on the acquisitions of Visiometrics (£21,345,000), and VAS (£645,000) and £1,000,000 of other current provisions acquired. See note 24.

Contingent purchase consideration

The provision at the beginning of the year comprised £9,484,000 falling due within one year and £166,000 falling due after one year. The additional provision charged in the year related mainly to a change in the contingent consideration on the Advanced acquisition from £3,356,000 to £4,183,000. The £16,725,000 utilisation relates mainly to settling the £4,183,000 Advanced consideration in cash and loan notes, a payment of £6,001,000 in full and final settlement of the contingent consideration for MST and £6,558,000 paid into escrow in relation to the Visiometrics acquisition (see note 24). The £111,000 release of provision related mainly to a revision to the estimate for the third earn out payment for the acquisition of ASL from £197,000 to £86,000.

Of the closing total provision of £17,075,000, £86,000 is due within one year for the acquisition of ASL. Of the balance due after more than one year, £704,000 relating to VAS and £1,136,000 relating to Visiometrics is due within one to two years and the remainder, relating to Visiometrics, is payable annually for four years thereafter.

Dilapidations and empty property

Dilapidations and empty property provisions exist where the Group has lease contracts under which the unavoidable costs of meeting its obligations under the contracts exceed the economic benefits expected to be received under them. The provisions comprise the Directors' best estimates of future payments:

a) to restore the fabric of buildings to their original condition where it is a condition of the leases prior to return of the properties; and
b) on vacant properties, the rental costs of which are not expected to be recoverable from subleasing the properties.

These commitments cover the period from 2016 to 2028 though they predominantly fall due within five years.

Product warranty

Product warranty provisions reflect commitments made to customers on the sale of goods in the ordinary course of business and included within the Group companies' standard terms and conditions. Warranty commitments cover a period of between one and five years and typically apply for a 12-month period. The provision represents the Directors' best estimate of the Group's liability based on past experience.

19 PROVISIONS continued

Legal, contractual and other

Legal, contractual and other provisions comprise mainly amounts reserved against open legal and contractual disputes. The Company has on occasion been required to take legal or other actions to defend itself against proceedings brought by other parties. Provisions are made for the expected costs associated with such matters, based on past experience of similar items and other known factors, taking into account professional advice received, and represent Directors' best estimate of the likely outcome. The timing of utilisation of these provisions is frequently uncertain reflecting the complexity of issues and the outcome of various court proceedings and negotiations. Contractual and other provisions represent the Directors' best estimate of the cost of settling future obligations. Unless specific evidence exists to the contrary, these reserves are shown as current.

However, no provision is made for proceedings which have been or might be brought by other parties against Group companies unless the Directors, taking into account professional advice received, assess that it is more likely than not that such proceedings may be successful.

20 TRADE AND OTHER PAYABLES: FALLING DUE AFTER ONE YEAR

	2 April 2016 £000	28 March 2015 £000
Other payables	**931**	720
Accruals	**825**	302
Deferred income	**7,656**	1,869
Deferred government grant income	**741**	865
	10,153	3,756

21 DEFERRED TAX

	Retirement benefit obligations £000	**Acquired intangible assets £000**	**Accelerated tax depreciation £000**	**Short-term timing differences £000**	**Share-based payment £000**	**Goodwill timing differences £000**	**Total £000**
At 28 March 2015	**13,085**	**(35,066)**	**(5,519)**	**356**	**2,330**	**1,548**	**(23,266)**
(Charge)/credit to Consolidated Income Statement	**(1,162)**	**6,989**	**(514)**	**785**	**200**	**(3,060)**	**3,238**
(Charge)/credit to Consolidated Statement of Comprehensive Income	**(2,304)**	**–**	**–**	**209**	**–**	**–**	**(2,095)**
Credit to equity	**–**	**–**	**–**	**–**	**109**	**–**	**109**
Acquired (note 24)	**–**	**(36,468)**	**(62)**	**(581)**	**–**	**13,242**	**(23,869)**
Exchange adjustments	**–**	**(2,629)**	**(231)**	**(18)**	**–**	**833**	**(2,045)**
At 2 April 2016	**9,619**	**(67,174)**	**(6,326)**	**751**	**2,639**	**12,563**	**(47,928)**

	Retirement benefit obligations £000	Acquired intangible assets £000	Accelerated tax depreciation £000	Short-term timing differences £000	Share-based payment £000	Goodwill timing differences £000	Total £000
At 29 March 2014	7,372	(28,493)	(5,336)	(375)	2,066	2,316	(22,450)
(Charge)/credit to Consolidated Income Statement	(1,078)	5,831	355	60	(27)	(1,228)	3,913
Credit/(charge) to Consolidated Statement of Comprehensive Income	6,791	–	–	(23)	–	–	6,768
Credit to equity	–	–	–	–	291	–	291
Acquired	–	(9,020)	(70)	–	–	–	(9,090)
Exchange adjustments	–	(3,384)	(468)	694	–	460	(2,698)
At 28 March 2015	13,085	(35,066)	(5,519)	356	2,330	1,548	(23,266)

21 DEFERRED TAX continued

Certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2 April 2016 £000	28 March 2015 £000
Deferred tax liability	**(92,352)**	(51,862)
Deferred tax asset	**44,424**	28,596
Net deferred tax liability	**(47,928)**	(23,266)

Movement in net deferred tax liability:

	2 April 2016 £000	28 March 2015 £000
At beginning of year	**(23,266)**	(22,450)
(Charge)/credit to Consolidated Income Statement:		
UK	**(1,407)**	(1,147)
Overseas	**4,645**	5,060
(Charge)/credit to Consolidated Statement of Comprehensive Income	**(2,095)**	6,768
Credit to equity	**109**	291
Acquired (note 24)	**(23,869)**	(9,090)
Exchange adjustments	**(2,045)**	(2,698)
At end of year	**(47,928)**	(23,266)

The UK corporation tax rate was reduced to 20% from 21% with effect from 1 April 2015. Further reductions in the UK corporation tax rate to 19% (effective from 1 April 2017) and 18% (effective from 1 April 2020) were substantively enacted in the UK Finance (No.2) Act 2015.

It is likely that the unremitted earnings of overseas subsidiaries would qualify for the UK dividend exemption such that no UK tax would be due upon remitting those earnings to the UK. However, £29,155,000 (2015: £19,422,000) of those earnings may still result in a tax liability, principally as a result of the dividend withholding taxes levied by the overseas jurisdictions in which those subsidiaries operate. These tax liabilities are not expected to exceed £3,192,000 (2015: £3,399,000) of which only £660,000 has been provided as the Group is able to control the timing of the dividends. It is not expected that further amounts will crystallise in the foreseeable future. Temporary timing differences in connection with the interest in associate are insignificant.

At 2 April 2016 the Group had unused capital tax losses of £155,000 (2015: £479,000) for which no deferred tax asset has been recognised.

22 SHARE CAPITAL

	Issued and fully paid	
	2 April 2016 £000	28 March 2015 £000
Ordinary shares of 10p each	**37,965**	37,965

The number of ordinary shares in issue at 2 April 2016 was 379,645,332 (2015: 379,645,332), including treasury shares of 940,421 (2015: 1,371,785) and shares held by the Employee Benefit Trust of 311,444 (2015: nil).

23 SHARE-BASED PAYMENTS

The total cost recognised in the Consolidated Income Statement in respect of share-based payment plans (the 'employee share plans') was as follows:

	53 weeks to 2 April 2016			52 weeks to 28 March 2015		
	Equity-settled £000	**Cash-settled £000**	**Total £000**	Equity-settled £000	Cash-settled £000	Total £000
Share incentive plan	**724**	**–**	**724**	570	–	570
Performance share plan	**3,522**	**1,302**	**4,824**	3,828	238	4,066
Executive share plan	**323**	**12**	**335**	–	–	–
	4,569	**1,314**	**5,883**	4,398	238	4,636

The Group has recorded liabilities of £1,130,000 (2015: £340,000) in respect of the cash-settled portion of the awards granted under the performance share plan.

Share incentive plan

Shares awarded under this Plan are purchased in the market by the Plan's trustees at the time of the award and are held in trust until their transfer to qualifying employees; vesting is conditional upon completion of three years' service. The costs of providing this Plan are recognised in the Consolidated Income Statement over the three-year vesting period.

Performance share plan (PSP)

The PSP was approved by shareholders on 3 August 2005 and replaced the previous share option plans. During the year the PSP was replaced with the Executive share plan.

Awards made under this Plan vest after three years on a sliding scale subject to the Group's relative Total Shareholder Return against the FTSE 250 excluding financial companies, combined with an absolute Return on Total Invested Capital measure. Awards which do not vest, lapse on the third anniversary of their award.

A summary of the movements in share awards granted under the PSP is as follows:

	2016 Number of shares awarded	2015 Number of shares awarded
Outstanding at beginning of year	**3,111,344**	3,587,492
Granted during the year	**–**	1,077,286
Vested during the year (pro-rated for 'good leavers')	**(867,910)**	(983,228)
Lapsed during the year	**(386,171)**	(570,206)
Outstanding at end of year	**1,857,263**	3,111,344
Exercisable at end of year	**–**	–

The weighted average share price at the date of awards vesting during the year was 759.0p (2015: 585.8p).

The performance shares outstanding at 2 April 2016 had a weighted average remaining contractual life of 11 months (2015: 1.4 years).

Executive share plan (ESP)

During the year ended 2 April 2016 the Group introduced the ESP in which Executive directors and certain senior employees participate.

Awards made under this Plan are either performance awards or deferred awards. Performance awards vest after three years based on Earnings Per Share and Return on Total Invested Capital (ROTIC) targets, and after two or three years for deferred share awards based on the continuing service of the employee only. Awards which do not vest, lapse on the second or third anniversary of their grant.

786,805 share awards were granted on 31 July 2015 at an option price of £nil. 12,876 awards lapsed during the year and, 982 awards vested. 772,947 shares were outstanding at the year end.

23 SHARE-BASED PAYMENTS continued

The fair value of the awards was calculated using an appropriate simulation method to reflect the likelihood of meeting the market-based performance conditions, which, until the current year, attached to half of the award, using the following assumptions:

	2016	2015	2014
Expected volatility (%)	**–**	21%	24%
Expected life (years)	**3**	3	3
Share price on date of grant (p)	**757.0**	569.9	568.5
Option price (p)	**Nil**	Nil	Nil
Fair value per option (%)	**100%**	62.4%	63.2%
Fair value per option (p)	**745.2**	355.9	359.3
Awarded under	**ESP**	PSP	PSP

The expected volatility was determined by calculating the historical volatility of the Group's share price over the previous three years.

Cash settled

Awards under the above plans are normally settled in shares but may be settled in cash at the Board's discretion or where required by local regulations. Cash settled awards follow the same vesting conditions as the plans under which they are awarded.

24 ACQUISITIONS

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

The Group made four acquisitions during the year: Value Added Solutions LLC (VAS); Firetrace USA, LLC (Firetrace); Visiometrics, S.L. (Visiometrics); and CenTrak Inc. (CenTrak).

The four acquisitions in the year contributed £21,798,000 of revenue and £3,128,000 of profit after tax for the year ended 2 April 2016. If these acquisitions had been held since the start of the financial year, it is estimated the Group's reported revenue and profit after tax would have been £38,362,000 and £5,565,000 higher respectively.

The combined fair value adjustments made for all acquisitions, excluding acquired intangible assets recognised and deferred tax thereon, resulted in net adjustments to goodwill of negative £3,262,000.

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

a) The total of VAS, Firetrace, Visiometrics and CenTrak;
b) VAS, on a stand-alone basis;
c) Firetrace, on a stand-alone basis;
d) Visiometrics, on a stand-alone basis; and
e) CenTrak, on a stand-alone basis.

Due to their contractual dates, the fair value of receivables acquired (shown below) 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).

£919,000 and £17,297,000 of goodwill arising on the acquisitions of VAS and Firetrace respectively are expected to be deductible for tax purposes.

As at the date of approval of the financial statements, the acquisition accounting for VAS and all prior year acquisitions is complete. Other than VAS, the accounting for certain balances on current year acquisitions is provisional. These balances mainly comprise the valuation of CenTrak's acquired intangible assets, as a result of the proximity of its acquisition date to the year end, and the initial considerations which are subject to the net tangible asset adjustments and other contractual clauses being agreed.

24 ACQUISITIONS continued
(A) Total of VAS, Firetrace, Visiometrics and CenTrak

	Book value £000	Fair value adjustments £000	Total £000
Non-current assets			
Intangible assets	2,233	101,306	103,539
Investment	14	(14)	–
Property, plant and equipment	742	231	973
Deferred tax	354	148	502
Current assets			
Inventories	12,941	4,146	17,087
Trade and other receivables	12,410	(512)	11,898
Cash and cash equivalents	1,830	–	1,830
Total assets	30,524	105,305	135,829
Current liabilities			
Trade and other payables	(9,984)	4	(9,980)
Provisions	(128)	(872)	(1,000)
Corporation tax	(2)	2	–
Non-current liabilities			
Other payables	(5,578)	5	(5,573)
Deferred tax	–	(24,371)	(24,371)
Total liabilities	(15,692)	(25,232)	(40,924)
Net assets of businesses acquired	14,832	80,073	94,905

Initial cash consideration paid (VAS, Firetrace, Visiometrics and CenTrak)	187,601
Initial consideration repayable*	(846)
Additional consideration payable*	986
Contingent purchase consideration paid into escrow	6,558
Contingent purchase consideration estimated to be paid (VAS and Visiometrics)	15,432
Total consideration	209,731
Goodwill arising on current year acquisitions	114,826

* Estimate in respect of net tangible asset and cash adjustments, and other contractual clauses.

Analysis of cash outflow in the Consolidated Cash Flow Statement

	53 weeks to 2 April 2016 £000	52 weeks to 28 March 2015 £000
Initial cash consideration paid	187,601	90,828
Cash acquired on acquisitions	(1,830)	(9,619)
Contingent consideration paid in relation to current year acquisitions	6,558	2,601
Contingent consideration paid and loan notes repaid in cash in relation to prior year acquisitions*	10,246	3,933
Net cash outflow relating to acquisitions (per Consolidated Cash Flow Statement)	202,575	87,743

* The £10,246,000 comprises £368,000 loan notes and £9,878,000 contingent purchase consideration paid in respect of prior year acquisitions, of which £9,419,000 had been provided in the prior year's financial statements.

24 ACQUISITIONS continued
(B) Value Added Solutions, LLC.

	Book value £000	Fair value adjustments £000	Total £000
Non-current assets			
Intangible assets	2	1,881	1,883
Property, plant and equipment	26	212	238
Current assets			
Inventories	22	7	29
Trade and other receivables	193	(11)	182
Total assets	243	2,089	2,332
Current liabilities			
Trade and other payables	(27)	(6)	(33)
Provisions	–	(2)	(2)
Non-current liabilities			
Other payables	(5)	5	–
Total liabilities	(32)	(3)	(35)
Net assets of businesses acquired	211	2,086	2,297

Initial cash consideration paid	3,228
Contingent purchase consideration estimated to be paid	645
Total consideration	3,873
Goodwill arising on acquisition	1,576

The Group acquired the entire interest in Value Added Solutions, LLC on 19 May 2015 for an initial cash consideration of US$5,000,000 (£3,228,000). The maximum contingent consideration payable is US$1,500,000 (£968,000). The current provision of US$1,000,000 (£645,000) represents the fair value of the estimated payable based on performance to date and the expectation of future cash flows. The contingent consideration is payable based on annualised gross margin for an eighteen month performance period to 1 October 2016.

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

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 £1,451,000; and technology related intangibles of £432,000; with residual goodwill arising of £1,576,000. The goodwill represents:

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

The VAS acquisition contributed £1,460,000 of revenue and £131,000 of profit after tax for the year ended 2 April 2016.
If this acquisition had been held since the start of the financial year, it is estimated that the Group's reported revenue and profit after tax would have been £322,000 and £11,000 higher respectively.

24 ACQUISITIONS continued
(C) Firetrace USA, LLC.

	Book value £000	Fair value adjustments £000	Total £000
Non-current assets			
Intangible assets	1,784	35,479	37,263
Property, plant and equipment	342	55	397
Current assets			
Inventories	7,721	2,768	10,489
Trade and other receivables	5,405	(518)	4,887
Cash and cash equivalents	107	–	107
Total assets	15,359	37,784	53,143
Current liabilities			
Trade and other payables	(2,064)	20	(2,044)
Provisions	(50)	(700)	(750)
Non-current liabilities			
Deferred tax	–	(2,629)	(2,629)
Total liabilities	(2,114)	(3,309)	(5,423)
Net assets of businesses acquired	13,245	34,475	47,720

Initial cash consideration paid	72,675
Initial consideration repayable	(607)
Total consideration	72,068
Goodwill arising on acquisition	24,348

On 5 October 2015 the Group acquired the entire interest in Firetrace USA, LLC and its subsidiary companies for a total cash consideration of US$110,000,000 (£72,675,000), adjustable based on the closing date net assets. The adjustment was determined to be US$nil. No contingent consideration is payable. It is estimated that US$919,000 (£607,000) of this consideration will be repaid.

Firetrace, based in Scottsdale, Arizona, USA, designs and manufactures automatic fire detection and suppression systems for installation in small enclosed environments to protect people and critical assets. It will continue to operate out of its current facilities and existing management will remain in place. Firetrace has become part of the Infrastructure Safety sector and further extends the Group's product offering within the fire protection industry.

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 £28,686,000; technology related intangibles of £3,861,000; and trademarks, brands and patents of £4,715,000 with residual goodwill arising of £24,348,000. The residual goodwill represents:

a) the technical expertise of the acquired workforce;
b) future business from new customers; and
c) the opportunity to develop new technologies and products to support future growth.

The Firetrace acquisition contributed £15,257,000 of revenue and £2,404,000 of profit after tax for the year ended 2 April 2016. If this acquisition had been held since the start of the financial year, it is estimated that the Group's reported revenue and profit after tax would have been £11,444,000 and £2,978,000 higher respectively.

24 ACQUISITIONS continued
(D) Visiometrics, S.L.

	Book value £000	Fair value adjustments £000	Total £000
Non-current assets			
Intangible assets	344	14,582	14,926
Property, plant and equipment	122	–	122
Deferred tax	348	–	348
Current assets			
Inventories	255	(92)	163
Trade and other receivables	1,030	2	1,032
Cash and cash equivalents	42	–	42
Total assets	2,141	14,492	16,633
Current liabilities			
Trade and other payables	(1,120)	(9)	(1,129)
Provisions	–	(36)	(36)
Corporation tax	(2)	2	–
Non-current liabilities			
Deferred Tax	–	(3,707)	(3,707)
Total liabilities	(1,122)	(3,750)	(4,872)
Net assets of businesses acquired	1,019	10,742	11,761

Initial cash consideration paid	13,144
Initial cash consideration repayable	(239)
Contingent purchase consideration paid into escrow	6,558
Contingent purchase consideration estimated to be paid	14,787
Total consideration	34,250
Goodwill arising on acquisition	22,489

On 16 December 2015 the Group acquired the entire share capitals of Visiometrics S.L., located outside Barcelona, Spain, and Visual Performance Diagnostics, Inc.,located in California, USA, collectively Visiometrics. Initial consideration paid for the company was €18,000,000 (£13,144,000) adjustable for the final agreed value of net tangible assets and cash at closing, for which €327,000 (£239,000) is owed to the Group at the balance sheet date.

€9,000,000 (£6,558,000) was paid on closing into escrow; €6,300,000 to be released to the vendors immediately on reaching €2,000,000 EBITDA in any 12 month period ending December 2016 (the EBITDA Reserve Goal); and the remaining €2,700,000, less any indemnity claim, released to the vendors in March 2018 dependent on reaching the EBITDA Reserve Goal. Management's current best estimate is that the EBITDA Reserve Goal will be met. Further contingent consideration is payable based on two elements; Royalty and the Core earn-out. The Royalty is payable annually over five years to December 2020 at a percentage of the gross margin on sales made to one customer. The estimated payable is €10,242,000 (£7,453,000). The Core earn-out is payable annually over three years to December 2018 based on a multiple of EBITDA over a target threshold. The estimated payable for the Core earn-out is €11,114,000 (£8,088,000). The undiscounted total estimated contingent consideration payable for the EBITDA Reserve Goal, Royalty and Core earn-outs is therefore €30,356,000 (£22,099,000).

The fair value of contingent consideration payable is estimated based on performance observed to date and the expectation of likely future cash flows, and is discounted at the Group's forecast cost of borrowing over the earn-out period. The fair value recognised is €29,294,000 (£21,345,000). The maximum contingent consideration payable is €109,000,000 subject to a maximum total consideration of €125,000,000.

Visiometrics designs, manufactures and markets ophthalmic diagnostic instruments. It is part of the Medical sector, which includes devices used to assess eye health, assist with eye surgery and primary care applications. The CEO and management team will continue to operate the business out of its current locations.

24 ACQUISITIONS continued

(D) Visiometrics, S.L. continued

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 £12,110,000; and technology related intangibles of £2,716,000; with residual goodwill arising of £22,489,000. The residual goodwill represents:

a) the technical expertise of the acquired workforce;
b) the opportunity to leverage this expertise across some of Halma's businesses; and
c) the opportunity to develop new technologies and products to support future growth.

The Visiometrics acquisition contributed £861,000 of revenue and £260,000 of profit after tax for the year ended 2 April 2016. If this acquisition had been held since the start of the financial year, it is estimated that the Group's reported revenue and profit after tax would have been £2,649,000 higher and £45,000 lower respectively.

(E) CenTrak, Inc.

	Book value £000	Fair value adjustments £000	Total £000
Non-current assets			
Intangible assets	**103**	**49,364**	**49,467**
Investment	**14**	**(14)**	**–**
Property, plant and equipment	**252**	**(36)**	**216**
Deferred tax	**6**	**148**	**154**
Current assets			
Inventories	**4,943**	**1,463**	**6,406**
Trade and other receivables	**5,782**	**15**	**5,797**
Cash and cash equivalents	**1,681**	**–**	**1,681**
Total assets	**12,781**	**50,940**	**63,721**
Current liabilities			
Trade and other payables	**(6,773)**	**(1)**	**(6,774)**
Provisions	**(78)**	**(134)**	**(212)**
Non-current liabilities			
Provisions	**(5,573)**	**–**	**(5,573)**
Deferred tax	**–**	**(18,035)**	**(18,035)**
Total liabilities	**(12,424)**	**(18,170)**	**(30,594)**
Net assets of businesses acquired	**357**	**32,770**	**33,127**

Initial cash consideration paid	**98,554**
Additional consideration payable	**986**
Total consideration	**99,540**
Goodwill arising on acquisition	**66,413**

On 3 February 2016 the Group acquired the entire share capital of CenTrak, Inc., located in Newtown, Pennsylvania, USA. Initial consideration paid for the company was US$140,000,000 (£97,317,000) plus an initial payment for the estimated value of net tangible assets and cash at closing of US$1,780,000 (£1,237,000). This was subsequently further increased by US$1,418,000 (£986,000) which is owed by the Group at the balance sheet date. No contingent consideration is payable. CenTrak designs and manufactures sensors and proprietary communication technology that provides precise and reliable location data for the healthcare market. It is part of the Group's Medical sector which includes a range of healthcare device companies serving niche applications in global markets. It will continue to operate out of its current facilities and existing management will remain in place.

24 ACQUISITIONS continued
(E) CenTrak, Inc. continued

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 £21,615,000; and technology related intangibles of £24,287,000; with residual goodwill arising of £66,413,000. The residual goodwill represents:

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

The CenTrak acquisition contributed £4,220,000 of revenue and £333,000 of profit after tax for the year ended 2 April 2016. If this acquisition had been held since the start of the financial year, it is estimated that the Group's reported revenue and profit after tax would have been £23,947,000 and £2,621,000 higher respectively.

25 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

	53 weeks to 2 April 2016 £000	52 weeks to 28 March 2015 £000
Reconciliation of profit from operations to net cash inflow from operating activities:		
Profit on continuing operations before finance income and expense, share of results of associate and profit on disposal of operations	**142,943**	137,063
Depreciation of property, plant and equipment	**15,245**	14,005
Amortisation of computer software	**1,348**	1,211
Amortisation of capitalised development costs and other intangibles	**5,202**	5,505
Impairment of capitalised development costs	**–**	236
Amortisation of acquired intangible assets	**23,103**	19,954
Share-based payment expense in excess of amounts paid	**1,899**	3,803
Additional payments to pension plans	**(7,728)**	(6,560)
Profit on sale of property, plant and equipment and computer software	**(1,345)**	(590)
Operating cash flows before movement in working capital	**180,667**	174,627
Increase in inventories	**(4,809)**	(1,097)
Increase in receivables	**(8,786)**	(10,656)
Increase in payables and provisions	**7,844**	5,801
Revision to estimate of, and exchange differences arising on, contingent consideration payable	**1,543**	(620)
Cash generated from operations	**176,459**	168,055
Taxation paid	**(27,186)**	(30,824)
Net cash inflow from operating activities	**149,273**	137,231

	53 weeks to 2 April 2016 £000	52 weeks to 28 March 2015 £000
Analysis of cash and cash equivalents		
Cash and bank balances	**53,938**	41,230
Overdrafts (included in current borrowings)	**(4,412)**	(1,705)
Cash and cash equivalents	**49,526**	39,525

25 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT continued

	At 28 March 2015 £000	Reclass £000	Cash flow £000	Cash acquired £000	Loan notes repaid/ (issued) £000	Exchange adjustments £000	At 2 April 2016 £000
Analysis of net debt							
Cash and bank balances	41,230	–	8,894	1,830	–	1,984	53,938
Overdrafts	(1,705)	–	(2,707)	–	–	–	(4,412)
Cash and cash equivalents	39,525	–	6,187	1,830	–	1,984	49,526
Loan notes falling due within one year	–	(367)	–	–	31	–	(336)
Loan notes falling due after more than one year	(657)	367	–	–	(167,425)	(4,397)	(172,112)
Bank loans falling due after more than one year	(139,762)	–	22,212	–	–	(6,246)	(123,796)
Total net debt	(100,894)	–	28,399	1,830	(167,394)	(8,659)	(246,718)

The net cash outflow from bank loans comprised repayments of £97,000,000 offset by drawdowns of £74,788,000.

The net cash inflow from loan notes comprised £167,473,000 from the drawdown of a United States Private Placement (see note 26), and £288,000 from the issue of loan notes in respect of the Advanced acquisition in the prior year, offset by £367,000 repayment of existing Advanced loan notes.

The sum of the above £6,187,000 cash inflow and £1,830,000 net cash acquired is equal to the increase in cash and cash equivalents of £8,017,000 in the Consolidated Cash Flow Statement.

26 FINANCIAL INSTRUMENTS

Policy

The Group's treasury policies seek to minimise financial risks and to ensure sufficient liquidity for the Group's operations and strategic plans. No complex derivative financial instruments are used, and no trading or speculative transactions in financial instruments are undertaken. Where the Group does use financial instruments these are mainly to manage the currency risks arising from normal operations and its financing. Operations are financed mainly through retained profits and, in certain geographic locations, bank borrowings. Foreign currency risk is the most significant aspect for the Group in the area of financial instruments. It is exposed to a lesser extent to other risks such as interest rate risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and these policies are summarised below. The Group's policies have remained unchanged since the beginning of the financial year.

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the bases of recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in the Accounting Policies note.

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 18 to the Accounts, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the Consolidated Statement of Changes in Equity.

The Group is not subject to externally imposed capital requirements.

26 FINANCIAL INSTRUMENTS continued

Foreign currency risk

The Group is exposed to foreign currency risk as a consequence of both trading with foreign companies and owning subsidiaries located in foreign countries.

The Group earns a significant proportion of its profit in currencies other than Sterling. This gives rise to translational currency risk, where the Sterling value of profits earned by the Group's foreign subsidiaries fluctuates with the strength of Sterling relative to their operating (or 'functional') currencies. The Group does not hedge this risk, so its reported profit is sensitive to the strength of Sterling, particularly against the US Dollar and Euro. The Group also has transactional currency exposures. These arise on sales or purchases by operating companies in currencies other than the companies' operating (or 'functional') currency. Significant sales and purchases are matched where possible and a proportion of the net exposure is hedged by means of forward foreign currency contracts.

The Group has significant investments in overseas operations in the USA and EU, with further investments in Australia, New Zealand, Singapore, Switzerland, China and India. As a result, the Group's balance sheet can be affected by movements in these countries' exchange rates. Where significant and appropriate, currency denominated net assets are hedged by currency borrowings. These currency exposures are reviewed regularly.

Interest rate risk

The Group is exposed to interest rate fluctuations on its borrowings and cash deposits. Where bank borrowings are used to finance operations they tend to be short term with floating interest rates. Longer-term funding is provided by the Group's bank loan facilities which are at floating rates, or by the Group's fixed rate United States Private Placement completed in November 2015.

Surplus funds are placed on short-term fixed rate deposit or in floating rate deposit accounts.

Credit risk

Credit risk is defined as the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties, as a means of mitigating the risk of financial loss from defaults. Credit ratings are supplied by independent agencies where available, and if not available, the Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed regularly.

Trade receivables consist of a large number of customers, spread across diverse industries and geographic areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee insurance cover is purchased.

The carrying amount of trade, tax and other receivables, derivative financial instruments and cash of £222,855,000 (2015: £186,936,000) represents the Group's maximum exposure to credit risk as no collateral or other credit enhancements are held.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Liquidity risk

The Group has a syndicated revolving credit facility of £360,000,000 with its core group of five banks extending to November 2018. In addition, in November 2015 the Group completed a United States Private Placement and issued US$250,000,000 of loan notes on 6 January 2016 repayable at five, seven and ten year intervals. These facilities are the main sources of long-term funding for the Group.

The Group has a strong cash flow and the funds generated by operating companies are managed regionally based on geographic location.

Funds are placed on deposit with secure, highly-rated banks. For short-term working capital purposes, most operating companies utilise local bank overdrafts. These practices allow a balance to be maintained between continuity of funding, security and flexibility. Because of the nature of their use, the facilities are typically 'on demand' and as such uncommitted. Overdraft facilities are typically renewed annually.

26 FINANCIAL INSTRUMENTS continued

Currency exposures

Translational exposures

It is estimated, by reference to the Group's US Dollar and Euro denominated profits, that a one per cent change in the value of the US Dollar relative to Sterling would have had a £673,000 (2015: £561,000) impact on the Group's reported profit before tax; and a one per cent change in the value of the Euro relative to Sterling would have had a £196,000 (2015: £214,000) impact on the Group's profit before tax for the year ended 2 April 2016.

Transactional exposures

The Group has net foreign currency monetary assets and liabilities that are assets and liabilities not denominated in the functional currency of the underlying company. These comprise cash and overdrafts as well as certain trade receivable and payable balances. These foreign currency monetary assets and liabilities give rise to the net currency gains and losses recognised in the Consolidated Income Statement as a result of movement in exchange rates. The exposures are predominantly US Dollar and Euro. Group policy is for a significant portion of foreign currency exposures, including sales and purchases, to be hedged by forward foreign exchange contracts in the company in which the transaction is recorded.

Interest rate risk profile

The Group's financial assets which are subject to interest rate fluctuations comprise interest bearing cash equivalents which totalled £3,318,000 at 2 April 2016 (2015: £998,000). These comprised Sterling denominated deposits of £115,000 (2015: £92,000), and Euro, US Dollar and Renminbi deposits of £3,203,000 (2015: £906,000) which are placed on local money markets and earn interest at market rates. Cash balances of £50,620,000 (2015: £40,232,000) earn interest at local market rates.

The financial liabilities which are subject to interest rate fluctuations comprise bank loans, bank overdrafts, and certain unsecured loans, which totalled £128,208,000 at 2 April 2016 (2015: £141,454,000). All bank loans bear interest at floating rates where the fixed period is typically no more than three months. Interest rates are based on the LIBOR of the currency in which the liabilities arise plus a small margin. Bank overdrafts bear interest at local base rates.

The loan notes related to the acquisition of Advanced Electronics Limited outstanding at 2 April 2016 attract interest at a fixed rate of 1%. The loan notes related to the United States Private Placement attract interest at a weighted average fixed rate of 2.5%.

The Group's weighted average interest cost on net debt for the year was 1.99% (2015: 1.80%).

	2 April 2016 £000	28 March 2015 £000
Analysis of interest bearing financial liabilities		
Sterling denominated bank loans	**35,000**	132,000
US Dollar denominated bank loans	**80,634**	–
Swiss Franc denominated bank loans	**8,162**	7,762
Total bank loans	**123,796**	139,762
Overdrafts (principally Sterling and US Dollar denominated)	**4,412**	1,705
Sterling denominated loan notes	**82,578**	657
US Dollar denominated loan notes	**45,070**	–
Euro denominated loan notes	**44,800**	–
Total interest bearing financial liabilities	**300,656**	142,124

For the year ended 2 April 2016 it is estimated that a general increase of one percentage point in interest rates would reduce the Group's profit before tax by £1,658,000 (2015: £1,675,000).

26 FINANCIAL INSTRUMENTS continued

Maturity of financial liabilities

The gross contractual maturities of the Group's non-derivative financial liabilities that are neither current nor on demand are as follows.

	One to two years £000	Two and five years £000	After more than five years £000	Gross maturities £000	Effect of discounting/ financing rates £000	Total £000
At 2 April 2016						
Accruals	**147**	**522**	**156**	**825**	–	**825**
Deferred income	**6,579**	**1,077**	**–**	**7,656**	–	**7,656**
Deferred government grant income	**115**	**47**	**579**	**741**	–	**741**
Other creditors	**892**	**36**	**3**	**931**	–	**931**
Contingent purchase consideration	**1,862**	**15,931**	–	**17,793**	**(804)**	**16,989**
Other provisions	**631**	**475**	**415**	**1,521**	–	**1,521**
Bank loans	–	**123,796**	–	**123,796**	–	**123,796**
Loan notes	**4,397**	**81,103**	**111,887**	**197,387**	**(25,275)**	**172,112**
	14,623	**222,987**	**113,040**	**350,650**	**(26,079)**	**324,571**

	One to two years £000	Two and five years £000	After more than five years £000	Gross maturities £000	Effect of discounting/ financing rates £000	Total £000
At 28 March 2015						
Accruals	246	47	9	302	–	302
Deferred income	996	873	–	1,869	–	1,869
Deferred government grant income	124	146	595	865	–	865
Other creditors	668	52	–	720	–	720
Contingent purchase consideration	166	–	–	166	–	166
Other provisions	496	634	253	1,383	–	1,383
Bank loans	–	139,762	–	139,762	–	139,762
Loan notes	662	–	–	662	(5)	657
	3,358	141,514	857	145,729	(5)	145,724

The Group's bank loans are revolving credit facilities and the amount and timing of future payments and drawdowns is unknown. It is therefore not possible to calculate the interest arising on these loans and we have therefore not disclosed the maturity of the gross cash flows (including interest) in relation to these liabilities.

26 FINANCIAL INSTRUMENTS continued

Borrowing facilities

Until this year, the Group's principal source of long-term funding has been its unsecured five-year £360,000,000 revolving credit facility, which expires in November 2018.

On 2 November 2015, the Group completed a United States Private Placement of US$250,000,000. The unsecured loan notes were drawn on 6 January 2016 as £82,000,000, €56,000,000 and US$64,000,000 at a weighted average fixed interest rate of 2.5%. The loan notes mature at five, seven and ten year intervals. Interest is payable half yearly.

The Group has additional short-term unsecured and committed US bank facilities of £17,606,000, which mature in November 2018 and were undrawn at 2 April 2016.

Other short-term operational funding is provided by cash generated from operations and by local bank overdrafts. These overdraft facilities are uncommitted and are generally renewed on an annual or ongoing basis and hence the facilities expire within one year or less.

The Group's undrawn committed facilities available at 2 April 2016 were £253,810,000 (2015: £237,130,000) of which £nil (2015: £16,892,000) matures within one year and £253,810,000 (2015: £220,238,000) between two and five years.

UK companies have cross-guaranteed £15,305,000 (2015: £17,990,000) of overdraft facilities of which £4,412,000 (2015: £1,538,000) was drawn.

Fair values of financial assets and financial liabilities

As at 2 April 2016 and 28 March 2015 there were no significant differences between the book value and fair value (as determined by market value) of the Group's financial assets and liabilities.

The fair value of floating borrowings approximates to the carrying value because interest rates are reset to market rates at intervals of less than one year.

Because of the proximity of issue date to the year-end the fair value of the Group's fixed rate loan notes arising from the United States Private Placement is considered to approximate to the carrying value.

The fair value of derivative financial instruments is estimated by discounting the future contracted cash flow, using readily available market data, and represents a level 2 measurement in the fair value hierarchy under IFRS 7.

The fair value of contingent consideration arising on acquisitions is estimated by discounting the possible future cash flows using probability adjusted forecasts for the acquired company, and represents a level 3 measurement in the fair value hierarchy under IFRS 7. The fair value is sensitive to the weighting assigned to the expected future cash flows. A change in weighting of 10 percentage points towards the higher expectations would result in an increase in the undiscounted estimate of future cash flows of €7,578,000.

26 FINANCIAL INSTRUMENTS continued

Hedging

As explained previously, the Group's policy is to hedge significant sales and purchases denominated in foreign currency using forward currency contracts. These instruments are initially recognised at fair value, which is typically £nil, and subsequent changes in fair value are taken to the Consolidated Income Statement, unless hedge accounted.

The following table details the forward foreign currency contracts outstanding as at the year end, which mostly mature within one year and therefore the cash flows and resulting effect on profit and loss are expected to occur within the next 12 months:

	Average exchange rate/£		Foreign currency		Contract value		Fair value	
	2 April 2016	28 March 2015	**2 April 2016 000**	28 March 2015 000	**2 April 2016 £000**	28 March 2015 £000	**2 April 2016 £000**	28 March 2015 £000
Forward contracts not in a designated cash flow hedge								
US Dollars	**1.43**	1.51	**3,100**	4,780	**2,169**	3,163	**(15)**	(67)
Euros	**1.29**	1.34	**450**	1,881	**349**	1,407	**(11)**	34
Other currencies					**4,877**	4,721	**(4)**	87
					7,395	9,291	**(30)**	54
Forward contracts in a designated cash flow hedge								
US Dollars	**1.50**	1.59	**7,665**	7,313	**5,126**	4,593	**(202)**	(320)
Euros	**1.33**	1.29	**18,213**	12,289	**13,714**	9,563	**(790)**	527
Czech Koruna	**–**	35.73	**–**	(73,251)	**–**	(2,050)	**–**	(93)
Other currencies					**3,069**	3,282	**(43)**	265
					21,909	15,388	**(1,035)**	379
Total forward contracts								
US Dollars	**1.48**	1.56	**10,765**	12,093	**7,295**	7,756	**(217)**	(387)
Euros	**1.33**	1.29	**18,663**	14,170	**14,063**	10,970	**(801)**	561
Czech Koruna	**–**	35.73	**–**	(73,251)	**–**	(2,050)	**–**	(93)
Other currencies					**7,946**	8,003	**(47)**	352
					29,304	24,679	**(1,065)**	433
Amounts recognised in the Consolidated Income Statement							**(328)**	180
Amounts recognised in the Consolidated Statement of Comprehensive Income and Expenditure							**(737)**	253
							(1,065)	433

The fair values of the forward contracts are disclosed as a £1,131,000 (2015: £1,069,000) asset and £2,196,000 (2015: £636,000) liability in the Consolidated Balance Sheet.

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

	2 April 2016 £000	28 March 2015 £000
Analysis of movement in the Hedging reserve		
Amounts removed from Consolidated Statement of Changes in Equity and included in Consolidated Income Statement during the year	**(253)**	(182)
Amounts recognised in the Consolidated Statement of Comprehensive Income and Expenditure	**(737)**	253
Net movement in the Hedging reserve in the year in relation to the effective portion of changes in fair value of cash flow hedges	**(990)**	71

There was no ineffectiveness arising with regards to forward contracts in a designated cash flow hedge.

With the exception of currency exposures, the disclosures in this note exclude short-term receivables and payables.

26 FINANCIAL INSTRUMENTS continued

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The Group enters into derivative financial instruments to manage its exposure to foreign currency risk, including:

- forward foreign exchange contracts to hedge the exchange rate risk arising on the export of goods to and from the USA, Mainland Europe and the UK; and
- foreign exchange loans to hedge the exchange rate risk arising on translation of the Group's investment in foreign operations which have the Euro, US Dollar and Swiss Franc as their functional currencies.

Market risk exposures are measured using sensitivity analysis as described below.

There has been no change to the Group's exposure to market risks or in the manner in which these risks are managed and measured.

Foreign currency sensitivity analysis

The Group is mainly exposed to the currency of the USA (US Dollar currency) and the currency of Mainland Europe (Euro currency).

The carrying amount of the Group's US Dollar and Euro denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets		Liabilities	
	2 April 2016 £000	28 March 2015 £000	**2 April 2016 £000**	28 March 2015 £000
US Dollar	**222,750**	169,047	**71,800**	42,793
Euro	**71,512**	61,741	**18,072**	15,488

If Sterling increased by 10% against the US Dollar and the Euro, profits before taxation and other equity would decrease as follows:

	US Dollar		Euro	
	2 April 2016 £000	28 March 2015 £000	**2 April 2016 £000**	28 March 2015 £000
Profit	**6,183**	5,153	**1,796**	1,964
Other equity	**13,723**	11,478	**4,858**	4,205

The profit sensitivity arises mainly from the translation of overseas profits earned during the year. 10% is the sensitivity rate which management assesses to be a reasonably possible change in foreign exchange rates. The Group's profit sensitivity has increased against the US Dollar and Euro because more of the Group's profits are earned in these currencies.

27 COMMITMENTS

Capital commitments

Capital expenditure authorised and contracted at 2 April 2016 but not recognised in these accounts amounts to £2,776,000 (2015: £5,312,000).

Commitments under operating leases

The Group has entered into commercial leases on properties and other equipment. The former expire between April 2016 and November 2028 and the latter between April 2016 and July 2022. Only certain property agreements contain an option for renewal at rental prices based on market prices at the time of exercise.

Total payments under non-cancellable operating leases will be made as follows:

	Land and buildings		**Other**	
	2 April 2016 £000	28 March 2015 £000	**2 April 2016 £000**	28 March 2015 £000
Within one year	**9,095**	8,611	**396**	429
Within two to five years	**19,448**	19,495	**629**	503
After five years	**8,377**	6,151	**–**	–
	36,920	34,257	**1,025**	932

28 RETIREMENT BENEFITS

Group companies operate both defined benefit and defined contribution pension plans. The Halma Group Pension Plan and the Apollo Pension and Life Assurance Plan (both UK) have defined benefit sections with assets held in separate trustee administered funds. Both of these sections had already closed to new entrants in 2002/03 and closed to future benefit accruals for 2014/15. From that date, the former defined benefit members joined the existing defined contribution section within the Halma Group Pension Plan.

Overseas subsidiaries have adopted mainly defined contribution plans, with the exception of three small defined benefit plans in the Swiss entities of Medicel AG, Robutec GmbH and Robutec AG (previously Plasticspritzerei AG).

Total pension costs of £8,213,000 (2015: £7,117,000) recognised in employee costs (note 7), comprise £7,901,000 (2015: £5,616,000) related to defined contribution plans and £312,000 (2015: £1,501,000) related to defined benefit plans.

Defined contribution plans

The amount charged to the Consolidated Income Statement in respect of defined contribution plans was £7,901,000 (2015: £5,616,000) and represents contributions payable to these plans by the Group at rates specified in the rules of the plans. The assets of the plans are held separately from those of the Group in funds under the control of trustees. Where there are employees who leave the plans prior to vesting fully in the contributions, the ancillary contributions payable by the Group may be reduced by the amount of forfeited contributions.

Defined benefit plans

The Group's significant defined benefit plans are for qualifying employees of its UK subsidiaries. Under the plans, the employees are entitled to retirement benefits of up to two thirds of final pensionable salary on attainment of a retirement age of 60, for members of the Executive Board, and 65, for all other qualifying employees. No other post-retirement benefits are provided. The plans are funded plans.

The most recent actuarial valuation of the Halma Group Pension Plan assets and the present value of the defined benefit obligation was carried out at 1 December 2014 by Mr Adrian Gibbons, Fellow of the Institute and Faculty of Actuaries. The present value of the defined benefit obligation, the related current service cost and the past service cost were measured using the projected unit credit method. The projected unit credit method is an accrued benefits valuation method in which the plan liabilities make allowance for projected earnings. Mr Gibbons also carried out the 1 April 2015 actuarial valuation of the Apollo Pension and Life Assurance Plan on the same basis.

28 RETIREMENT BENEFITS continued

An alternative to the projected unit credit method is a valuation on a solvency basis, often estimated using the cost of buying out benefits at the balance sheet date with a suitable insurance company. This amount represents the amount that would be required to settle the plan liabilities at the balance sheet date rather than the Group continuing to fund the ongoing liabilities of the plan. The Group estimates that this would amount to £450,000,000 (2015: £430,000,000).

	2 April 2016	28 March 2015	29 March 2014
Key assumptions used (UK plans):			
Discount rate	**3.40%**	3.25%	4.40%
Expected return on plan assets	**3.40%**	3.25%	4.40%
Expected rate of salary increases	**2.80%**	3.00%	3.20%
Pension increases LPI 2.5%	**2.00%**	2.20%	2.20%
Pension increases LPI 3.0%	**2.20%**	2.50%	2.50%
Inflation – RPI	**2.80%**	3.00%	3.20%
Inflation – CPI	**1.80%**	2.00%	2.20%

Mortality assumptions:

Investigations have been carried out within the past three years into the mortality experience of the Group's UK defined benefit plans. These investigations concluded that the current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

	2 April 2016 Years	28 March 2015 Years	29 March 2014 Years
Retiring today:			
Males	**22.5**	23.4	23.4
Females	**24.5**	26.0	25.9
Retiring in 20 years:			
Males	**24.3**	25.3	25.2
Females	**26.4**	27.9	27.9

During the year, the mortality tables used to set the mortality assumptions were changed for the UK plans. This had the effect of reducing the fair value of the defined benefit obligation by approximately £7,000,000.

The sensitivities regarding the principal assumptions used to measure the UK plan liabilities are set out below:

Assumption	Change in assumption	Impact on plan liabilities
Discount rate	Increase/decrease by 0.5%	Decrease/increase by 9.9%
Rate of inflation	Increase/decrease by 0.5%	Increase/decrease by 5.2%
Rate of salary growth	Increase/decrease by 0.5%	Increase/decrease by 0.3%
Rate of mortality	Increase by one year	Increase by 2.8%

28 RETIREMENT BENEFITS continued

Amounts recognised in the Consolidated Income Statement in respect of the UK and Swiss defined benefit plans are as follows:

	53 weeks to 2 April 2016 £000	52 weeks to 28 March 2015 £000
Current service cost	**312**	1,501
Net interest charge on pension plan liabilities	**2,013**	1,419
	2,325	2,920

Actuarial gains and losses have been reported in the Consolidated Statement of Comprehensive Income and Expenditure.

The actual return on plan assets was a loss of £2,914,000 (2015: gain of £30,420,000).

The cumulative amount of actuarial losses recognised in the Consolidated Statement of Comprehensive Income and Expenditure since the date of transition to IFRSs is £69,000,000 (2015: £78,000,000).

The amount included in the Consolidated Balance Sheet arising from the Group's obligations in respect of its UK and Swiss defined benefit retirement benefit plans is as follows:

	2 April 2016* £000	28 March 2015 £000	29 March 2014 £000
Present value of defined benefit obligations	**(274,186)**	(291,596)	(227,358)
Fair value of plan assets	**221,863**	224,806	190,509
Liability recognised in the Consolidated Balance Sheet	**(52,323)**	(66,790)	(36,849)

* At 2 April 2016, the fair value of the obligations and assets of the UK plans were £269,044,000 (2015: £285,751,000) and £218,410,000 (2015: £220,331,000) respectively and of the Swiss plans were £5,142,000 (2015: £5,845,000) and £3,453,000 (2015: £4,475,000) respectively.

Under the current arrangements, cash contributions in the region of £10,700,000 per year will be made for the immediate future with the objective of eliminating the pension deficit.

Movements in the present value of the UK and Swiss defined benefit obligations were as follows:

	53 weeks to 2 April 2016 £000	52 weeks to 28 March 2015 £000
At beginning of year	**(291,596)**	(227,358)
Service cost	**(312)**	(1,501)
Interest cost	**(9,227)**	(9,804)
Actuarial gains/(losses)	**18,969**	(56,830)
Defined benefit obligations of business acquired (note 24)	**–**	(1,256)
Contributions from plan members	**(439)**	(804)
Benefits paid	**8,646**	6,116
Premiums paid	**–**	28
Foreign exchange	**(227)**	(187)
At end of year	**(274,186)**	(291,596)

28 RETIREMENT BENEFITS continued

Movements in the fair value of the UK and Swiss plan assets were as follows:

	53 weeks to 2 April 2016 £000	52 weeks to 28 March 2015 £000
At beginning of year	**224,806**	190,509
Expected return on plan assets	**7,214**	8,385
Actuarial (losses)/gains	**(10,128)**	22,035
Plan assets of business acquired (note 24)	**–**	1,022
Contributions from the sponsoring companies	**8,041**	8,060
Contributions from plan members	**439**	804
Benefits paid	**(8,646)**	(6,116)
Premiums paid	**–**	(28)
Foreign exchange	**137**	135
At end of year	**221,863**	224,806

The net movement on actuarial gains and losses of the UK and Swiss plans was as follows:

	53 weeks to 2 April 2016 £000	52 weeks to 28 March 2015 £000
Defined benefit obligations	**18,969**	(56,830)
Fair value of plan assets	**(10,128)**	22,035
Net actuarial gains/(losses)	**8,841**	(34,795)

The analysis of the UK plan assets and the expected rate of return at the balance sheet date were as follows:

	Expected rate of return			**Fair value of assets**		
	2 April 2016 %	28 March 2015 %	29 March 2014 %	**2 April 2016 £000**	28 March 2015 £000	29 March 2014 £000
Equity instruments	**3.40**	3.25	4.40	**111,112**	114,314	101,155
Debt instruments	**3.40**	3.25	4.40	**90,829**	89,743	71,451
Property	**3.40**	3.25	4.40	**16,469**	16,274	14,905
	3.40	3.25	4.40	**218,410**	220,331	187,511

The overall expected rate of return is a weighted average.

In conjunction with the trustees, the Group conducts asset-liability reviews for its defined benefit pension plan. The results of these reviews are used to assist the trustees and the Group to determine the optimal long-term asset allocation with regard to the structure of the liabilities of the plan. They are also used to assist the trustees in managing the volatility in the underlying investment performance and risk of a significant increase in the defined benefit deficit by providing information used to determine the plan's investment strategy.

As a consequence, the Group is progressively giving more emphasis to a closer return matching of plan assets and liabilities, both to ensure the long-term security of its defined benefit commitment and to reduce earnings and balance sheet volatility.

28 RETIREMENT BENEFITS continued

The five-year history of experience adjustments was as follows:

	2 April 2016 £000	28 March 2015 £000	29 March 2014 £000	30 March 2013 £000	31 March 2012 £000
Present value of defined benefit obligations	**(274,186)**	(291,596)	(227,358)	(223,447)	(185,956)
Fair value of plan assets	**221,863**	224,806	190,509	176,275	152,959
Deficit in the plan	**(52,323)**	(66,790)	(36,849)	(47,172)	(32,997)
Experience adjustments on plan liabilities					
Amount	**2,709**	(4,271)	–	(246)	(224)
Percentage of plan liabilities	**(1)%**	1%	–	–	–
Experience adjustments on plan assets					
Amount	**(10,128)**	22,031	(30)	10,756	(1,804)
Percentage of plan assets	**(5)%**	10%	–	5%	(1)%

Based on the most recent actuarial valuation, the estimated amount of contributions expected to be paid to the UK and Swiss plans during the year ending 1 April 2017 is £10,700,000.

The levels of contributions are based on the current service cost and the expected future cash flows of the defined benefit pension plans. The Group estimates the plan liabilities on average to fall due over 20 and 24 years, respectively, for the Halma and Apollo plans.

29 DISPOSAL OF OPERATIONS

The total profit on disposal of operations of £556,000 comprises a charge of £34,000 related to the disposal of Monitor Elevator Products, Inc. (Monitor) in the prior year arising from a claim under the warranty arrangement, and £590,000 credit for the partial disposal of shares in the Group's associate, Optomed Oy (Optomed) on 26 August 2015. The Group disposed of 9,176 shares in Optomed, representing 8.8% of its ownership interest in the associate. Consideration received was €1,236,000 (£907,000). The Group's residual interest in Optomed after the disposal was 28.6%, reducing to 26.7% by the year-end as discussed in note 14.

The total profit on disposal of operations shown in the prior year of £1,430,000 comprises £1,076,000 for the disposal of Monitor, £223,000 for the partial disposal of shares in Optomed and £131,000 for the fair value gain recognised in relation to the disposal of PSRM. The £4,248,000 cash inflow represents the £3,180,000, £695,000 and £610,000 proceeds from the sale of the shares in Monitor, Optomed, and PSRM respectively plus the £36,000 overdraft in Monitor less the disposal costs of £273,000. Further details are provided on page 149 of the Annual Report and Accounts 2015.

30 EVENTS AFTER THE BALANCE SHEET DATE

There were no events after the balance sheet date.

31 RELATED PARTY TRANSACTIONS

Trading transactions

	2 April 2016 £000	28 March 2015 £000
Associated companies		
Purchases from associated companies	**1,254**	638
Amounts due to associated companies	**153**	161
Amounts due from associated companies	**–**	–

Other related parties		
Rent charged by other related parties	**121**	113
Amounts due to other related parties	**2**	–

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

Remuneration of key management personnel

The remuneration of the Directors and Executive Board members, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 'Related Party Disclosures'. Further information about the remuneration of individual Directors is provided in the audited part of the Directors' Remuneration Report on pages 82 to 90.

	53 weeks to 2 April 2016 £000	52 weeks to 28 March 2015 £000
Wages and salaries	**5,658**	5,212
Pension costs	**180**	169
Share-based payment charge	**2,341**	1,799
	8,179	7,180

Company Balance Sheet

	Notes	2 April 2016 £000	(Restated*) 28 March 2015 £000
Fixed assets			
Intangible assets	C3	**60**	105
Tangible assets	C4	**3,126**	3,243
Investments	C5	**166,502**	163,986
Deferred tax asset	C10	**8,016**	10,204
		177,704	177,538
Current assets			
Debtors (amounts falling due within one year)	C6	**45,533**	44,688
Debtors (amounts falling due after more than one year)	C6	**602,135**	415,225
Short-term deposits		**92**	92
Cash at bank and in hand		**10**	174
		647,770	460,179
Creditors: amounts falling due within one year			
Borrowings	C7	**13,782**	10,675
Creditors	C8	**41,939**	53,316
Current tax payable		**3,443**	3,435
		59,164	67,426
Net current assets		**588,606**	392,753
Total assets less current liabilities		**766,310**	570,291
Creditors: amounts falling due after more than one year			
Borrowings	C7	**295,908**	140,419
Retirement benefit obligations	C13	**35,628**	46,741
Creditors	C9	**11,827**	11,753
Net assets		**422,947**	371,378
Capital and reserves			
Share capital	C11	**37,965**	37,965
Share premium account		**23,608**	23,608
Own shares**		**(8,219)**	(8,450)
Capital redemption reserve		**185**	185
Other reserves		**(12,673)**	(9,999)
Profit and loss account		**382,081**	328,069
Shareholders' funds		**422,947**	371,378

* See notes C1 and C14

** Referenced to in prior years as Treasury shares

The financial statements of Halma plc, company number 00040932, were approved by the Board of Directors on 14 June 2016.

A J WILLIAMS
Director

K J THOMPSON
Director

Company Statement of Changes in Equity

	Share capital £000	Share premium account £000	Own shares £000	Capital redemption reserve £000	Other reserves £000	Profit and loss account £000	Total £000
At 29 March 2015 (restated)	**37,965**	**23,608**	**(8,450)**	**185**	**(9,999)**	**328,069**	**371,378**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**95,803**	**95,803**
Other comprehensive income and expense:							
Actuarial gains on defined benefit pension plan	**–**	**–**	**–**	**–**	**–**	**5,926**	**5,926**
Tax relating to components of other comprehensive income	**–**	**–**	**–**	**–**	**–**	**(1,541)**	**(1,541)**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**4,385**	**4,385**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**(46,473)**	**(46,473)**
Share-based payment charge	**–**	**–**	**–**	**–**	**2,920**	**–**	**2,920**
Deferred tax on share-based payment transactions	**–**	**–**	**–**	**–**	**118**	**–**	**118**
Excess tax deductions related to exercised share awards	**–**	**–**	**–**	**–**	**–**	**297**	**297**
Purchase of Own shares*	**–**	**–**	**(3,003)**	**–**	**–**	**–**	**(3,003)**
Performance share plan awards vested*	**–**	**–**	**3,234**	**–**	**(5,712)**	**–**	**(2,478)**
At 2 April 2016	**37,965**	**23,608**	**(8,219)**	**185**	**(12,673)**	**382,081**	**422,947**
At 29 March 2014 (restated)	37,902	22,778	(7,054)	185	(7,316)	292,761	339,256
Profit for the year (restated)	–	–	–	–	–	98,330	98,330
Other comprehensive income and expense:							
Actuarial losses on defined benefit pension plan	–	–	–	–	–	(25,080)	(25,080)
Tax relating to components of other comprehensive income	–	–	–	–	–	5,005	5,005
Total comprehensive income for the year	–	–	–	–	–	(20,075)	(20,075)
Dividends paid	–	–	–	–	–	(43,399)	(43,399)
Share options exercised	63	830	–	–	–	–	893
Share-based payment charge	–	–	–	–	2,682	–	2,682
Deferred tax on share-based payment transactions	–	–	–	–	82	–	82
Excess tax deductions related to exercised share awards	–	–	–	–	–	452	452
Purchase of Own shares*	–	–	(6,843)	–	–	–	(6,843)
Performance share plan awards vested*	–	–	5,447	–	(5,447)	–	–
At 28 March 2015 (restated)	37,965	23,608	(8,450)	185	(9,999)	328,069	371,378

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

C1 ACCOUNTING POLICIES

Basis of preparation

The separate Company financial statements are presented as required by the Companies Act 2006 and have been prepared on the historical cost basis, and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' except for the revaluation of certain financial instruments at fair value as permitted by the Companies Act 2006.

Information on the impact of first-time adoption of FRS 101 is given in note C14.

First time application of FRS 100 and FRS 101

In the current year the Company has adopted FRS 100 and FRS 101. In previous years the financial statements were prepared in accordance with applicable UK accounting standards. This change in the basis of preparation has not materially altered the recognition and measurement requirements previously applied in accordance with UK GAAP, other than the accounting for the Company pension plan (see note C14). Consequently the principal accounting policies are otherwise unchanged from the prior year. On the change in the basis of preparation, the Company has taken advantage of all of the available disclosure exemptions in the financial statements permitted by FRS 101. The most significant disclosure exemptions are summarised below. There have been no other material amendments to the disclosure requirements previously applied in accordance with UK GAAP.

As required by FRS 101, the comparatives have been restated.

Financial reporting standard 101 – reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based payment;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- paragraph 79(a)(iv) of IAS 1;
- paragraph 73(e) of IAS 16 Property, Plant and Equipment;
- paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D,111 and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors; and
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

Significant accounting judgements and estimates

In preparing the financial statements, management has made judgements, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and assumptions are reviewed on an ongoing basis and are based on historical experience and various other factors that are believed to be reasonable under the circumstances.

The most significant area of estimate is determining whether there is impairment of the Company's investments which requires estimation of the investments' values in use. The value in use calculation requires the Company to estimate the future cash flows expected to arise from the investments and apply suitable discount rates in order to calculate present values.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Deferred tax

The recognition of deferred tax assets is dependent on assessments of future taxable income.

Foreign currencies

Transactions in foreign currency are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates prevailing at that date. Any gain or loss arising from subsequent exchange rate movements is included as an exchange gain or loss in the Profit and Loss Account.

Financial Instruments

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

C1 ACCOUNTING POLICIES continued

Financial assets

The Company recognises its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired.

Other than the financial assets in a qualifying hedging relationship, the Company's accounting policy for each category is as follows:

Fair value through profit or loss – This category comprises only in-the-money derivatives. These are carried in the balance sheet at fair value with changes in fair value recognised in the Profit and Loss Account.

Loans and receivables – Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the Profit and Loss Account. On confirmation that the trade receivable will not be collected, the gross carrying value of the asset is written off against the associated provision.

Financial liabilities

The Company classifies its financial liabilities into one of the categories discussed below, depending on the purpose for which the liability was acquired.

Fair value through profit or loss – These comprise only out-of-the-money derivatives. They are carried in the balance sheet at fair value with changes in fair value recognised in the Profit and Loss Account.

At amortised cost – Financial liabilities at amortised cost including bank borrowings are initially recognised at fair value. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method.

Share-based payments

The Company has adopted IFRS 2 and the accounting policies followed are in all material respects the same as the Group’s policy. This policy is shown on page 115.

Investments

Investments are stated at cost less provision for impairment.

Fixed assets and depreciation

Fixed assets are stated at cost less provisions for impairment and depreciation which, with the exception of freehold land which is not depreciated, is provided on all fixed assets on the straight-line method, each item being written off over its estimated life. The principal annual rates used for this purpose are:

Freehold property	2%
Plant, equipment and vehicles	8% to 33.3%

Leases

The costs of operating leases of property and other assets are charged on a straight-line basis over the life of the lease.

C1 ACCOUNTING POLICIES continued

Pensions

The Company makes contributions to defined contribution pension plans, which are charged against profits when they become payable. The Company also operates a Group-wide defined benefit pension plan. For defined benefit plans, the asset or liability recorded in the Company Balance Sheet is the difference between the fair value of the plan's assets and the present value of the defined obligation at that date. The defined benefit obligation is calculated separately for the plan on an annual basis by an independent actuary using the projected unit credit method.

Actuarial gains and losses are recognised in full in the year in which they occur, and are taken to other comprehensive income.

Current and past service costs, along with the impact of settlements or curtailments, are charged to profit and loss. The unwinding of the discounting on the net liability is recognised within finance income or expense as appropriate.

Taxation

Tax on the profit or loss for the year comprises both current and deferred tax. Tax is recognised in the Profit and Loss Account except to the extent that it relates to items recognised either in other comprehensive income or directly in equity.

Current tax is the expected tax payable, on the taxable income for the year, using tax rates enacted, or substantially enacted, at the balance sheet date, and any adjustments to tax payable in respect of previous years.

Deferred taxation is provided on taxable temporary differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax bases. Deferred tax is measured at the tax rates that are expected to apply in the periods in which the temporary differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are only recognised if recovery is considered more likely than not on the basis of all available evidence.

C2 RESULT FOR THE YEAR

As permitted by Section 408(3) of the Companies Act 2006, the Profit and Loss Account of Halma plc is not presented as part of these accounts. The Company has reported a profit after taxation for the financial year of £95,803,000 (2015: £98,330,000 (restated)).

Auditor's remuneration for audit services to the Company was £201,000 (2015: £162,000).

Total employee costs (including Directors) were:

	53 weeks to 2 April 2016 £000	52 weeks to 28 March 2015 £000
Wages and salaries	**5,865**	6,539
Social security costs	**683**	615
Pension costs	**414**	423
	6,962	7,577

	53 weeks to 2 April 2016 Number	52 weeks to 28 March 2015 Number
Number of employees (all in the UK)	**48**	49

Details of Directors' remuneration are set out on pages 82 to 90 within the Remuneration Report and form part of these financial statements.

C3 FIXED ASSETS – INTANGIBLE ASSETS

	Computer Software £000
Cost	
At 28 March 2015 (restated*)	**827**
Additions at cost	**17**
Disposals	**(46)**
Transfers	**(21)**
At 2 April 2016	**777**
Accumulated depreciation	
At 28 March 2015 (restated*)	**722**
Charge for the year	**39**
Disposals	**(46)**
Transfers	**2**
At 2 April 2016	**717**
Carrying amounts	
At 2 April 2016	**60**
At 28 March 2015	105

C4 FIXED ASSETS – TANGIBLE ASSETS

	Freehold properties £000	Plant equipment and vehicles £000	Total £000
Cost			
At 28 March 2015 (restated*)	**3,043**	**1,805**	**4,848**
Additions at cost	**–**	**148**	**148**
Disposals	**–**	**(434)**	**(434)**
Transfers	**–**	**21**	**21**
At 2 April 2016	**3,043**	**1,540**	**4,583**
Accumulated depreciation			
At 28 March 2015 (restated*)	**480**	**1,125**	**1,605**
Charge for the year	**47**	**214**	**261**
Disposals	**–**	**(407)**	**(407)**
Transfers	**–**	**(2)**	**(2)**
At 2 April 2016	**527**	**930**	**1,457**
Carrying amounts			
At 2 April 2016	**2,516**	**610**	**3,126**
At 28 March 2015	2,563	680	3,243

* See note C14

Notes to the Company Accounts continued

C5 INVESTMENTS
Shares in Group companies

	2 April 2016 £000	28 March 2015 £000
At cost less amounts written off at beginning of year	**163,986**	142,005
Increase in investments	**2,516**	21,981
At cost less amounts written off at end of year	**166,502**	163,986

The increase of £2,516,000 comprises £991,000 for the 100% acquisition of Firetrace International Limited (Firetrace), £809,000 increase in investment in an existing subsidiary, Halma Euro Trading Limited, and an increase of £827,000 in the investment of Advanced Electronics Limited, offset by a decrease of £111,000 in the investment of ASL Holdings Limited (ASL). The latter two were due to changes in the estimate of contingent considerations payable.

Subsidiaries

Name	Country	Class	Group %
A & G Security Electronics Limited	United Kingdom	Ordinary Shares	100*
Accudynamics, LLC	United States	Common Stock	100
Accutome, Inc.	United States	Ordinary Shares	100
Adler Diamant BV	Netherlands	Ordinary Shares	100
Advanced Electronics Limited	United Kingdom	Ordinary Shares	100*
Advanced Fire Systems Inc.	United States	Common Stock	100*
Alicat Scientific, Inc.	United States	Common Stock	100
Analytical Development Company Limited	United Kingdom	Ordinary Shares	100*
Apollo (Beijing) Fire Products Co. Ltd	China	Ordinary Shares	100
Apollo America, Inc.	United States	Common Stock	100
Apollo Fire Detectors Limited	United Kingdom	Ordinary & Deferred Shares	100*
Apollo GmbH	Germany	Ordinary Shares	100
Aquionics, Inc.	United States	Ordinary Shares	100
ASL Holdings Limited	United Kingdom	Ordinary Shares	100*
Avire Elevator Technology India Pte Ltd	India	Ordinary & Preference Shares	100
Avire Elevator Technology Shanghai Ltd	China	Ordinary Shares	100
Avire Global Pte Ltd	Singapore	Ordinary Shares	100
Avire Inc.	United States	Ordinary Shares	100
Avire Limited	United Kingdom	Ordinary Shares	100*
Avire s.r.o.	Czech Republic	Ordinary Shares	100*
Avo Photonics (Canada) Inc.	Canada	A & B Shares	100
Avo Photonics, Inc.	United States	A & B Preferred Stock & Common Stock	100
B.E.A. Holdings, Inc.	United States	Ordinary Shares	100
B.E.A. Inc.	United States	Ordinary Shares	100
B.E.A. Investments, Inc.	United States	Ordinary Shares	100
Baoding Longer Precision Pump Co., Ltd	China	Ordinary Shares	100
BEA Electronics (Beijing) Co Ltd	China	Ordinary Shares	100
BEA Japan KK	Japan	Ordinary Shares	100
Beijing Ker'Kang Instrument Limited Company	China	Ordinary Shares	100
Berson Milieutechniek BV	Netherlands	Ordinary Shares	100
Bio-Chem Fluidics, Inc.	United States	Ordinary Shares	100
Bureau d'Electronique appliquée S.A.	Belgium	Ordinary Shares	100
Castell Interlocks, Inc.	United States	Ordinary Shares	100
Castell Locks Limited	United Kingdom	Ordinary Shares	100*
Castell Safety China Ltd	China	Ordinary Shares	100
Castell Safety International Limited	United Kingdom	Ordinary Shares	100*
Castell Safety Technology Limited	United Kingdom	Ordinary Shares	100*
CEF Safety Systems BV	Netherlands	Ordinary Shares	100
CenTrak, Inc.	United States	Common Stock	100
Cosasco Canada Ltd	Canada	Ordinary Shares	100
Cosasco Middle East (FZE)	UAE	Common Stock	100
Crowcon Detection Instruments Limited	United Kingdom	A & Ordinary Shares	100*
Diba Industries Limited	United Kingdom	Ordinary Shares	100*

C5 INVESTMENTS continued
Subsidiaries continued

Name	Country	Class	Group %
Diba Industries, Inc.	United States	Common Stock	100
Diba Japan K.K.	Japan	Ordinary Shares	100
Eco Rupture Disc Limited	United Kingdom	Ordinary Shares	100*
Eiffel Investments Ltd	Ireland	Ordinary Shares	100
Eiffel Lux S.a.r.l.	Luxembourg	Ordinary Shares	100
Elfab Hughes Limited	United Kingdom	Ordinary Shares	100*
Elfab Limited	United Kingdom	Ordinary Shares	100*
F.I.R.E. Panel, LLC	United States	Ordinary Shares	100
Fabrication de Produits de Sécurité SaRL	Tunisia	Ordinary Shares	100
FFE Holdings Limited	United Kingdom	Deferred, A & Ordinary Shares	100*
FFE Limited	United Kingdom	Ordinary Shares	100*
Fiberguide Industries, Inc.	United Kingdom	Ordinary Shares	100
Fire Fighting Enterprises Limited	United Kingdom	Ordinary Shares	100*
Firetrace Aerospace, LLC	United States	Ordinary Shares	100
Firetrace Export Corporation	United States	Common Stock	100
Firetrace International Asia Pte. Ltd	Singapore	Ordinary Shares	100
Firetrace International Limited	United Kingdom	Ordinary Shares	100*
Firetrace USA, LLC	United States	Ordinary Shares	100
Fluid Conservation Systems, Inc.	United States	Ordinary Shares	100
Fortress Interlocks Limited	United Kingdom	Ordinary & Preferred Shares	100*
Fortress Interlocks Pty Ltd	Australia	Ordinary Shares	100
Halma (China) Group	China	Ordinary Shares	100
Halma Do Brasil – Equipamentos De Segurança Ltda	Brazil	Ordinary Shares	100
Halma Euro Trading Limited	United Kingdom	Ordinary Shares	100*
Halma Financing Limited	United Kingdom	Ordinary Shares	100
Halma Holding GmbH	Germany	Ordinary Shares	100
Halma Holdings, Inc.	United States	Ordinary Shares	100
Halma India Private Ltd	India	Ordinary Shares	100
Halma International BV	Netherlands	Ordinary Shares	100
Halma International Limited	United Kingdom	A & Ordinary Shares	100*
Halma Investment Holdings Limited	United Kingdom	Ordinary Shares	100
Halma IT Services Limited	United Kingdom	Ordinary Shares	100*
Halma Overseas Funding Limited	United Kingdom	Ordinary Shares	100
Halma PR Services Limited	United Kingdom	Ordinary Shares	100*
Halma Resistors Unlimited	United Kingdom	Ordinary Shares	100
Halma Safety Limited	United Kingdom	Ordinary Shares	100*
Halma Saúde e Otica do Brasil – Importação, Exportação e Distribuição Ltda	Brazil	Ordinary Shares	100
Halma Services Limited	United Kingdom	Ordinary Shares	100*
Hanovia Limited	United Kingdom	Ordinary Shares	100*
HFT Shanghai Co., Ltd	China	Ordinary Shares	100
HWM-Water Limited	United Kingdom	Ordinary Shares	100*
Hydreka SAS	France	Ordinary Shares	100
Iso-Lok Limited	United Kingdom	Ordinary Shares	100*
Keeler Instruments, Inc.	United States	Ordinary Shares	100
Keeler Limited	United Kingdom	Ordinary Shares	100*
Kerry Ultrasonics Sdn Bhd	Malaysia	Ordinary Shares	100
Kirk Key Interlock Company, LLC	United States	Ordinary Shares	100
Klaxon Signals Limited	United Kingdom	Ordinary Shares	100*
Labsphere, Inc.	United States	Ordinary Shares	100
Langer Instruments Corporation	United States	Ordinary Shares	100
Meadowbridge Holdings Limited	United Kingdom	Ordinary Shares	100*
Medicel AG	Switzerland	A & B Preference & C Ordinary Shares	100
MicroSurgical Technology, Inc.	United States	Common Stock	100
Mistura Systems Limited	United Kingdom	Ordinary Shares	100*
Morley Electronics Limited	United Kingdom	Ordinary Shares	100*
Netherlocks Safety Systems BV	Netherlands	Ordinary Shares	100

C5 INVESTMENTS continued
Subsidiaries continued

Name	Country	Class	Group %
Netherlocks Safety Systems GmbH	Germany	Ordinary Shares	100
Ocean Optics (Shanghai) Co., Ltd	China	Ordinary Shares	100
Ocean Optics Asia LLC	United States	Common Stock	100
Ocean Optics BV	Netherlands	Ordinary Shares	100
Ocean Optics Germany GmbH	Germany	Ordinary Shares	100
Ocean Optics, Inc.	United States	Ordinary Shares	100
Oklahoma Safety Equipment Co, Inc.	United States	Ordinary Shares	100
Palintest Limited	United Kingdom	Ordinary & Deferred Shares	100*
Palmer Environmental Limited	United Kingdom	Ordinary Shares	100*
Palmer Environmental Services Limited	United Kingdom	A & Ordinary Shares	100*
Perma Pure India Pte Ltd	India	Ordinary Shares	100
Perma Pure, LLC	United States	Ordinary Shares	100
Pixelteq, Inc.	United States	Ordinary Shares	100
Power Equipment Limited	United Kingdom	Preference & Ordinary Shares	100*
Radcom (Technologies) Limited	United Kingdom	Ordinary Shares	100*
Radio-Tech Limited	United Kingdom	Ordinary Shares	100*
RCS Corrosion Services Sdn. Bhd	Malaysia	Ordinary Shares	100
Research Engineers Limited	United Kingdom	Ordinary Shares	100*
Reten Acoustics Limited	United Kingdom	Ordinary Shares	100*
Riester USA, LLC	United States	Ordinary Shares	100
Robutec AG	Switzerland	Ordinary Shares	100
Robutec Wolfhalden GmbH	Switzerland	Ordinary Shares	100
Rohrback Cosasco International Limited	British Virgin Islands	Ordinary Shares	100
Rohrback Cosasco System China Corporation	China	Common Stock	100
Rohrback Cosasco Systems LLC	Saudi Arabia	Common Stock	100
Rohrback Cosasco Systems Pte Ltd	Singapore	Ordinary Shares	100
Rohrback Cosasco Systems Pty Ltd	Australia	Ordinary Shares	100
Rohrback Cosasco Systems UK Limited	United Kingdom	Ordinary Shares	100
Rohrback Cosasco Systems, Inc	United States	Common Stock	100
Rudolf Riester GmbH	Germany	Ordinary Shares	100
S.E.R.V. Trayvou Interverrouillage SA	France	Ordinary Shares	100
Sensorex Corporation	United States	Common Stock	100
Shanghai Labsphere Optical Equipments Co., Ltd	China	Ordinary Shares	100
Smith Flow Control (Australia) Pty Ltd	Australia	Ordinary Shares	100
Smith Flow Control Limited	United Kingdom	Ordinary Shares	100*
Smith Flow Control, Inc.	United States	Ordinary Shares	100
Sonar Research & Development Limited	United Kingdom	Ordinary Shares	100*
SunTech Group EB Trustee Limited	United States	Ordinary Shares	100
SunTech Medical (USA), LLC	United States	Common Stock	100
SunTech Medical Devices (Shenzhen) Co. Ltd	China	Ordinary Shares	100
SunTech Medical Group Limited	United Kingdom	Ordinary Shares	100
SunTech Medical Limited	United Kingdom	Ordinary Shares	100
SunTech Medical Ltd (Hong Kong)	Hong Kong	Ordinary Shares	100
SunTech Medical, Inc.	United States	Common Stock	100
Swift 943 Limited	United Kingdom	Ordinary Shares	100*
T.L. Jones Ltd	New Zealand	Ordinary Shares	100
Talentum Developments Limited	United Kingdom	Ordinary Shares	100*
Telegan Gas Monitoring Limited	United Kingdom	Ordinary Shares	100*
Texecom Limited	United Kingdom	Ordinary Shares	100*
Thinketron Precision Equipment Company Ltd	Hong Kong	Ordinary Shares	100
Value Added Solutions LLC	United States	Common Stock	100
Visiometrics S.L.	Spain	Ordinary Shares	100
Visual Performance Diagnostics, Inc.	United States	Common Stock	100
Volk Optical Inc.	United States	Common Stock	100
Wilkinson & Simpson Limited	United Kingdom	Deferred & Ordinary Shares	100*

* Directly held by the Company

C6 DEBTORS

	2 April 2016 £000	28 March 2015 £000
Amounts falling due within one year:		
Amounts due from Group companies	**37,545**	38,029
Derivative financial instruments	**–**	129
Other debtors	**2**	–
Prepayments and accrued income	**7,986**	6,530
	45,533	44,688
Amounts falling due after more than one year:		
Amounts due from Group companies	**602,135**	415,225

Derivative financial instruments in the prior year related to a Swiss Franc swap contract. The swap was closed out during year and the gain taken to the Profit and Loss Account.

C7 BORROWINGS

	2 April 2016 £000	28 March 2015 £000
Falling due within one year:		
Overdrafts	**13,446**	10,675
Loan notes	**336**	–
	13,782	10,675
Falling due after more than one year:		
Unsecured loan notes	**172,112**	657
Unsecured bank loans	**123,796**	139,762
	295,908	140,419
Total borrowings	**309,690**	151,094

The Company has two sources of long-term funding, which comprise:

- an unsecured five-year £360m revolving credit facility, which expires in November 2018 and is therefore classified as expiring within two to five years (2015: within two to five years). At 2 April 2016 £236,204,000 (2015: £220,238,000) remained committed and undrawn, and
- unsecured loan notes agreed on 2 November 2015 in a mix of Sterling, US Dollars and Euro with borrowing periods of five, seven and ten years. At 2 April 2016 the outstanding loan notes totalled £171,870,000 (2015: £nil). The loan notes are classified as falling due after more than one year.

Further details are included in note 26 to the Group accounts.

Included in loan notes due after more than one year, is £242,000 (2015: £657,000) of unsecured loan notes issued in respect of the Advanced acquisition. These attract interest at 1% and are convertible into cash at par on each anniversary of the acquisition date until 14 May 2019. The loan notes due within one year were converted into cash at par on 14 May 2016.

The bank overdrafts, which are unsecured, at 2 April 2016 and 28 March 2015 were drawn on uncommitted facilities which all expire within one year, and were held pursuant to a Group pooling arrangement which offsets them against credit balances in subsidiary undertakings.

The Company is part of an arrangement between UK subsidiaries whereby overdraft facilities of £15,305,000 (2015: £17,990,000) are cross-guaranteed. Of these facilities £4,412,000 (2015: £64,000) was drawn.

C8 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2 April 2016 £000	28 March 2015 £000
Trade creditors	**2,011**	1,456
Amounts owing to Group companies	**35,117**	43,999
Other taxation and social security	**1,009**	1,100
Other creditors	**517**	515
Accruals and deferred income	**3,199**	2,890
Provision for contingent consideration	**86**	3,356
	41,939	53,316

The £86,000 contingent consideration payable relates to the final payment for the acquisition of ASL. The payment is due to be settled in June 2016. The amounts in the prior year related to the acquisition of Advanced. All outstanding amounts were settled during the year.

C9 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2 April 2016 £000	28 March 2015 £000
Amounts owing to Group companies	**11,050**	11,112
Provision for contingent consideration	**–**	197
Other creditors	**777**	444
	11,827	11,753
These liabilities fall due as follows:		
Within one to two years	**777**	641
Within two to five years	**–**	–
After more than five years	**11,050**	11,112

The £197,000 provision for contingent consideration in the prior year represented the previous estimate of the amount payable for the acquisition of ASL.

C10 DEFERRED TAX

	Retirement benefit obligations £000	Short-term timing differences £000	Total £000
At 29 March 2015	**9,344**	**860**	**10,204**
(Charge)/credit to Profit and Loss Account	**(1,037)**	**272**	**(765)**
Charge to Company Statement of Comprehensive Income	**(1,541)**	**–**	**(1,541)**
Credit to equity	**–**	**118**	**118**
At 2 April 2016	**6,766**	**1,250**	**8,016**
At 29 March 2014	5,256	685	5,941
(Charge)/credit to Profit and Loss Account	(917)	93	(824)
Credit to Company Statement of Comprehensive Income	5,005	–	5,005
Credit to equity	–	82	82
At 28 March 2015	9,344	860	10,204

C11 SHARE CAPITAL

	Issued and fully paid	
	2 April 2016 £000	28 March 2015 £000
Ordinary shares of 10p each	**37,965**	37,965

The number of ordinary shares in issue at 2 April 2016 was 379,645,332 (2015: 379,645,332), including treasury shares of 940,421 (2015: 1,371,785) and 311,444 shares (2015: nil) held by the Employee Benefit Trust.

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C12 RESERVES

The Capital redemption reserve was created on the repurchase and cancellation of the Company's own shares. The Other reserves represent the provision being established in respect of the value of equity-settled share awards made by the Company. Own shares are ordinary shares in Halma plc purchased by the Company and held to fulfil its obligations under the Group's share plans.

C13 RETIREMENT BENEFIT PLAN

The Company participates in, and is the sponsoring employer of, the Halma Group Pension Plan. During the prior year, following consultation with members, it was decided that future benefit accruals for existing members would cease. From that date, the former defined benefit members joined the Company's existing defined contribution plan.

There is no contractual agreement or stated policy for charging the net defined benefit cost within the Group. In accordance with IAS 19 (Revised 2011), the Company contribution made to the defined benefit plan during the year ended 2 April 2016 was £2,941.000 (2015: £2,176,000).

Current service cost of £nil (2015: £1,038,000) and net interest charge on pension plan liabilities of £1,413,000 (2015: £988,000) were recognised in the Profit and Loss Account in respect of the Company defined benefit plan.

The net movement on actuarial gains and losses of the plan reported in the Company Statement of Comprehensive Income and Expenditure was as follows:

	53 weeks to 2 April 2016 £000	52 weeks to 28 March 2015 £000
Defined benefit obligations	**14,695**	(44,444)
Fair value of plan assets	**(8,589)**	19,364
Net actuarial gains/(losses)	**6,106**	(25,080)

The actual return on plan assets was a gain of £2,783,000 (2015: loss of £26,275,000).

The amount included in the Company Balance Sheet arising from the Company's obligations in respect of its defined benefit retirement plans is as follows:

	2 April 2016 £000	28 March 2015 £000	29 March 2014 £000
Present value of defined benefit obligations	**(217,243)**	(230,721)	(182,061)
Fair value of plan assets	**181,615**	183,980	156,033
Liability recognised in the Company Balance Sheet	**(35,628)**	(46,741)	(26,028)

Under the current arrangements, cash contributions in the region of £7,080,000 per year will be made for the immediate future with the objective of eliminating the pension deficit.

Movements in the present value of the defined benefit obligation were as follows:

	53 weeks to 2 April 2016 £000	52 weeks to 28 March 2015 £000
At beginning of year	**(230,721)**	(182,061)
Service cost	**–**	(1,038)
Interest cost	**(7,399)**	(7,899)
Actuarial gains/(losses)	**14,695**	(44,444)
Contributions from plan members	**–**	(372)
Benefits paid	**6,182**	5,076
Premiums paid	**–**	17
At end of year	**(217,243)**	(230,721)

C13 RETIREMENT BENEFIT PLAN continued

Movements in the fair value of the plan assets were as follows:

	53 weeks to 2 April 2016 £000	52 weeks to 28 March 2015 £000
At beginning of year	**183,980**	156,033
Expected return on plan assets	**5,986**	6,911
Actuarial (losses)/gains	**(8,769)**	19,364
Contributions from the sponsoring companies	**6,600**	6,393
Contributions from plan members	**–**	372
Benefits paid	**(6,182)**	(5,076)
Premiums paid	**–**	(17)
At end of year	**181,615**	183,980

The five-year history of experience adjustments was as follows:

	2 April 2016 £000	28 March 2015 £000	29 March 2014 £000	30 March 2013 £000	31 March 2012 £000
Present value of defined benefit obligation	**(217,243)**	(230,721)	(182,061)	(182,249)	(182,249)
Fair value of plan assets	**181,615**	183,980	156,033	147,055	147,084
Deficit in the plan	**(35,628)**	(46,741)	(26,028)	(35,194)	(35,165)
Experience adjustments on plan liabilities					
Amount	**2,265**	(4,271)	–	–	(197)
Percentage of plan liabilities	**(1)%**	2%	–	–	–
Experience adjustments on plan assets					
Amount	**(8,769)**	19,364	–	8,815	(78)
Percentage of plan assets	**(5)%**	10%	–	6%	(1)%

Based on the most recent actuarial valuation, the estimated amount of contributions expected to be paid to the plan during the year ending 1 April 2017 is £7,080,000.

Further details of Halma Group Pension Plan, including all disclosures required under FRS 101, are contained in note 28 to the Group accounts.

C14 EXPLANATION OF TRANSITION TO FRS 101

Reconciliation of Shareholders' funds

Note		29 March 2014 £000	28 March 2015 £000
	Shareholders' funds reported under previous GAAP	360,028	408,775
	Adjustments to equity on transition to FRS 101:		
I	Reinstatement of retirement benefit obligation	(26,028)	(46,741)
II	Deferred tax asset on retirement benefit obligation	5,256	9,344
III	Excess tax on share-based payment transactions	–	–
	Shareholders' funds reported under FRS 101	339,256	371,378

I – Retirement benefit obligation

Under UK GAAP (FRS 17), as the defined benefit plan was a multi-employer scheme and the Company was unable to identify its share of the underlying assets and liabilities, the plan was accounted for as a defined contribution scheme, recognising only the contribution payable by the Company.

Under FRS 101 the multi-employer exemption is no longer available. There is no contractual agreement or stated policy for charging the net defined benefit cost within the Group amongst the participating companies. Therefore the Company, as the sponsoring employer, has recognised the full defined benefit plan's net obligation on the Company Balance Sheet. None of the net obligation is, or was, recognised on the individual Balance Sheet of any other UK company within the Group.

The impact has been to increase Creditors falling due after more than one year at 30 March 2014 by £26,028,000 and at 29 March 2015 by £46,741,000.

As prescribed under FRS 101 any actuarial gains and losses are recognised through the Company Statement of Comprehensive Income and Expenditure. In 2015 actuarial losses of £25,080,000 were recognised.

II – A deferred tax asset of £5,256,000 relating to the retirement benefit obligation was recognised on the Company Balance Sheet at the transition to FRS 101. This results in an increase in the Profit and Loss Account reserve by £5,256,000.

The increase in the pension plan obligation during 2015, as described above, has given rise to an increase in the corresponding deferred tax asset from £5,256,000 to £9,344,000 and has increased the Profit and Loss Account reserve by a further £4,088,000.

III – Under UK GAAP current and deferred tax relating to share-based payment transactions is taken to profit or loss in full. Under FRS 101, current and deferred tax is recognised in profit or loss for the year to the extent it relates to the share based payment charge recognised. It is taken to equity where it exceeds the related cumulative share-based payment charge. This results in a reduction in the profit for 2015 of £534,000 but does not change the reported equity.

Reconciliation of profit for the year ending 28 March 2015

In accordance with the exemption provided by Section 408 of the Companies Act 2006, the Company has not presented its own Profit and Loss Account. As a result of the adjustments noted above, the transition to FRS 101 has increased the profit after tax for 2015 by £2,917,000, comprising £3,451,000 increase relating to the net impact of reinstating the defined benefit obligation and £534,000 decrease relating to the treatment of current and deferred tax in relation to share-based payments.

Presentation of software in the Company Balance Sheet

Previously under UK GAAP, software was presented within tangible assets. Under FRS 101, this is classified as an intangible asset. There is no change in the value ascribed to the software asset.

Summary 2007 to 2016

	2006/07 £000	2007/08 £000	2008/09 £000
Revenue (note 1)	354,606	397,955	455,928
Overseas sales (note 1)	258,050	288,701	351,522
Profit before taxation, and adjustments (note 2)	66,091	73,215	79,087
Net tangible assets/capital employed	113,048	134,320	173,128
Borrowings (excluding overdrafts)	29,762	72,393	86,173
Cash and cash equivalents (net of overdrafts)	22,051	28,118	34,987
Employees (note 1)	3,326	3,683	4,018
Earnings per ordinary share (note 1)	11.86p	13.49p	14.07p
Adjusted earnings per ordinary share (note 2)	12.42p	13.86p	15.30p
Year-on-year increase in adjusted earnings per ordinary share	10.9%	11.5%	10.4%
Return on Sales (notes 1 and 3)	18.6%	18.4%	17.3%
Return on Capital Employed (restated – note 4)	62.2%	60.6%	53.7%
Return on Total Invested Capital (restated – note 4)	14.3%	14.8%	14.2%
Year-on-year increase in dividends per ordinary share (paid and proposed)	5%	5%	5%
Ordinary share price at financial year end	220p	192p	156p
Market capitalisation at financial year end	£821.8m	£717.7m	£583.7m

All years are presented under IFRS.

Notes:
1. Continuing and discontinued operations.
2. Adjusted to remove the amortisation of acquired intangible assets and acquisition transaction costs, release of fair value adjustments to inventory, and adjustments to contingent consideration (collectively 'acquisition items'). IFRS figures include results of operations up to the date of their sales or closure but exclude material discontinued and continuing profits on sales or closures of operations. In 2013/14 only, the effects of closure to future benefit accrual of the defined benefit pension plans have also been removed.
3. Return on Sales is defined as profit before taxation, the amortisation of acquired intangible assets; acquisition items (from 2010/11); profit or loss on disposal of operations; and the effects of closure to future benefit accrual of the defined benefit pension plans net of associated costs (2013/14 only) expressed as a percentage of revenue.
4. See note 3 to the Report and Accounts for the definitions of ROCE and ROTIC. The ROCE and ROTIC measures were restated in 2014/15 and for all prior years to use an average Capital Employed and Total Invested Capital respectively. This measure is considered to be more representative.
5. IAS 19 (as revised in June 2011) 'Employee Benefits' was adopted by the Group in 2013/14. To aid comparison, and as required by IAS 19 (revised), the Consolidated Financial Statements and affected notes for 2012/13 were restated as if IAS 19 (revised) had always applied during that year. Results prior to 2012/13 were not restated.

2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000	(Restated) (note 5) 2012/13 £000	2013/14 £000	2014/15 £000	**2015/16 £000**
459,118	518,428	579,883	619,210	619,210	676,506	726,134	807,805
360,779	412,297	454,270	503,635	503,635	548,629	587,822	662,984
86,214	104,551	120,465	130,661	128,543	140,249	153,618	166,014
145,519	146,964	163,283	188,701	188,701	189,707	219,148	259,373
21,924	79,688	64,014	160,013	160,013	107,622	140,419	296,244
31,006	42,610	45,305	49,723	49,723	33,126	39,525	49,526
3,689	3,875	4,347	4,716	4,716	4,999	5,328	5,604
16.10p	19.23p	23.01p	25.22p	24.79p	28.14p	27.49p	28.76p
16.89p	20.49p	24.46p	26.22p	25.79p	28.47p	31.17p	34.26p
10.4%	21.3%	19.4%	7.2%	5.4%	10.4%	9.5%	9.9%
18.8%	20.2%	20.8%	21.1%	20.8%	20.7%	21.2%	20.6%
55.9%	72.2%	78.6%	76.4%	75.8%	76.6%	77.6%	72.3%
14.0%	16.0%	17.6%	16.9%	16.6%	16.7%	16.3%	15.6%
7%	7%	7%	7%	7%	7%	7%	7%
259p	355p	381p	518p	518p	579p	701p	912p
£978.1m	£1,342.7m	£1,440.8m	£1,962.6m	£1,962.6m	£2,192.6m	£2,661.3m	£3,462.4m

Halma Directory

Principal operating companies by sector	Main products
Process Safety	
Castell Safety International Limited	Safety systems for controlling hazardous industrial processes
Crowcon Detection Instruments Limited	Gas detection instruments for personnel and plant safety
Elfab Limited	Pressure sensitive relief devices to protect process plant
Fortress Interlocks Limited	Interlock systems for safeguarding dangerous machines and hazardous processes
Kirk Key Interlock Company, LLC.	Key interlocks and interlocking systems for the protection of personnel and equipment
Netherlocks Safety Systems B.V.	Process safety systems for petrochemical and industrial applications
Oseco, Inc.	Pressure relief products used in petrochemical and industrial applications
Rohrback Cosasco Systems Inc.	Design, manufacture and sale of pipeline corrosion monitoring products and systems into diverse industries including oil, gas, petrochemical, pharmaceutical, chemical and utilities
SERV Trayvou Interverrouillage S.A.S.	Safety systems for controlling access to dangerous machines
Smith Flow Control Limited	Process safety systems for petrochemical and industrial applications

Infrastructure Safety	
Advanced Electronics Limited	Networked fire detectors and control systems
Apollo Fire Detectors Limited	Smoke and heat detectors, sounders, beacons and interfaces
Avire Limited	Infrared safety systems for elevator doors and elevator emergency communications
Bureau D'Electronique Appliquée S.A. (BEA)	Sensors for automatic doors
FFE Limited	Flame detectors, beam smoke detectors and specialist fire extinguishing systems
Firetrace USA, LLC	Automatic fire detection and suppression systems
Texecom Limited	Security sensors and signalling products

Medical	
Accudynamics, LLC.	Mechanical and fluidic components primarily used in medical, life science and scientific instruments
Accutome, Inc.	Ophthalmic diagnostic and surgical equipment, as well as a broad line of pharmaceutical products
Baoding Longer Precision Pump Co., Ltd.	Peristaltic, syringe, piston and gear pumps for use in laboratory, industrial and medical applications for both end-user and OEM customers
Bio-Chem Fluidics Inc.	Miniature valves, micro pumps and fluid components for medical, life science and scientific instruments
CenTrak, Inc.	Real-time location systems for healthcare facilities
Diba Industries, Inc.	Specialised components and complete fluid transfer subassemblies for medical, life science and scientific instruments
Keeler Limited	Ophthalmic instruments for diagnostic assessment of eye conditions
Medicel AG	Instruments for ophthalmic surgery
MicroSurgical Technology, Inc.	Ophthalmic surgical products, focusing on single-use devices used in cataract surgery

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Redmond, Washington	+1 425 556 0544	info@microsurgical.com	www.microsurgical.com

Halma Directory continued

Principal operating companies by sector	Main products
Medical continued	
Rudolf Riester GmbH	Diagnostic medical devices for ophthalmology, blood pressure measurement and ear, nose and throat diagnostics
SunTech Medical, Inc.	Clinical grade non-invasive blood pressure monitoring products and technologies
Visiometrics S.L.	Ophthalmic diagnostic instruments that objectively measure visual acuity
Volk Optical, Inc.	Ophthalmic equipment and lenses as aids to diagnosis and surgery
Environmental & Analysis	
Alicat Scientific, Inc.	Mass flow meters, mass flow controllers and pressure controllers for high-precision fluid flow measurement
Avo Photonics, Inc.	Opto-electronic solutions and product design, development and manufacturing of exclusive, confidential, private label applications
Berson Milieutechniek B.V.	Ultraviolet (UV) disinfection systems for municipal drinking water and wastewater treatment plants
Fiberguide Industries, Inc.	Large core specialty optical fibre, high temperature metalised fibres for optical power delivery and optical sensing applications
Hanovia Limited	Ultraviolet (UV) light water treatment equipment used in the manufacture of food, beverages and pharmaceuticals, as well as products for aquaculture, pool and leisure and for marine ballast water treatment
HWM-Water Limited	Multi-utility M2M solutions provider, including data recording and management for water networks, electricity, solar PV and energy conservation
Hydreka S.A.S.	Equipment and software to monitor and analyse the entire clean and dirty water cycle and for leak detection in municipal and large scale industrial applications
Labsphere, Inc.	Precision radiometric and photometric systems and software for light testing, calibration and measurement
Ocean Optics, Inc.	Portable spectrometers and spectral sensors for laboratory and field applications in chemical analysis, process control, environmental monitoring, life sciences and medical diagnostics
Palintest Limited	Water and environmental analysis equipment to test drinking water, wastewater and process water, water in pools and spas, as well as farming and irrigation applications
Perma Pure LLC	High precision moisture management products including dryers, humidifiers, and complete sample conditioning systems for emissions monitoring, process analysis, and medical applications
Pixelteq, Inc.	Multispectral sensing and imaging solutions for aerospace, biomedical, semiconductor, industrial and scientific applications
Sensorex Corporation	Electrochemical sensors for water analysis applications in the process industry and laboratory markets
Weihai Guangxue Yiqi (Shanghai), Ltd. (also known as Ocean Optics Asia)	Portable spectrometers and spectral sensors for laboratory and field applications in chemical analysis, process control, environmental monitoring, life sciences and medical diagnostics
Group	
Halma plc	Halma plc Head Office
Halma Holdings Inc.	Halma North American Head Office
Halma International Limited Representative Offices	Halma China hubs in Shanghai, Beijing, Chengdu, Guangzhou and Shenyang
Halma India Pvt Ltd	Halma India hub

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Shareholder Information and Advisers

Financial calendar	
2015/16 Half year results	17 November 2015
2015/16 Interim dividend paid	10 February 2016
Trading update	11 February 2016
2015/16 Year end	2 April 2016
2015/16 Final results	14 June 2016
2015/16 Report and Accounts issued	21 June 2016
Annual General Meeting	21 July 2016
2015/16 Final dividend payable	17 August 2016
2016/17 Half year end	1 October 2016
2016/17 Half year results	22 November 2016
2016/17 Interim dividend payable	February 2017
2016/17 Year end	1 April 2017
2016/17 Final results	June 2017

Analysis of shareholders at 16 May 2016	Shareholders (number)	%	Shares (number)	%
Number of shares held				
1 – 5,000	5,035	79.2	6,691,118	1.8
5,001 – 25,000	791	12.4	8,259,929	2.2
25,001 – 100,000	268	4.2	13,446,030	3.5
100,001 – 750,000	186	2.9	56,098,631	14.8
750,001 and over	82	1.3	295,149,624	77.7
	6,362	100.0	379,645,332	100.0

Share price London Stock Exchange, pence per 10p share	2016	2015	2014	2013	2012
Highest	**917**	726	623	531	430
Lowest	**699**	559	471	373	306

Dividends Pence per 10p share	2016	2015	2014	2013	2012
Interim	**4.98**	4.65	4.35	4.06	3.79
Final	**7.83***	7.31	6.82	6.37	5.95
Total	**12.81**	11.96	11.17	10.43	9.74

* Proposed.

INVESTOR INFORMATION

Visit our website, www.halma.com, for investor information and Company news. In addition to accessing financial data, you can view and download Annual and Half Year Reports, analyst presentations, find contact details for Halma senior executives and subsidiary companies and access links to Halma subsidiary websites. You can also download our iPad app or subscribe to an e-mail news alert service to automatically receive an e-mail when significant announcements are made.

SHAREHOLDING INFORMATION

Please contact our Registrar, Computershare, directly for all enquiries about your shareholding. Visit their Investor Centre website www.investorcentre.co.uk for online information about your shareholding (you will need your shareholder reference number which can be found on your share certificate or dividend confirmation), or telephone the Registrar direct using the dedicated telephone number for Halma shareholders: +44 (0)370 707 1046.

DIVIDEND MANDATE

Shareholders can arrange to have their dividends paid directly into their bank or building society account by completing a bank mandate form. The advantages to using this service are: the payment is more secure than sending a cheque through the post; it avoids the inconvenience of paying in a cheque and there is no risk of lost, stolen or out-of-date cheques. A mandate form can be obtained from Computershare or you will find one on the reverse of your last dividend confirmation.

DIVIDEND REINVESTMENT PLAN

The Company operates a dividend reinvestment plan (DRIP) which offers shareholders the option to elect to have their cash dividends reinvested in Halma ordinary shares purchased in the market. You can register for the DRIP online by visiting Computershare's Investor Centre website (as above) or by requesting an application form direct from Computershare. Shareholders who wish to elect for the DRIP for the forthcoming final dividend, but have not already done so, should return a DRIP application form to Computershare no later than 27 July 2016.

ELECTRONIC COMMUNICATIONS

All shareholder communications, including the Company's Annual Report and Accounts, are made available to shareholders on the Halma website and you may opt to receive e-mail notification that documents and information are available to view and download rather than to receive paper copies through the post. Using electronic communications helps us to limit the amount of paper we use and assists us in reducing our costs. If you would like to sign up for this service, visit Computershare's Investor Centre website. You may change the way you receive communications at any time by contacting Computershare.

ANNUAL GENERAL MEETING

The 122nd Annual General Meeting of Halma plc will be held in the Burdett Suite at No. 11 Cavendish Square, London W1G 0AN on Thursday 21 July 2016 at 11.00 am.

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STAY UP-TO-DATE

The latest Halma news, share price, webcasts, financial documents and more can be found on the Halma website at www.halma.com. You can download our free investor relations iPad app and follow Halma on the move at http://goo.gl/4W91y

HALMA