


HALMA

Halma plc

Annual Report and Accounts 2018





We have a renewed
Purpose that drives
everything we do:

To grow a safer,
cleaner, healthier
future for everyone,
every day.

Halma is a global group of life-saving technology companies.

Our companies provide innovative solutions to many of the key problems facing the world today, from water security to preventable blindness.

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Our People



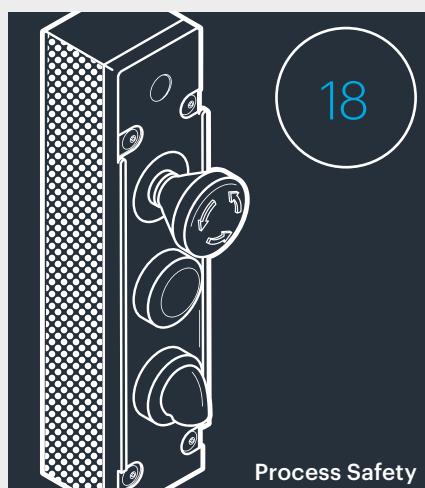
Sustainability



Chief Executive's Strategic Review



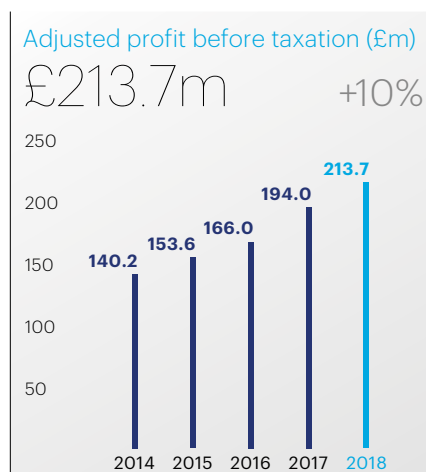
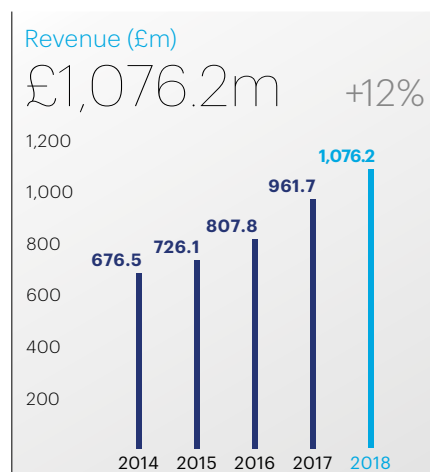
Healthier



Process Safety

Highlights

Record revenue and profit for the 15th consecutive year



Continuing operations	2018	2017	Change
Revenue	£1,076.2m	£961.7m	+12%
Adjusted ¹ Profit before Taxation	£213.7m	£194.0m	+10%
Adjusted ² Earnings per Share	45.26p	40.21p	+13%
Statutory Profit before Taxation	£171.9m	£157.7m	+9%
Statutory Earnings per Share	40.69p	34.25p	+19%
Total Dividend per Share ³	14.68p	13.71p	+7%
Return on Sales ⁴	19.9%	20.2%	
Return on Total Invested Capital ⁵	15.2%	15.3%	
Net Debt	£220.3m	£196.4m	

Pro-forma information:

- Adjusted to remove the amortisation and impairment of acquired intangible assets, acquisition items, restructuring costs and profit or loss on disposal of operations, totalling £41.7m (2017: £36.3m). See note 1 to the Accounts.
- Adjusted to remove the amortisation and impairment of acquired intangible assets, acquisition items, restructuring costs, profit or loss on disposal of operations, the associated taxation thereon and the effect of US tax reform measures. See note 2 to the Accounts.
- Total dividend paid and proposed per share.
- Return on Sales is defined as adjusted¹ profit before taxation from continuing operations expressed as a percentage of revenue from continuing operations.
- Return on Total Invested Capital (ROTIC) is defined as post-tax Adjusted¹ Profit as a percentage of average Total Invested Capital.
- Adjusted¹ Profit before Taxation, Adjusted² Earnings per Share, organic growth rates and ROTIC are alternative performance measures used by management. See notes 1, 2 and 3 to the Accounts.

Business at a glance

Our sectors

Revenue and profit growth
with high returns in all sectors.

Financial highlights

Process Safety

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

[+ Read more p18](#)

£185m

Revenue

17%

of Group revenue

£43m

Adjusted operating profit¹

18%

of Adjusted operating profit¹

Infrastructure Safety

Products that save lives protect infrastructure and enable safe movement. Fire detection systems, smoke detectors, specialist fire suppression systems, people and vehicle flow solutions, security systems and elevator safety products.

[+ Read more p22](#)

£349m

Revenue

33%

of Group revenue

£73m

Adjusted operating profit¹

31%

of Adjusted operating profit¹

Medical

Products which enhance the quality of life for patients and improve 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 p26](#)

£284m

Revenue

26%

of Group revenue

£67m

Adjusted operating profit¹

28%

of Adjusted operating profit¹

Environmental & Analysis

Products and technologies for analysis in environmental safety and life sciences markets. Market-leading opto-electronic technology and sensors. Flow measurement instruments and gas conditioning products. Products for environmental data recording, water quality testing and water distribution network monitoring, and UV water treatment.

[+ Read more p30](#)

£259m

Revenue

24%

of Group revenue

£55m

Adjusted operating profit¹

23%

of Adjusted operating profit¹

¹ Adjusted operating profit before central administrative costs and after share of associate.

Our business model

Our business has a positive impact on the world and creates value for all our stakeholders.

We have unique strengths

Enabled by technology, data and insights

Which help solve big problems



People and culture

We have empowered people who want to make a positive difference in the world.

Organisation

We have a decentralised structure, which gives us agility and allows us to move fast when markets change.

Innovation

We are passionate about improving how things work and pride ourselves on a culture in which new ideas can flourish.

Financial

Our operations are cash generative and this allows us to continually acquire new companies and reinvest in our existing companies.

Customer focus

Our companies stay close to their customers and develop long-standing relationships.













International expansion

We have deep experience of growing and acquiring businesses internationally.




M&A

We have proven capabilities for acquiring, merging and selling businesses.

Our companies make innovative products and develop solutions which have a core focus on safety, health and the environment.

-  Gas safety systems
-  Water quality
-  Environmental monitoring
-  Light analytics
-  Healthcare monitoring
-  Health diagnostics
-  Eye health
-  Industrial safety systems
-  People and vehicle sensors
-  Pressure safety systems
-  Security sensors
-  Fire systems

Our approach has a positive impact on the world and helps to solve global issues that affect all of us.

-  **Safer**
 - Protecting worker safety in hazardous places
 - Ensuring safe movement of people and vehicles as the global population increases
 - Preventing loss of life and property due to fire and explosion
-  **Cleaner**
 - Improving and monitoring air quality
 - Protecting water security and sustainability
 - Monitoring the impact of climate change
-  **Healthier**
 - Eliminating preventable blindness
 - Meeting the rising demand for healthcare due to ageing and lifestyle changes
 - Diagnosing and managing long-term health conditions such as diabetes and hypertension

Strategy at a glance

The Halma 4.0 strategy is to acquire and grow businesses in global niche markets. It is powered by our Purpose and a unique set of growth enablers that relentlessly drive our success.

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

This is why we exist. It is our massive transformative purpose, and acts as our North Star to ensure we focus on doing those things that make it happen, and not doing those things that work against it.

2 Growth Strategies

The increasing rate of technological change, including data and connectivity, is opening up new ways of growing our business and leveraging the collaborative culture we have been building.

Core

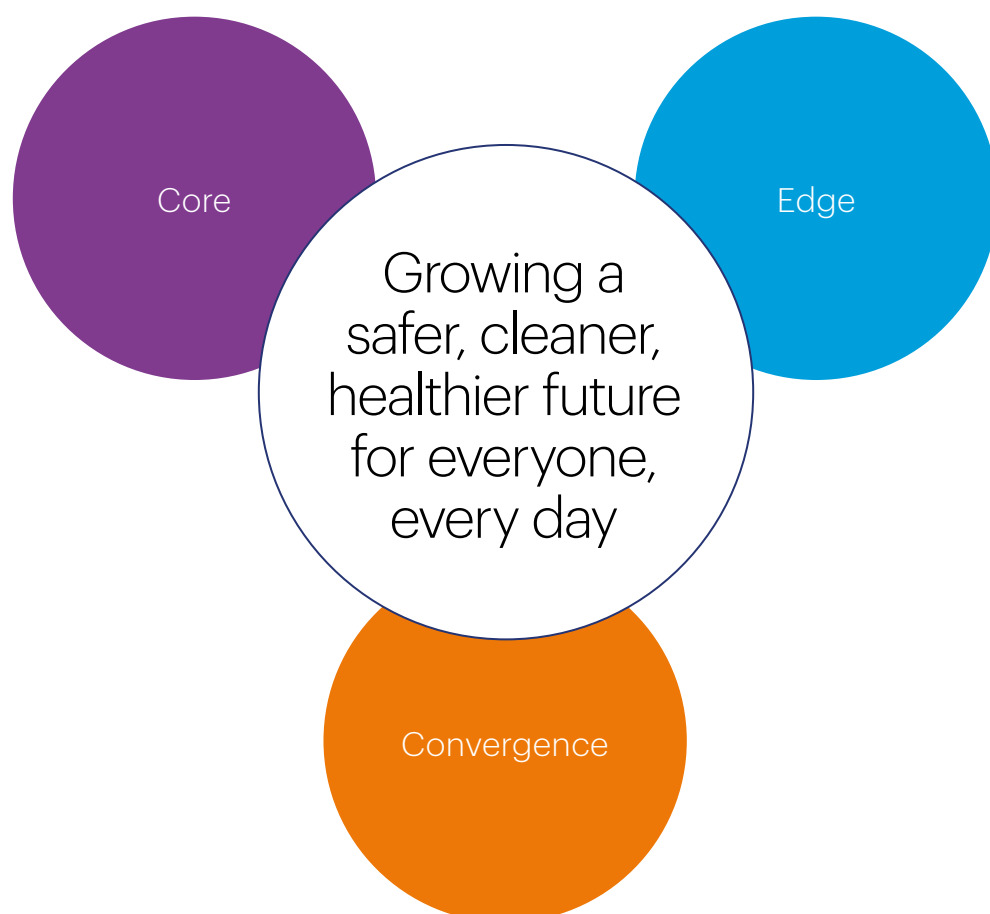
This is what Halma has always done, and will continue to be our major focus. It includes investment in developing new products and growing internationally in niche markets with resilient long-term growth drivers.

Convergence

This is a new growth strategy focused on developing new products, services and business models by combining existing Halma technologies with new expertise and new partnerships inside or outside the Group.








Edge

This is a new growth strategy aimed at developing digital business models that have the potential to completely disrupt existing models and can scale exponentially.



3 Growth Enablers




Our growth strategies are powered by a unique set of skills and expertise across the Group that our companies can draw on to relentlessly drive their success.

	M&A	We acquire and grow sustainable businesses with a focus on safety, health and the environment, in markets with resilient long-term growth drivers. We also sell or merge businesses to keep our Group focused on niches with growth potential.
	International Expansion	We help our companies to build their businesses in key export markets, including developed and developing regions. We have established hubs in the USA, China and India to help our companies access these major markets.
	Talent & Culture	We attract and develop people who want to make a difference. Our agile, de-centralised operating model empowers our leaders to have the freedom to make their own decisions and stay close to their customers.
	Finance & Risk	We keep investing in our businesses to deliver strong organic growth and target new acquisitions. We provide financial discipline to give our leaders the insight to make good decisions.
	Digital Growth Engines	We provide innovation and accelerator programmes to help our companies discover new opportunities and build digital capabilities which sharpen their competitive advantage.
	Innovation Network	We enable our companies to connect with each other and with experts from around the world to ensure they are learning from each other and stay current with market trends.
	Strategic Communications	We help our companies develop market-leading positions by improving how they tell their story and connect with customers to build their brand and increase revenue.

4 Achievements

Financial KPIs	Our businesses deliver exceptional results. We set ourselves a challenging target to double our earnings every five years and maintain high returns.
Non-financial KPIs	Culture is crucial. We work hard to develop an organisation that has the right mindset, talent and diversity to drive sustainable growth in an ethical way.
Customer satisfaction	Our operating model means that we work very close to our customers. Responding quickly to meet their needs is an essential component of our success.
Shareholder value	We focus on creating shareholder value through earnings growth with a high level of return on capital. We have increased our dividend by 5% or more for almost 40 consecutive years.

5 Our impact

We aim to fulfil our **Purpose** of growing a  **safer**,  **cleaner**,  **healthier** future for everyone, every day.

Chief Executive's Strategic Review

How we're focusing on our

renewed purpose

Andrew Williams
Group Chief Executive



Another record year

- Revenue over £1bn
- Profit over £200m
- Dividend increase by 7%
- 39th consecutive year of >5% dividend growth
- FTSE 100 constituent since December 2017

“We have a clear growth strategy, a sustainable financial model and a unique organisational structure, which is customer focused and enables us to adapt quickly to market changes.”

Revenue growth in all our sectors

£185m

+11%

Process Safety revenue

£349m

+11%

Infrastructure Safety revenue

£284m

+9%

Medical revenue

£259m

+18%

Environmental & Analysis revenue

Significant milestones and our growth strategy enhanced

Halma made strong progress during the year and achieved record revenue and profit for the fifteenth consecutive year, surpassing £1 billion of revenue for the first time. In December 2017, Halma entered the FTSE 100 index reflecting both our outstanding track record of growth and exciting potential for the future.

We have a clear growth strategy, a sustainable financial model and a unique organisational structure, which is customer-focused and enables us to adapt quickly to market changes. During the year, the Halma 4.0 growth strategy was launched, which will support new ways to grow our business by embracing the opportunities and challenges of digital technologies with greater connectivity. At its centre is a revitalised commitment to make a major positive impact in the world through our renewed purpose of “Growing a safer, cleaner, healthier future for everyone, every day”.

Underpinning our continuing success is the outstanding commitment, abilities and dedication of talented individuals in every part of Halma. I thank all of them for their contribution to not only delivering exceptional financial results but also for ensuring that Halma has a transformational impact on people’s lives every day.

Record revenue and profit with strong returns

Revenue increased by 12% to £1,076m (2017: £962m) including 10% organic constant currency growth and a 2% contribution from acquisitions. Adjusted¹ profit increased by 10% to £213.7m (2017: £194m) including 9% organic constant currency growth and a 1% contribution from acquisitions. Currency rate movements had a marginal impact on the translation of revenue and profit for the full year, with a positive impact in the first half, offset by a negative impact in the second half.

Returns remained at a high level. Return on Sales¹ of 19.9% (2017: 20.2%) was within our target range of 18% – 22%. The post-tax Return on Total Invested Capital¹ was 15.2% (2017: 15.3%) and well above our estimated Weighted Average Cost of Capital of 7.7%.

Good cash generation and a strong balance sheet to support future investments

Cash generation was good throughout the year, which ended with a net debt of £220m (2017: £196m) after spending £116m on current year acquisitions (2017: £10m), £22m on capital expenditure (2017: £24m), £53m on dividends to shareholders (2017: £50m) and paying £41m of tax (2017: £33m).

Gearing at the year end (net debt to EBITDA) was 0.87 times (2017: 0.86 times), which was below our targeted range of 1–2 times. We have sufficient headroom to support future investment in organic and acquisitive growth in line with our strategic objectives.

Final dividend to increase by 7%

The Board is recommending a final dividend of 8.97p per share (2017: 8.38p)

which contributes to a total dividend per share of 14.68p for the full year (2017: 13.71p). This 7% increase in the total dividend per share is subject to shareholder’s approval at Halma’s Annual General Meeting on 19 July 2018 and will be paid on 15 August 2018 to shareholders on the register on 13 July 2018.

Revenue growth in all major regions

Our businesses have continued to invest in expanding their presence in international markets, often collaborating with other Halma companies or using Halma’s growth hubs in China and India. Our growth in both developed and developing regions reflects the global and sustainable nature of our safety, health and environmental market growth drivers.

Revenue growth was strong in the Asia Pacific region with an increase of 15% to £175m (2017: £152m), including 14% organic constant currency growth. This included a revenue increase of 20% from China to £82m (2017: £68m), with 18% organic constant currency growth.

There were good rates of growth in the UK, Mainland Europe and the USA of 12%, 13% and 8% respectively, all including organic constant currency growth rates of 8% – 9%. The USA remained our largest region with revenue of £374m (2017: £345m). Revenue from Mainland Europe was £238m (2017: £210m) and from the UK was £173m (2017: £155m).

Revenue from Other regions, which includes South America, Africa, Near and Middle East grew strongly by 17% to £116m (2017: £99m), including 12% organic constant currency growth.

Revenue and profit growth in all sectors

The **Process Safety** sector performed in line with our expectations and maintained the improved performance which started to emerge in the second half of the last financial year.

Revenue was up by 11% to £185m (2017: £167m) and profit² rose by 8% to £43.4m (2017: £40.2m). This was almost all organic constant currency growth as there was minimal impact from currency movement and no acquisitions during the year. Return on Sales was 23.5% (2017: 24.1%). R&D spend increased by 6% to £6.3m (2017: £6.0m). The Pipeline Management, Safety Interlocks and Pressure Management segments performed strongly with a more modest rate of growth in Gas Sensors.

Steadily improving demand from the onshore energy market contributed to strong organic constant currency growth from the USA. There was also excellent progress in Asia Pacific and Other regions. There was solid progress in Mainland Europe and lower growth in the UK.

The Process Safety sector is continuing to invest in its products, markets and organisation to make it more resilient in responding to adverse changes in its largest end market, oil and gas. We expect it to make progress in the year ahead.

Chief Executive's Strategic Review continued

The **Infrastructure Safety** sector performed well. Revenue increased by 11% to £349m (2017: £315m), including 8% organic constant currency growth. Profit² grew by 13% to £73.3m (2017: £65.1m) including 10% organic constant currency growth. Both revenue and profit benefited by 2% from acquisitions and 1% from currency. Return on Sales was 21% (2017: 20.7%). R&D spend increased by 13% to £20.4m (2017: £18.0m). There were strong performances in the Fire and People Movement segments and solid progress in Security and Elevator Safety.

Regionally, the highest rates of organic constant currency revenue growth were in Asia Pacific and Other regions. There continues to be a gradual strengthening of safety regulation for public and commercial infrastructure in developing regions, which promises to support continued growth in the future. There were good rates of organic constant currency growth in the UK and Mainland Europe. Despite demand trends improving in the second half, there was a small organic constant currency decline in the USA.

Given this widespread growth, both geographically and in each market segment, the Infrastructure Safety sector is expected to make continued progress in the coming year.

The **Medical** sector achieved consistent revenue growth throughout the year and improved its rate of profitability as the year progressed.

Revenue increased by 9% to £284m (2017: £261m) including 7% organic constant currency growth and a 2% contribution from acquisitions. Profit² improved by 0.4% to £67.0m (2017: £66.7m) including a 0.4% organic constant currency decline and 1% contribution from acquisitions. There was a very small negative impact from currency on both revenue and profit. Return on Sales was 23.6% (2017: 25.6%). R&D spend increased by 4% to £11.8m (2017: £11.3m). The Ophthalmology, Patient Assessment, Diagnostic and Sensor segments all achieved revenue growth with increased investment and revenue mix reducing, as expected, the relative rate of profit growth.

There was good organic constant currency revenue growth in the USA, which is the largest regional market. There was solid growth in the UK, Mainland Europe and Asia Pacific and strong growth in Other regions.

The Medical sector is well positioned to make further progress in the coming year through sustained revenue growth and maintaining its improving profitability.

The **Environmental & Analysis** sector had an outstanding year, achieving strong underlying growth and also benefitting from the reorganisation completed in the prior year.

Revenue grew by 18% to £259m (2017: £219m) including organic constant currency growth of 15% and a 3% contribution from acquisitions. Profit² increased by 32% to £55.0m (2017: £41.7m) including organic constant currency growth of 28%, a 6% contribution from acquisitions and a 2% adverse currency movement. Return on Sales was 21.2% (2017: 19.0%). R&D spend increased by 17% to £17.8m (2017: £15.1m). The Photonics, Water and Environmental & Monitoring segments all contributed strongly to this outstanding result.

There was strong organic constant currency revenue growth in Asia Pacific, the UK and the USA with solid growth from Mainland Europe. The UK benefited from good demand from the water utilities. There was a decline in demand from Other regions, which represents around 5% of sector revenue.

The Environmental & Analysis sector has good momentum in its chosen market segments and is well placed to continue to make progress this year.

Five acquisitions completed across three sectors

Our core acquisition strategy is to find privately-owned businesses operating in niches, which are aligned with our purpose of "Growing a safer, cleaner, healthier future for everyone, every day". We focus the majority of our search efforts in our core, or closely adjacent, market niches although each sector board has freedom to explore new niches which might have the right product, market and financial characteristics. In most cases we acquire 100% of an entity, but we make minority investments to gain access to potentially valuable intellectual property if an outright purchase is not appropriate or possible. Every transaction is approved by the Group Chief Executive and Finance Director, with all deals of £10m or over requiring Halma plc Board approval.

Coming into the year, we had an improving acquisition pipeline having built stronger, sector-focused M&A search resources. It was pleasing to see this translate into five acquisitions completed in the year and it is encouraging that we maintained a healthy pipeline of opportunities as we entered the new financial year.

In July 2017, we acquired blood pressure monitoring technology and product lines from Cas Medical Systems, Inc for an initial consideration of US\$4.5m (£3.4m), with a potential performance-based contingent

payment of up to US\$2.0m (£1.5m). The assets acquired were merged into SunTech within our Medical sector.

In August 2017, we acquired Cardios, also a blood pressure monitoring specialist, for R\$50m (£12.4m), with a potential payment of up to R\$5m (£1.2m) for further growth. Based in São Paulo, Brazil, this is our first ever acquisition in South America. Cardios has joined the Medical sector.

In October 2017, we acquired Mini-Cam, a pipeline inspection business focused on water utilities. We paid an initial consideration of £64.9m and there is potential further payment of £23.1m based on future profit growth. Mini-Cam is based in the UK and is now part of the Environmental & Analysis sector.

In November 2017, we acquired Setco, based near Barcelona, Spain for a consideration of €17m (£15.1m). Trading under the Microkey brand, this brings new telecommunications capabilities to our Elevator Safety business, Avire, which is part of the Infrastructure Safety sector.

In December 2017, we acquired Argus Security and its UK distributor, Sterling, for a combined consideration of £20.8m (£18.4m). Argus is based in Trieste, Italy and manufactures fire detection solutions. It will operate within our Infrastructure Safety sector.

Our sector-focused organisational model gives us the scalability we need to continue to acquire small-to-medium sized businesses or even to acquire small groups of companies. Our portfolio structure enables us to easily integrate new acquisitions as well as to merge or sell businesses should the longer-term market potential change adversely. This enables Halma to grow rapidly without becoming more complex. In 2008, Halma had revenue of £398m from 39 operating companies while today we have revenue of £1,076m and 41 operating companies.

Halma 4.0 growth strategy launched and increased digital investment

The Halma 4.0 growth strategy provides a clear framework which helps our companies to face the diverse challenges and opportunities presented by the digital age.

It maintains a focus on growing our 'Core' business as the foundation of Halma's success (for example, through new product development and international expansion) and, during the year, R&D spend increased by 12% to £56.5m (2017: £50.6m) representing 5.2% of Group revenue (2017: 5.3%). However, Halma 4.0 also adds two further growth strategies, called 'Convergence' and 'Edge'.

Convergence growth is achieved through the creation of new digital solutions, often with new business models, arising from the combination of capabilities or technologies from more than one Halma company and/or new partnerships outside the Group (for example, using a safety-related technology for a medical application).

Edge growth will come from creating new business opportunities via partnerships with external companies which have valuable capabilities which we do not wish to, or are unable to, acquire (for example, Artificial Intelligence).

At the fulcrum of executing the Halma 4.0 strategy are our Growth Enablers. These are the resources provided by the Group to every company to help them to grow. They include well-established components of our growth strategy including M&A, Talent, International Expansion, Innovation and Finance & Risk. To these, Halma 4.0 has added 'Digital Growth Engines' and 'Strategic Communications'. A summary of these is shown on pages 6 and 7 of this report.

As we have done successfully in the past, our approach is to make central investment in high-quality resources for our companies to use according to their needs and ambition.

In July 2017, we were delighted to welcome Inken Braunschmidt as our first Chief Innovation and Digital Officer and member of the Executive Board. Inken has already been working very closely with our operating companies and is building a much stronger collaborative network across the Group and with external expert partners to accelerate the development of our innovation and digital capabilities for Core, Convergence and Edge growth. We look forward to sharing success stories from these new initiatives in the future.

Executive Board changes

In order to leverage the benefit of stronger networking within Halma and to provide greater visibility to the company boards of what is available to them, the Executive Board was streamlined in December 2017. The number of Sector Chief Executives (SCEs) was reduced from four to two. Paul Simmons became the SCE responsible for our two Safety sectors and Adam Meyers the SCE responsible for the Medical and Environmental sectors. I would like to thank Philippe Felten and Chuck Dubois for their contributions to Halma's success as members of the Executive Board over many years.

In addition, we re-established the Divisional Chief Executive (DCE) role. The DCEs chair each Halma operating company and report into a SCE. They have greater direct interaction with the Halma Executive Board than the previous Sector Vice President role and therefore will be well positioned to bring the value of the Group to each business.

Finance Director succession

At the close of the AGM on 19 July 2018, Kevin Thompson will retire from Halma after 30 years of service, including 20 years as Finance Director. Kevin has made a huge contribution to Halma's development over this long period, not least by ensuring that the critical elements of our success, such as organic growth, free cash flow and a strong balance sheet have remained at the forefront of our growth strategy. I would like to thank Kevin for his support to me and to the Board over this long period and wish him health and happiness in the future.

I am delighted that, after an extensive internal and external recruitment process, the Board selected Halma's Group Financial Controller, Marc Ronchetti, as Kevin's successor. Marc will start as Halma's new Chief Financial Officer on 1 July 2018. He has been completing an extensive handover process from Kevin and the transition has progressed smoothly. I look forward to working closely

with Marc in the years ahead and welcome him to the Board.

Corporate responsibility and sustainability is at Halma's core

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 and ensure that our procedures in these important areas are accessible, compliant and firmly bedded within our business.

A detailed report on Sustainability is on page 44.

Outlook

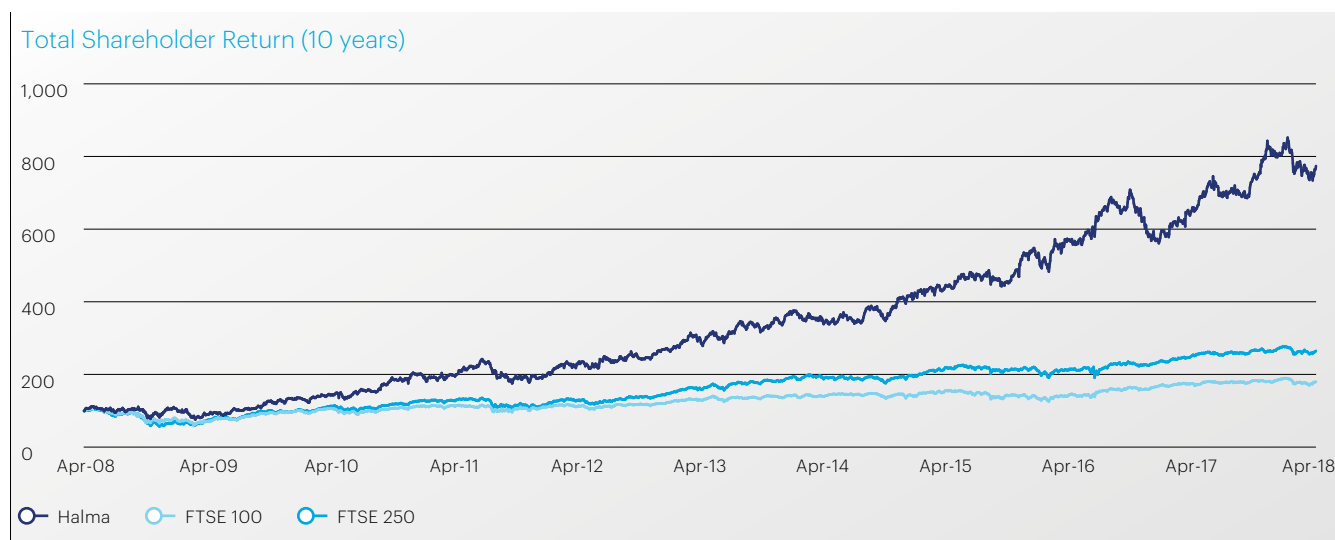
Halma has completed another successful year, achieving record results while increasing strategic investment as part of an enhanced growth strategy.

Halma's market and geographic diversity, combined with the agility of our business model, will be important assets as accelerating technological and geopolitical change continues to impact individual regions and industries. Trading since the last financial year end has been positive, with order intake ahead of the order intake last year and revenue this year. We expect to continue to make progress in the coming year.

Andrew Williams

Group Chief Executive

- 1 See Highlights
- 2 See note 1 to the Accounts



Growing a safer future

We are tackling the global issue of people and transport safety as cities grow



safer

Safety in overcrowded cities

The world's urban population is increasing more rapidly than ever before with 4.2 billion people living in cities today. According to research by the United Nations, this trend is set to continue with an estimated 6.7 billion people living in urban areas by 2050 – 68% of the global population.

Some of the world's largest cities, termed megacities, exceed 10 million or more residents. The UN expects the number of megacities worldwide to increase from 31 to 43 by 2030. Seoul, South Korea is a megacity with a population density almost twice that of New York. The wider Seoul metropolitan area is home to over 25 million residents – half of the population.

The rapid increase in urban population has placed a significant strain on infrastructure, especially transportation networks. While cities face multiple challenges in trying to keep pace with an ever-increasing population, the problem of overcrowding, liveability and people mobility has become the daily norm for many and a significant safety risk.

Halma is helping these urban areas better manage overcrowding and develop safety solutions to help protect people as they go about their daily lives.



BEA's LZR system

Installed across the KORAIL Metro network in Seoul, BEA's laser scanner sensors are helping protect passengers. Thousands of these compact laser scanner sensors have been installed to secure the safety of the gap between the platform and the platform screen doors. These sensors are preventing people from becoming trapped or blocked between the platform and the door. Together with other Halma companies, BEA is helping to make the world a safer place for millions of people every day.

tackling the big issues

4.2bn

Over half the planet live in densely populated urban environments where overcrowding is a safety risk

68%

Global population living in cities by 2050

43

megacities
UN predicts 43 megacities of more than 10 million people by 2030

Growing a cleaner future

We are addressing the global issue of air quality as pollution levels increase



cleaner

Improving air quality

Air pollution is an invisible killer. The World Health Organisation (WHO) estimates that nine out of ten people worldwide breathe polluted air, and seven million premature deaths each year can be linked to air pollution.

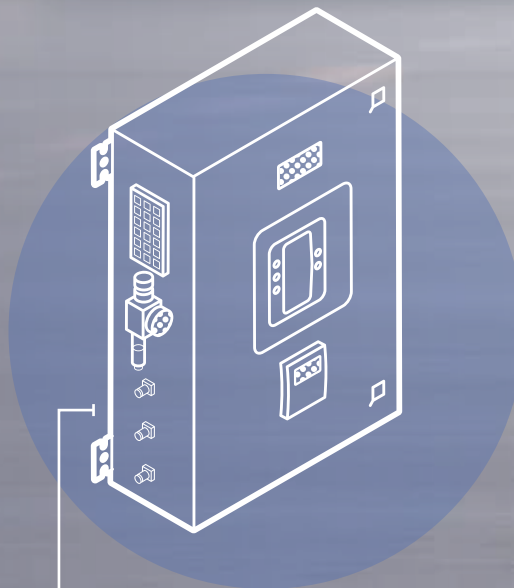
According to the 2018 Environmental Performance Index, air pollution is the biggest environmental threat to public health.

In December 2017, Beijing issued its first pollution 'red alert', closing schools, factories and construction sites for four days, and taking half of all private cars off the road. During this period, the intensity of the smallest polluting particles known as PM 2.5 was reported at around 40 times the WHO maximum safe level.

Exposure to PM 2.5 in the polluted air can penetrate deep into lungs and the cardiovascular system, causing diseases including stroke, heart disease, lung cancer, chronic obstructive pulmonary diseases and respiratory infections, including pneumonia.

Beijing's red alert was a positive step in the right direction. But research suggests the problem has a global dimension.

Countries such as China and Mexico are taking measures to tackle and reduce air pollution from particulate matter, including committing to tougher regulations on polluters and fines for law-breakers. They are also investing in renewable energy, switching domestic fuel from coal to electricity, and legislating for cleaner vehicle standards.



Crowcon's VOC Monitor

Halma companies Crowcon, PermaPure and Ocean Optics use advanced sensor technology to capture high-quality emission measurements, including sulphur, ammonia and various NOx gases. They share real-time data with their customers around the world, which is used for everything from pure emission monitoring and reporting to monitoring oxygen levels, toxic gas and flammable hazards, and controlling exhaust gas treatment systems.

9/10

people worldwide
breathe polluted air

tackling the big issues

7m

Around 7 million
people die every
year from exposure
to air pollution



Growing a healthier future

We are taking on the global issue of preventable blindness as the global population lives longer



healthier

tackling the big issues

39m

39 million people are blind worldwide – half from treatable cataracts



115m

115 million people will be blind worldwide by 2050

Preventable blindness

The number of blind people across the world is set to triple within the next four decades, researchers at the Lancet Global Health predict. A growing ageing population is behind the rising numbers. However according to the World Health Organization, 80% of global blindness is reversible or preventable with early diagnosis.

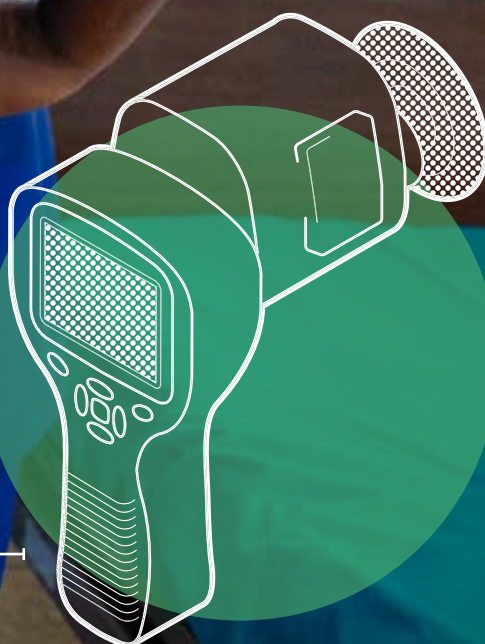
Some of the highest rates of blindness and vision impairment are in South Asia and sub-Saharan Africa.

More than 39 million people are blind worldwide, half from treatable cataracts. That figure is expected to rise to more than 115 million by 2050.

Blindness creates social dependency, reduces the workforce, shortens lives, and robs children of education. In developing economies, it causes US\$49 billion in lost productivity, annually.

Volk's Pictor Plus

Halma has been working closely with the ophthalmic community to create life-saving diagnostic and surgical technology for decades. Volk and Keeler are leading manufacturers of ophthalmic imaging devices and lenses in the world today – their technology is helping to diagnose and treat preventable blindness.



Business Review

Process Safety

We create products that

protect
people

and assets at work.

The areas in which we operate



Gas sensors

Instruments and systems that detect flammable and hazardous gases.



Safety Interlocks

Specialised Interlocks which prevent accidents and ensure that critical processes operate safely.



Pressure relief

Explosion protection devices to protect pressurised vessels and pipework in process industries.

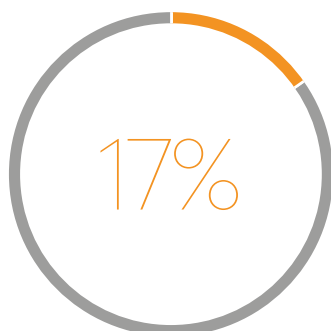


Pipeline management

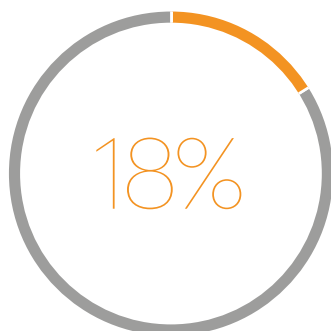
Valve interlocking and pipeline corrosion monitoring systems that safeguard people and processes.

Highlights

Revenue % of Group



% of Adjusted operating profit⁵



Process Safety Sector

£185m

Revenue

£43m

Adjusted operating profit⁵

Performance

KPIs	2018	Group target
Revenue growth ¹	10.5%	-
Organic revenue growth ¹ (constant currency)	10.5%	≥5%
Profit growth ¹	7.7%	-
Organic profit growth ¹ (constant currency)	8.1%	≥5%
Return on Sales ²	23.5%	≥18%
R&D % of Revenue ³	3.4%	≥4%

Contribution to Group

£m	2018	2017	2016	2015	2014
Revenue	185	167	155	159	127
Profit ⁵	43	40	40	45	35

1 Revenue and adjusted⁴ operating profit⁵ are compared to the equivalent prior year figures.

2 Return on Sales is defined as adjusted⁴ operating profit⁵ expressed as a percentage of revenue.

3 R&D expenditure expressed as a percentage of revenue.

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

5 Adjusted⁴ operating profit before central administration costs after share of associate.

6 Adjusted⁴ operating profit⁵ and organic growth rates are alternative performance measures used by management. See notes 1 and 3 to the Accounts.

Sector progress summary

The sector delivered strong organic revenue and profit growth. The first half of the year was particularly strong against a weaker comparison period, but solid progress was also made in the second half.

The Pressure Management sub-sector took advantage of their strong product portfolios and the improving US onshore oil and gas market, to produce outstanding results with double digit revenue and profit growth.

The Pipeline Management sub-sector also produced strong organic growth, capitalising on the improving capex spending in Asia and the Middle East. The remaining sub-sectors also contributed organic revenue growth.

Market trends and growth drivers

Our Safety Interlocks and Gas Detection businesses are continuing to benefit from increasing health and safety regulation and a growing population. With an estimated 374 million injuries and 2.74 million fatalities occurring in the workplace each year, it is likely that the ongoing tightening and advancement of health and safety regulations will continue.

Our companies have been adept at expanding into adjacent markets. Examples include the use of interlock technology in warehousing applications while also keeping pace with technology changes in core markets, such as the increasing use of collaborative robots in the workplace. With the global demand for collaborative robots expected to grow further, an agile approach to complement or leverage such technological developments is key for our companies.

As a critical global resource, energy demand continues to be a significant growth driver for our Pressure Management and Pipeline Management businesses. The global demand for energy remains high, growing by 2.1% in 2017 with 70% of the demand being met by oil, natural gas and coal.

Current projections indicate that the demand for oil is likely to remain relatively flat through to the year 2040, partly due to the rise in renewable energy and demand for electric vehicles. However, the additional new supply required to offset the decline in natural production will require new production, equal to nearly 5% of the total, be added each year.

Business Review continued

Process Safety continued

The Pressure Management sub-sector has particularly benefited from the recent resurgence in investment in unconventional oil and gas and the growing use of Natural Gas Liquids as chemical feedstock in the USA. These trends are expected to continue for the next 20 years.

Geographic trends

The sector performed strongly in all geographies. Asia Pacific, the USA and Other regions were particularly strong.

The US performance was driven by the improving Oil and Gas market and, while upstream Capex remains well below the record levels of 2014, it grew by 35% in the USA in 2017 (4% globally). Upstream Capex should grow by an estimated 8% in 2018 compared to 2017, again led by the USA.

Strategy

The sector's markets are diverse and its products provide valuable safety solutions in a wide variety of niche applications within the energy, chemical, pharmaceutical, biotechnology, automotive, transportation and industrial end markets. Our companies are strengthening their international presence whilst accelerating activities to moderate our dependency on the Oil and Gas market.

Through partnering and acquisition activity we are seeking new opportunities in specialised niches where we can provide valuable solutions to high stake problems. As an example, our corrosion monitoring business, Cosasco, entered into an exclusive commercial partnership with Sensorlink AS, a Norwegian business with novel ultrasonic non-intrusive corrosion monitoring technology. This moves Cosasco to the

forefront of its market with a broader range of sensing and connected data solutions.

We are looking to increase the value we provide our customers by combining new digital technology with our existing, market-leading conventional technologies. Targeted acquisitions will be sought to accelerate this process. We are also finding more ways for companies within Process Safety to collaborate on solutions that combine technology and insight from two or more other Halma companies.

Performance

The Process Safety sector has increased revenue by 11% to £185m and grew profit by 8% to £43m. On an organic constant currency basis, revenue and profit grew by 11% and 8%, respectively. The Pressure Management sub-sector enjoyed a year of strong revenue and profit growth, primarily in the US chemical and energy markets. The Pipeline Management sub-sector benefited from several large capital project awards in Asia and the Middle East. Our Gas Sensors and Safety Interlock business also grew. We strengthened our acquisition pipeline, although all the growth delivered in the year was organic.

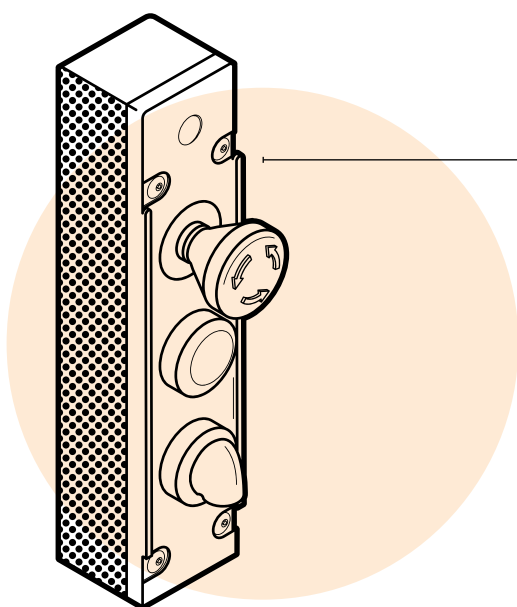
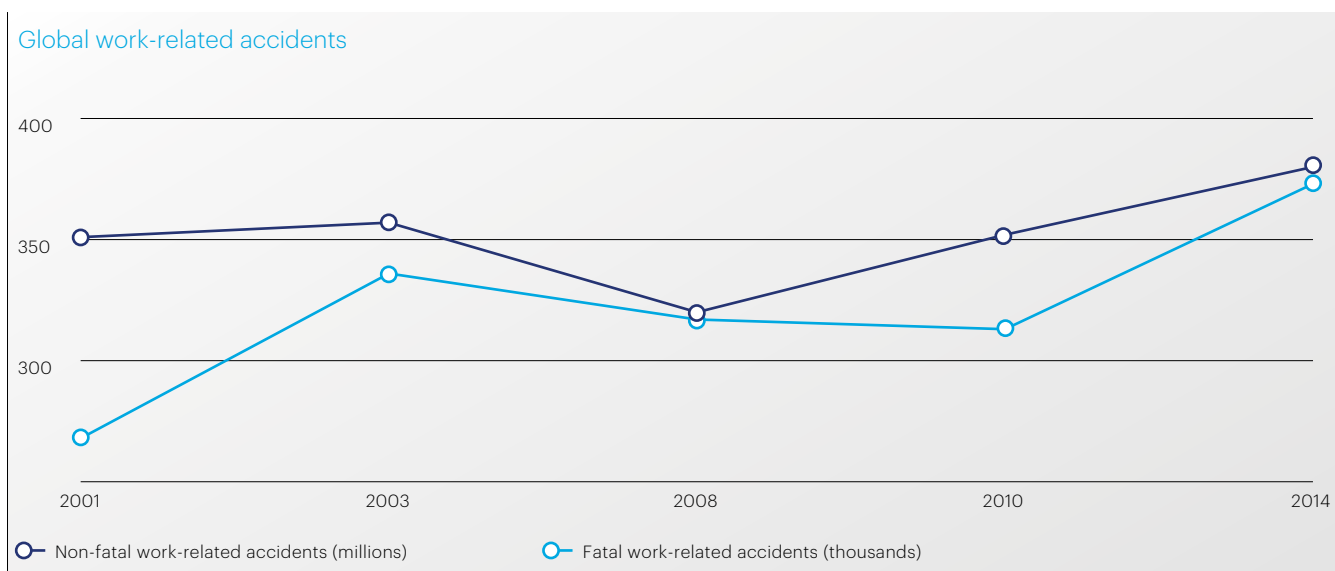
Gross margins remained healthy. Overheads were controlled with spend increasing in line with revenue growth. Return on Sales remained above Halma group target at 23.5%. Strong working capital management and profit generation helped improve Return on Capital Employed, maintaining it well above target. R&D spend at 3.4% of revenue was below the Group target, but is expected to increase as we focus on digital technology and new product development.

New product and process development continued to play a large role in our success. The Salvo product extended our sequential safety companies' markets into trailer loading bay safety. The Pressure Management sub-sector developed industry leading technology for their scored rupture disc and welded disc assembly product lines.

Outlook

We are aiming to acquire businesses in core and adjacent markets with a strong emphasis on digital technology and new business models. Through diversifying our product and service offerings, both at the individual company level and at the sector level through acquisition, we plan to steadily reduce our exposure to Oil and Gas over the medium term.

With strong growth prospects in core and adjacent markets and a steadily improving Oil and Gas market we expect to make progress in the coming year.



CASE STUDY

Fortress

Fortress's amGardpro safety interlock system

Millions of occupational accidents – both fatal and non-fatal – occur every single year. The latest figures from the International Labour Organization reports 380,000 deaths per year as a result of occupational accidents, and an additional 374 million non-fatal injuries worldwide.

While such accidents can, at their worst, have tragic and life-changing effects on employees, collectively the impact can equate to significant figures of Gross Domestic Product (GDP).

The European Agency for Safety and Health at Work estimates that work-related health and injury equates to a loss of 3.3% of GDP in the European Union every year – that is approximately £435bn.

At Halma, we seek solutions to help improve safety for workers in heavy industrial settings. Our world-leading machine guard locking products add an additional level of safety to protect both workers and the machinery.

Fortress's trapped key technology and safety gate switches are used by companies all over the world in industries where isolating hazardous machinery and dangerous equipment is paramount. The amGardpro range is the ultimate range of modular safety gate switch interlocks, for heavy duty applications which allows users to create a tailored solution to suit almost any machine guarding application. Its highly robust construction makes it the perfect guard switch for high vibration machinery and will continue to operate in even the most arduous environments. The amGardpro eliminates human error and prevents industrial accidents by ensuring a safe sequence of events.

£435bn

Cost of work-related health and injury

Business Review

Infrastructure Safety

We create products that

save lives

protect infrastructure and
enable safe movement.

The areas in which we operate



Fire detection

Fire and smoke detectors, control panels, audible and visual warning devices, networked fire detection systems.



Fire suppression

Systems to automatically extinguish fires, protecting people, property and assets.



Elevator safety

Elevator and lift door safety sensors, emergency communication devices, displays and control panels for elevators.



People and vehicle flow

Sensors used on automatic doors in public, commercial and industrial buildings and transportation.

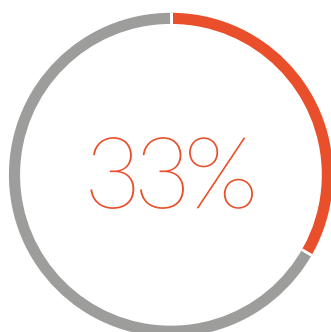


Security sensors

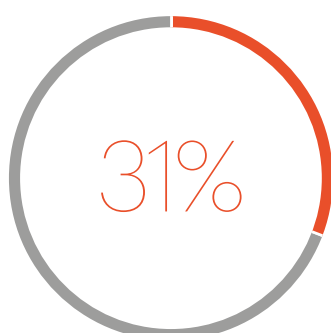
Security sensors, motion devices and control panels used to protect commercial, residential and public buildings.

Highlights

Revenue % of Group



% of Adjusted operating profit⁵



Infrastructure Safety Sector

£349m

Revenue

£73m

Adjusted operating profit⁵

Performance

KPIs	2018	Group target
Revenue growth ¹	10.6%	-
Organic revenue growth ¹ (constant currency)	8.2%	≥5%
Profit growth ¹	12.5%	-
Organic profit growth ¹ (constant currency)	9.8%	≥5%
Return on Sales ²	21.0%	≥18%
R&D % of Revenue ³	5.8%	≥4%

Contribution to Group

£m	2018	2017	2016	2015	2014
Revenue	349	315	265	234	220
Profit ⁵	73	65	56	50	44

- 1 Revenue and adjusted⁴ operating profit⁵ are compared to the equivalent prior year figures.
- 2 Return on Sales is defined as adjusted⁴ operating profit⁵ expressed as a percentage of revenue.
- 3 R&D expenditure expressed as a percentage of revenue.
- 4 Adjusted to remove the amortisation and impairment of acquired intangible assets, acquisition items and restructuring costs (see note 1 to the Accounts).
- 5 Adjusted⁴ operating profit before central administration costs after share of associate.
- 6 Adjusted⁴ operating profit⁵ and organic growth rates are alternative performance measures used by management. See notes 1 and 3 to the Accounts.

Sector progress summary

The sector has had a strong year, led by robust organic growth in our Fire businesses and our People and Vehicle Flow business. All the sector's companies posted record revenue and the majority record profits. Return on Sales and Return on Capital Employed both showed good improvements, with the increased levels of R&D spend of recent years maintained.

The sector added two important technologies to the portfolio via the acquisition of a wireless smoke detection business and an elevator safety communication company.

Market trends and growth drivers

Our Fire businesses operate in markets driven by increasingly tight regulations, an expanding world population and greater urbanisation. As a result, the industry is experiencing global growth, with Fire Detection growing an estimated 5.3% per annum between 2015 and 2020 and Fire Suppression growing 4.7% per annum.

Increasing population growth and urbanisation, allied to a heightened focus on life safety, are driving even higher rates of growth for fire systems in many developing markets across the world. For example, the Indian market for both Fire Detection and Fire

Suppression systems is forecast to grow 12% – 13% each year between 2015 and 2020.

Tens of thousands of people worldwide die every year due to fire. Most of these deaths are preventable and employers and building owners are under increasing pressure to comply with stricter government laws and regulations to protect their workers.

High-profile tragedies are driving welcome improvements in the fire safety of existing infrastructure, and we expect to see more regulations coming into force to protect people's lives in both commercial and residential property. Although standards and practices vary between countries, these standards are improving every year and becoming more closely aligned.

Wireless fire systems provide a fast, effective and non-intrusive way of improving the safety of existing infrastructure. As a result, we expect demand for wireless products to continue accelerating in the coming years as governments, regulators and business owners all respond to the need to improve fire safety. Our recent acquisition, Argus, which manufactures wireless fire sensors, is poised to benefit from this trend.

Business Review continued

Infrastructure Safety continued

The market for security products is increasingly linked to the emergence of intelligent buildings. It is estimated that by 2024 there will be 2.1 million connections in the intelligent buildings sector in the UK, with 70% of those connections related to security.

Our Security business is ideally positioned to benefit from the connected trend with its cloud based platform, which enables remote monitoring and control of a building's intrusion system.

The OEM elevator market continues to be highly competitive although the fast-growing maintenance market is more attractive, with a faster growth rate (4%) and higher profitability. The increasing use of mobile technology in elevators for emergency and monitoring communications was the driver behind our acquisition of Setco, a Spanish M2M communications technology company.

In both developed and developing countries there is a significant increase of people moving into urban areas and living in larger buildings. A recent United Nations report estimates that by 2050 68% of the global population will be living in urban areas. This long-term trend is creating demand for better infrastructure and better transportation services, as people move into more densely populated areas.

Our People and Vehicle Flow and our Elevator businesses are positioning themselves to capitalise on this growing trend, providing products and services that enable safer transportation and people flow control in and around buildings, transportation networks and public spaces.

Geographic trends

The sector has a strong international footprint although most principal businesses are located in the UK, Mainland Europe and the USA. There was strong growth of 16% in Asia Pacific and Other regions which compares favourably to the sector's overall revenue growth rate of 11%. The performance in Asia Pacific was underpinned by large projects in vehicle registration and mass transit safety.

Revenue grew well in the UK and Mainland Europe with the USA underperforming due to weaker performances by our fire companies.

Strategy

Our strategy aims to accelerate growth due to increasing life safety concerns and the digitisation of infrastructure, whilst maintaining a focus on less cyclical, niche applications with high barriers to entry. There are three main elements as follows:

Core growth

- organically expand our geographic footprint, especially in China, India and South East Asia and accelerate this international growth through acquisition.
- accelerate the pace of innovation and product development to continue delivering sustainable and differentiated value to our customers.

Convergence towards connected systems and infrastructure

- move our companies' offerings along the digital value chain, to leverage our strong sensor technology portfolio and new cloud-based systems.
- acquire technology in the integrated buildings market.

Acquisition

- continue to acquire businesses in our core markets and close adjacencies.
- focus increasingly on digital and connected technologies to accelerate growth and enable convergence opportunities.

Our strategy is supported by a strong focus on talent, developing our people and recruiting the best talent in the market.

Performance

The sector delivered a strong performance, with revenue up 11% (8% organic constant currency) and profit increasing by 13% (10% organic constant currency).

The People and Vehicle Flow business performed very strongly due to new product introductions and larger project successes in Asia Pacific. Buoyed by the acquisition of Setco, our Elevator Safety business had a good year both in terms of financial results and transitioning the business to more profitable products and services.

The Fire and Security businesses outperformed the market through a combination of new products and international growth, making a strong contribution to the sector's performance. The recently acquired Fire business, Argus, performed in line with expectation in its first three months.

Gross margins remained strong despite component cost headwinds. With good overhead control, Return on Sales increased to 21.0%.

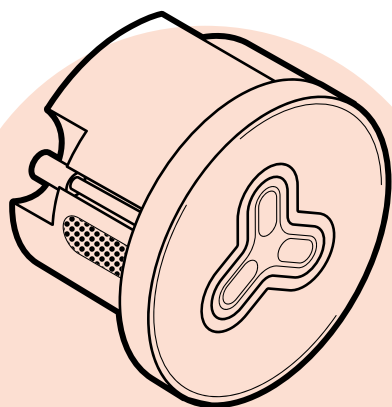
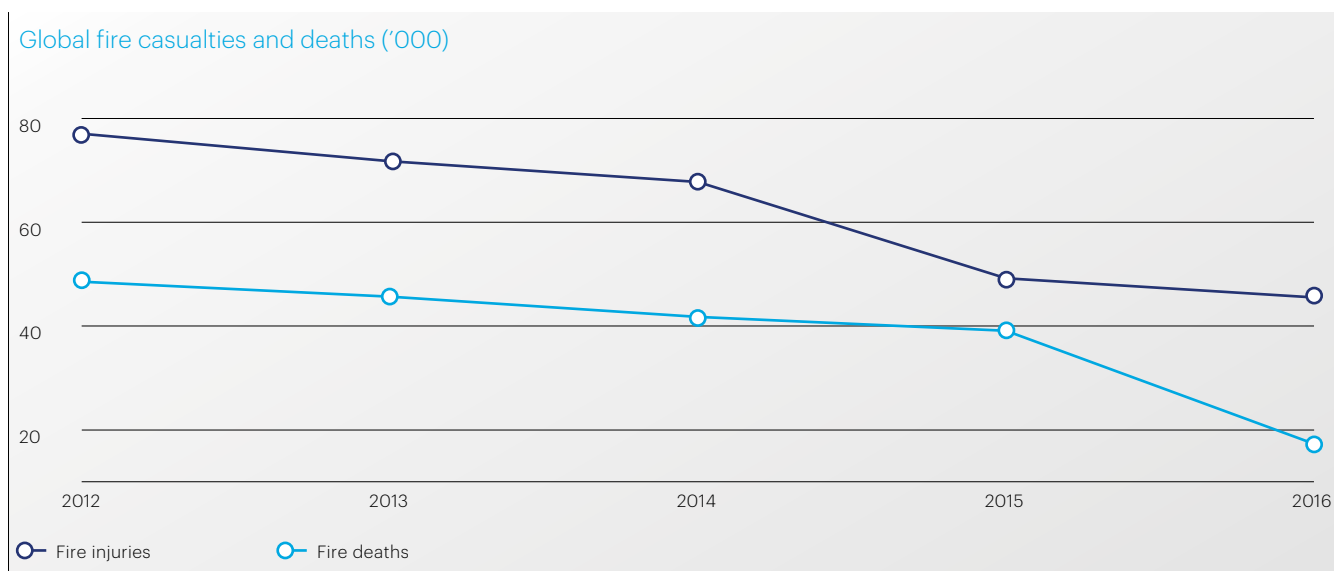
All key financial metrics met or exceeded Halma targets, with strong cash generation and Return on Capital Employed.

Outlook

Our key growth drivers of increasing regulation, population growth and urbanisation will continue to prevail in the coming years. We expect our robust growth trend to continue, supported by sound investment decisions in innovation and people, and by strategic acquisitions in both our core markets and in digital adjacencies.

Whilst we will continue to grow steadily in developed markets, our geographic footprint will continue to shift to Asia.

Alongside our sales of core sensor products, we will grow our share of revenues from services and data insight.



CASE STUDY

Apollo

Apollo's Soteria Dimension fire detection system

Fire related deaths and injuries continue to pose a significant risk to human life, accounting for many thousands of deaths per year.

Far from uncommon, reports of devastating building fires populate global news on a regular basis. The impact of a building fire can be disruptive at its best and at its very worst can be life-changing or even fatal.

Reacting to a fire and prompt evacuation of a building can be paramount to minimising its impact. Reliable and advanced fire detection and alarm systems are key for fire risk management.

At Halma, we seek ways to improve early fire detection in order to minimise the impact of a building fire. Apollo Fire Detectors Ltd specialises in the design and manufacture of high-quality fire detection solutions for commercial

and industrial applications. Ideal for commercial premises, the Soteria range of fire detectors provide both heat and smoke detection, using new sensing technology to increase reliability and reduce false alarms.

Soteria Dimension is a range of sleek, flat optical fire detectors designed to blend seamlessly with any environment. A specialist anti-ligature version is also available, allowing these products to be installed in commercial environments with high aesthetic requirements.

With over 25,000 staff and students, the University of Hertfordshire, is a large educational site with multi-purpose spaces. Over 680 Soteria detectors were installed throughout the University to help protect both staff and students, these advanced devices have improved the detection of smoke and reduced the risk of false alarms.

45,000

people suffer injuries from fire every year

Business Review Medical

We create products that

enhance quality of life

for patients and improve quality
of care for providers.

The areas in which we operate

Provider solutions



Diagnostics

Pumps, probes, valves and connectors used by OEMs and laboratories for demanding fluid handling applications.



Sensors

Real time location monitoring systems to improve quality of care, safety and operational efficiency in hospitals and healthcare facilities.

Patient care



Ophthalmology

Surgical instruments and diagnostic devices to assess eye health and assist with eye surgery.

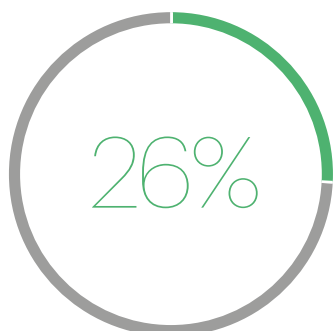


Patient assessment

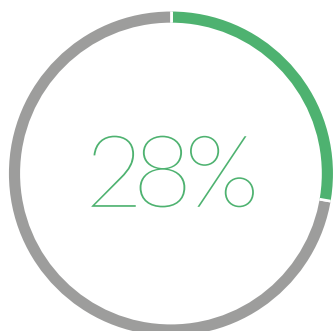
Diagnostic devices for everyday and specialised healthcare, including blood pressure monitoring.

Highlights

Revenue % of Group



% of Adjusted operating profit⁵



Medical Sector

£284m

Revenue

£67m

Adjusted operating profit⁵

Performance

KPIs	2018	Group target
Revenue growth ¹	8.9%	-
Organic revenue growth ¹ (constant currency)	7.2%	≥5%
Profit growth ¹	0.4%	-
Organic profit growth ¹ (constant currency)	(0.4)%	≥5%
Return on Sales ²	23.6%	≥18%
R&D % of Revenue ³	4.1%	≥4%

Contribution to Group

£m	2018	2017	2016	2015	2014
Revenue	284	261	199	169	163
Profit ⁵	67	67	52	45	42

1 Revenue and adjusted⁴ operating profit⁵ are compared to the equivalent prior year figures.

2 Return on Sales is defined as adjusted⁴ operating profit⁵ expressed as a percentage of revenue.

3 R&D expenditure expressed as a percentage of revenue.

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

5 Adjusted⁴ operating profit before central administration costs after share of associate.

6 Adjusted⁴ operating profit⁵ and organic growth rates are alternative performance measures used by management. See notes 1 and 3 to the Accounts.

Sector progress summary

The sector delivered record revenue and profit. Revenue grew in all our major geographies. While revenue growth was strong in both the first and second half of the year, first half profitability was below expectations due to higher spending on sales, marketing and new product development and lower gross margin caused by mix. After addressing both, the second half delivered improved profitability, resulting in a full year Return on Sales of 23.6% and profit marginally up.

Revenue for the year grew 8.9% as reported and 7.2% on an organic constant currency basis.

R&D spending grew by 4.0%, remaining at the prior year level of 4.1% of revenue and added new capabilities to our teams.

Return on Capital Employed and cash production continued above Group targets.

Market trends and growth drivers

The increasing demand for global healthcare continues to be supported by:

- worldwide population ageing and increasing life expectancy
- increasing global prevalence of chronic illnesses such as diabetes, obesity, hypertension and cancer
- new medical diagnostic and surgical technologies
- increased healthcare access in developing economies

The world population is expected to increase by 1 billion by 2025 with 300 million of that increase in the over 65 category. Ageing population is a key driver for growth in our medical portfolios focused in Ophthalmology, Patient Assessment and Diagnostics due to the increased prevalence of significant health risk factors such as diabetes, hypertension and cancer and the increased demand for healthcare services as age increases.

Business Review continued

Medical continued

Age is associated with complex functional changes in the eye which can ultimately result in development of eye diseases such as cataract, diabetic eye disease, glaucoma, dry eye and low vision. Portable and easy to use diagnostic screening tools provide early screening to identify eye disease so that patients can gain treatment, slowing down progression and possibly preventing blindness. Cataract surgery is one of the most frequent surgical operations carried out worldwide, with more than 25 million operations annually. The growing and ageing global population increases demand for diagnostic and surgical applications and positions our Ophthalmology businesses for continued growth in the future.

International product registration requirements continue to increase with a growing diversity of requirements by geography. This is increasing time and cost to market for much of the world, but provides barriers to entry for new entrants. We continue to build local expertise in this area to navigate these increasing requirements.

Currently, one in every three US adults has high blood pressure and only half of these individuals have their condition under control. A further one third have prehypertension which means they should continue to have their blood pressure monitored by the type of products made by our Patient Assessment companies. In Brazil, hypertension is an important public health problem with population-based studies showing a hypertension prevalence of 35%. Cardios, our recent acquisition in Brazil, focuses on hypertension and cardiac monitoring in the ambulatory market, providing new opportunities for our global Patient Assessment businesses.

The increasing prevalence of lifestyle-connected and chronic disease is driving growth in the in-vitro diagnostics and laboratory testing markets served by our Diagnostic companies. This market is projected to grow at 5.5% through to 2021.

With increased ageing, the demand for acute care and long-term care facilities also increases with more healthcare facilities under pressure to improve patient outcomes, reduce costs, improve throughput and ensure safety of staff and patients. The global market for real-time location systems, which assist in these applications, is forecast to grow at 24% per year between 2016 and 2022.

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 acquiring additional companies, we aim to continue to deliver growth rates at, or above Group targets.

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

- recruiting and retaining high calibre, diversified talent
- increasing collaboration to drive geographic expansion and product development with a high focus on data and digital solutions
- increasing R&D investment to adapt to quickly changing market needs and respond to increased ageing population trends
- acquiring businesses in both core and adjacent market niches.

Geographic trends

The global medical device market is expected to continue to grow at 5% through to 2021. North America will remain the largest market for medical device technologies, growing at 4%. In the Asia Pacific market, growth is forecast to continue above 7%, with Europe recovering at 5% through to 2021.

However, geographic variations in the global medical device market continue due to local economic conditions, government spending programmes, currency fluctuations and

regulatory mandates. Therefore, our growth strategies will continue to vary by region.

Performance

The Medical sector grew revenue by 8.9% to £284m (2017: £261m) and profit by 0.4% to £67m (2017: £67m). Organic constant currency revenue growth was stronger than the prior year at 7% (2017: 4%). First half organic constant currency profit growth was below expectations, declining 6% due mostly to investments in sales, marketing and innovation. Second half organic constant currency profit growth rebounded to 4% growth as overhead growth slowed and good revenue growth continued.

We delivered revenue growth in all major regions with the USA ahead 8%, Europe up 6%, the UK 3% higher and Asia Pacific ahead 4%. South & Central America increased by 46% bolstered by our acquisition of Cardios in Brazil.

The sector continues to deliver high returns. Return on Sales remained high at 23.6% (2017: 25.6%). Return on Capital Employed and cash generation was also strong.

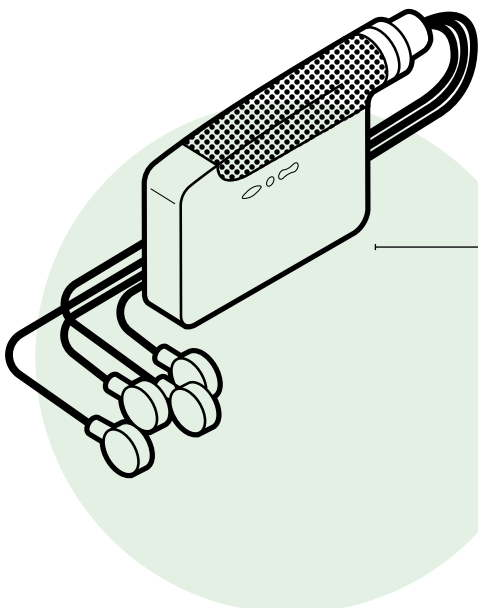
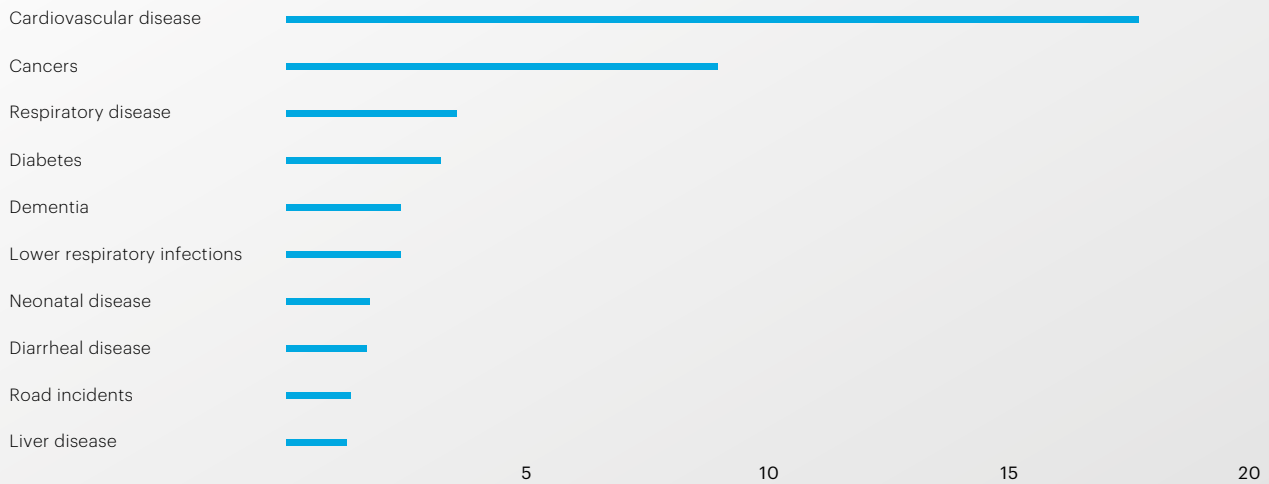
We completed two acquisitions. These businesses delivered encouraging second half performances and will contribute to sector growth in the years ahead.

Outlook

In the medium term, we expect our Patient care and Provider solutions segments to outperform the market with rising revenue driven by product innovation and increased penetration in key markets. The impact of global population growth and ageing on the healthcare market will continue as key drivers of our growth.

We will continue to build our acquisition targets pipeline within existing and adjacent niches, and expect continued growth from the businesses acquired. This and the profit and revenue momentum from the second half, should position us well to make progress in 2018/19.

Global causes of death 2016 (million people)



CASE STUDY

Cardios

Cardios' CardioLight digital holter system

According to the World Health Organization, around 17.7 million deaths worldwide are attributed to cardiovascular disease each year. That accounts for 31% of all global deaths.

In the USA alone, it is reported that one person dies every 40 seconds from a cardiovascular related diseases – approximately 80% of deaths are caused by heart attacks and strokes.

Halma provides life-saving equipment to help cardiologists and general practitioners to diagnose and prevent heart and blood vessel related diseases like heart attacks, heart arrhythmias, hypertension and diabetes.

Cardios designs and manufactures life-saving ambulatory electrocardiogram recorders and blood pressure monitors. In helping to monitor the heart health of patients, the discrete CardioLight monitor records the electrical activity of the patient over a period of 24 hours.

This small device records cardiovascular activity as the patient carries on with their normal daily life, transmitting the results in real-time to healthcare providers.

Ergonomically designed and weighing only 62 grams, the CardioLight monitor is barely noticeable and does not interfere with the patient's normal routine.

17.7m

deaths worldwide attributed to cardiovascular disease

Business Review

Environmental & Analysis

We create products that

monitor and protect

life-critical resources.

The areas in which we operate



Spectroscopy and Photonics

World-class optical, opto-electronic, and spectral imaging systems, that transport and characterise light, and use light to analyse materials in applications including healthcare, research, and industrial process control.



Environmental monitoring

Technologies used to monitor air and water pollution, analyse gases, and ensure that water networks operate efficiently.

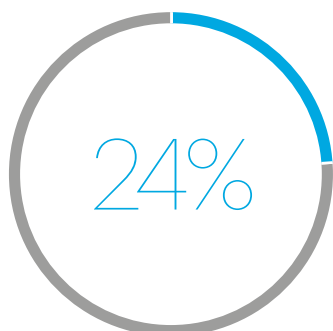


Water analysis and treatment

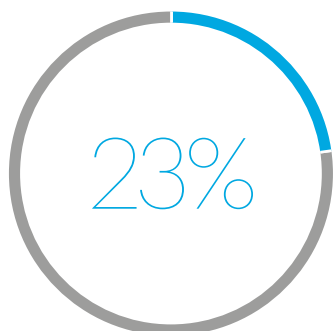
Systems that help the world monitor and improve the quality of water used for drinking, industrial process and recreation.

Highlights

Revenue % of Group



% of Adjusted operating profit⁵



Environmental & Analysis Sector

£259m

Revenue

£55m

Adjusted operating profit⁵

Performance

KPIs	2018	Group target
Revenue growth ¹	18.4%	-
Organic revenue growth ¹ (constant currency)	15.3%	≥5%
Profit growth ¹	32%	-
Organic profit growth ¹ (constant currency)	27.5%	≥5%
Return on Sales ²	21.2%	≥18%
R&D % of Revenue ³	6.9%	≥4%

Contribution to Group

£m	2018	2017	2016	2015	2014
Revenue	259	219	189	164	167
Profit ⁵	55	42	34	27	32

1 Revenue and adjusted⁴ operating profit⁵ are compared to the equivalent prior year figures.

2 Return on Sales is defined as adjusted⁴ operating profit⁵ expressed as a percentage of revenue.

3 R&D expenditure expressed as a percentage of revenue.

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

5 Adjusted⁴ operating profit before central administration costs after share of associate.

6 Adjusted⁴ operating profit⁵ and organic growth rates are alternative performance measures used by management. See notes 1 and 3 to the Accounts.

Sector progress summary

The sector achieved record results with very strong organic revenue and profit growth, both exceeding Group targets. This continues progress made over recent years. Growth in 2017/18 was achieved across multiple areas and benefited from the Pixelteq/Ocean Optics consolidation completed in 2016/17 and an acquisition completed mid-year.

Growth was achieved in all major geographies with particular strength in Asia Pacific driven by the Spectroscopy & Photonics and Environmental Monitoring businesses.

The mid-year acquisition of Mini-Cam added to our water network capabilities and continues to integrate well into the sector.

R&D investment continues to grow, up £2.6m, representing 6.9% of revenues. We continue to focus our innovation efforts on markets that benefit from resilient long-term growth drivers.

Market trends and growth drivers

The sector's long-term growth is sustained by three key drivers:

- rising demand for life-critical resources such as energy, water and food
- increasing environmental monitoring and regulations
- worldwide population growth, urbanisation and rising standards of living

Our businesses contribute to the growing worldwide efforts to provide clean drinking water, treated water for agricultural and recreational irrigation, ensure safe sanitary wastewater removal and monitor air and water for pollution and industrial emissions. Our equipment, technology and services enable our customers to tackle these globally important challenges.

The need for clean water will continue to increase to provide enough safe water to drink and to support increasing agricultural development needs. Demand for both food and water continues to be driven by

Business Review continued

Environmental & Analysis continued

a growing global population. About half a billion people live in regions that cannot provide even half the water needs through renewable resources. Our businesses provide water disinfection technologies to make safe drinking water and agricultural or industrial-use water more available.

Since 1990, although 2.1 billion people have gained access to improved sanitation, 2.4 billion people still remain without access to proper sanitation systems. Lack of access to safe water and sanitation systems are among the leading causes of child mortality and morbidity. Only 26% of urban sanitation and wastewater services effectively prevent human contact with contaminants along the entire sanitation chain. Our water testing systems help identify the contaminants in these water networks and our inspection solutions monitor them to create standards-compliant inspection data to ensure integrity of the network.

More than 90% of the world's population breathe air that exceeds safe limits as established by the World Health Organization (WHO). The health risks of breathing dirty air include respiratory infections, cardiovascular disease, stroke, chronic lung disease and lung cancer and air pollution is the fourth largest threat to human health behind high blood pressure, dietary risks and smoking. Our gas conditioning systems aid in the monitoring of industrial emissions and our spectral imaging technologies are used in identifying contaminants.

Geographic trends

We continue to operate in a variety of diverse regional and end-market niches. While the near-term market dynamics in each of these region/market segments can be quite different, over the medium term, certain trends prevail.

For example, the global environmental monitoring market will grow between 7% and 8% annually through to 2021 to reach

£14 billion. This growth remains dependent on new regulations and the enforcement of existing regulations in both developed and developing markets, along with increased government funding in developing markets. It is likely that developing markets will see the largest increase in the use of sensors for pollution monitoring and general air and water monitoring. North America will remain the largest region in this market by volume, followed by Europe. However, Asia Pacific, led by China and India, will see the strongest levels of growth.

We achieved good revenue growth across all major regions. Sales to Asia Pacific increased by 29% and sales to developed markets in the UK, USA, and Europe increased by 18%.

Strategy

Our products improve the quality of air, water and food for everyone, every day. They also enable the development and manufacture of products that improve our health and wellbeing.

Our growth strategy encompasses the development of market-led new products and services, acquisitions building on our existing technologies and/or market knowledge, geographic expansion and collaboration to extend market reach.

R&D is focused on applications addressing these long-term growth drivers. We continue to seek, foster and invest for growth in emerging markets.

Most of our companies provide sensors that collect data and our companies are increasing their efforts to explore innovative ways to use digital technologies to capture, manage, analyse and utilise data.

We continually seek to attract, develop and promote high-quality talent and ensure our talent is representative of our diverse end markets and matched to our strategic needs.

Performance

The sector grew revenue by 18.4% to £259m (2017: £219m) and profit by 32% to £55m (2017: £42m). Organic revenue growth at constant currency was 15.3% and profit growth was 27.5%, both well above Group targets. Return on Sales continued to improve to 21.2% (2017: 19.0%) and Return on Capital Employed also increased. We achieved these improved returns while continuing to increase R&D spending, which rose by 17% and was maintained at 6.9% of revenue.

We achieved the projected benefits associated with the 2016/17 Pixelteq restructuring and have successfully transferred its core technology and assets into Ocean Optics.

Mini-Cam was acquired during the year and added new capabilities in monitoring and inspecting of sewage and waste water networks to ensure both proper sanitation and compliance with environmental regulations.

Outlook

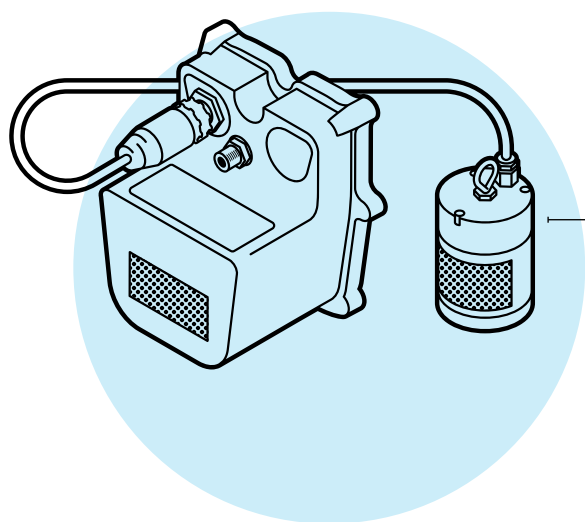
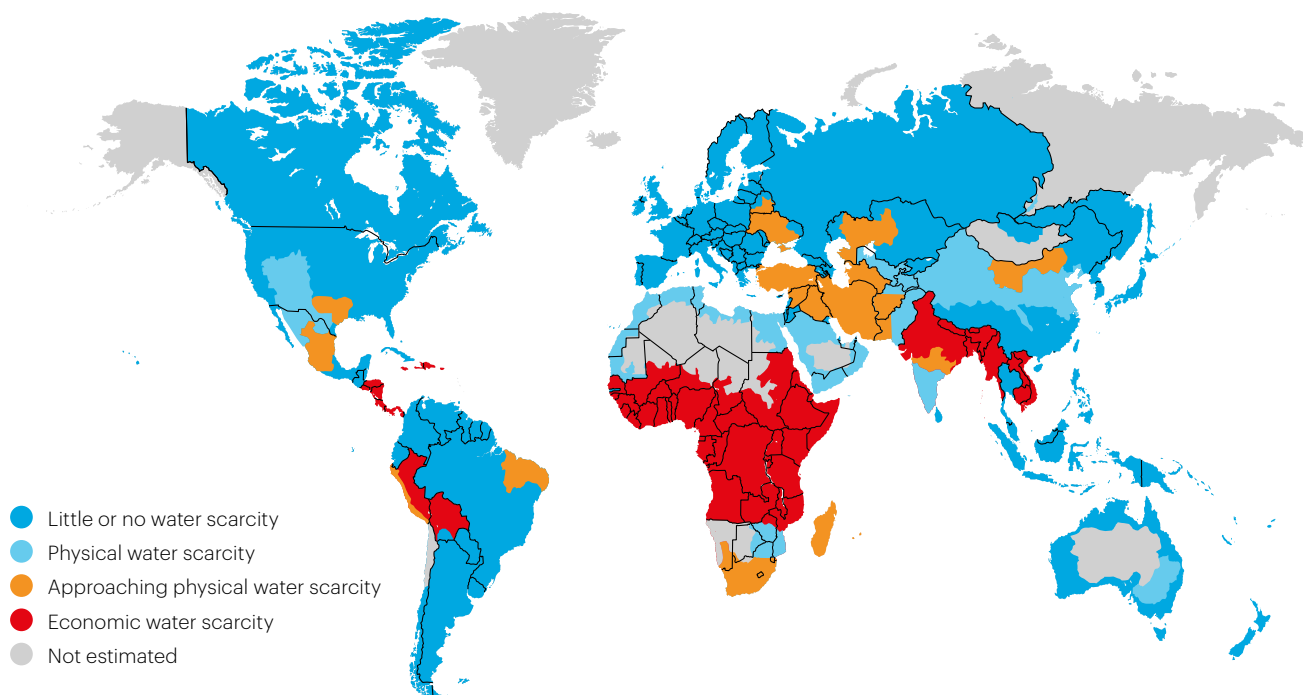
Global population growth, population ageing and increasing standards of living will continue to drive demand for energy resources, cleaner air, safer food and water. Our products, technologies and companies continue to build on these long-term growth drivers to deliver growth throughout the world.

We will continue to invest in our businesses to drive collaboration, technology development, business model evolution and development of digital and data management capabilities.

Our acquisition pipeline is growing and we continue to actively search for businesses complementary to our existing portfolio along with those in adjacent areas.

We expect to continue to deliver good revenue and profit growth while maintaining our existing high level of returns.

Global water scarcity



CASE STUDY

HWM

A new generation of leak detection

Current methods of water leak detection often involve labour intensive methods that survey only a small amount of the network at any time. In response to this, HWM developed PermaNET+, a next generation leak detector that continually scans the network, identifying and communicating all leaks within a customer's water network.

PermaNET+ listens for the sound created by a leak – high pressure leaks create small, high pitched sounds while larger leaks create deeper, quieter sounds. Historically, portable sensors will usually detect small leaks, whilst larger leaks remain unnoticed. Permanent monitoring allows for detection of larger leaks once smaller leaks have

been addressed. Each unit is fully waterproof and is battery operated, requiring no mains power. The device is installed entirely below ground, making it unobtrusive and practical for large scale deployment.

Fixed telemetry allows the user to continuously scan for leaks. The PermaNET+ transmits sensor data via GPRS. Two-way connectivity allows the unit to be reprogrammed remotely, without the need for site visits. Multiple alarm conditions can also be set, triggering as many alerts as required.

PermaNET+ has been used in the world's largest ever deployment of acoustic noise loggers at Affinity Water, where 20,000 systems were installed.

Digital & Innovation

Halma has a clear digital strategy supported by leaders and a culture able to change and invent the new.

Halma has always had a decentralised business model that enables us to be agile, to think and act quickly. These strengths present a unique opportunity for us as we enter the Fourth Industrial Revolution, where new technologies are combining faster than ever before and the face of business is rapidly changing.

As part of our new Halma 4.0 growth strategy, we are building on our core business by developing digital capabilities both within Halma and with carefully selected external partners, to help us take advantage of this digital future.

New ways to support our growth

For a long time we have supported our companies' growth by focusing mainly on core growth activities. R&D investment, talent development and the regional hubs have all supported this core growth.

The introduction of new Innovation and Digital growth engines, add a new way of thinking that will accelerate the growth of our existing businesses, moving them further along the 'digital playing field'.

Some of our companies are already established in the digital market and have developed digital technology and new business models to enable them to scale quickly. However, many of our companies have yet to establish themselves as digital businesses and the opportunity to learn from their peers and design their own digital technology is an exciting new growth opportunity.

3

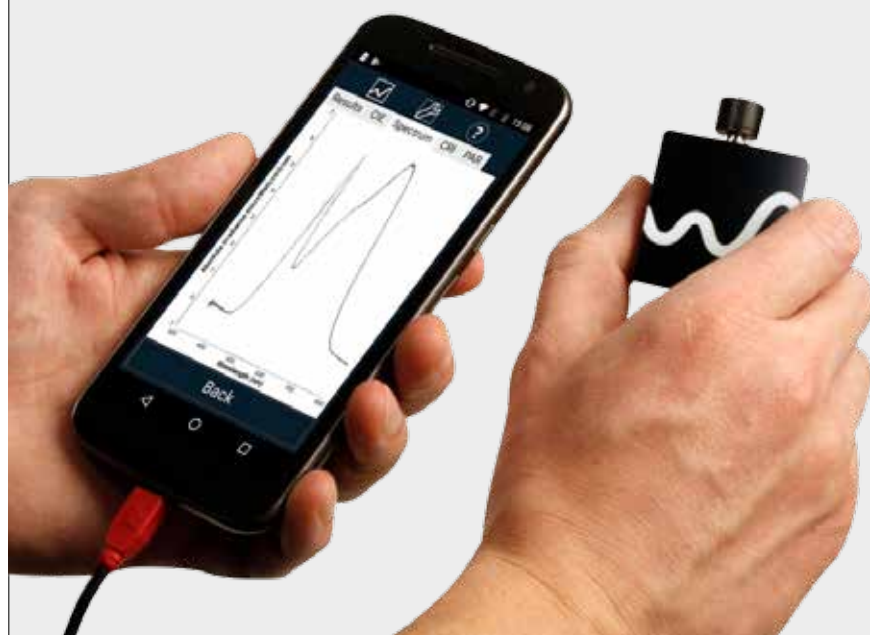
Halma teams have already participated in our Digital growth sprints programme.

6

Halma teams have already gone through our Convergence Accelerator programme.

CASE STUDY

Digital Growth Sprint



Ocean Optics participated in one of our first digital growth sprint programmes aiming to take their internal startup, Wave, to the next level. Wave provides handheld spectrometry for customers, such as architects and lighting designers, that need to be able to characterise light sources and their impact in situ.

What began as a smartphone plug-in with an app to help customers measure and log data in real-time, is now a Cloud solution that allows them to access and analyse their data anywhere, anytime.

During the digital growth sprint, the Wave team met with disruptive innovators in the lighting industry to help to hone their digital business model and capabilities.

The EyeRisiko team working on their Convergence pitch



Cultivating an innovation mindset

Digital isn't just about the technology. Building the right culture and mindset to let innovation flourish is just as important. So we are also designing new ways of working that support all of our companies and encourage greater collaboration and experimentation.

This year we have introduced a number of different initiatives both to support our digital growth and to build an innovation mindset across the Group.

Launching Digital growth engines

We completed the first round of Digital Growth Sprints with three Halma companies which helped accelerate one of their existing digital business opportunities.

In addition, we launched our first Convergence Accelerator programme at the end of 2017. An impressive 24 applications were made with ideas from teams made up from at least two companies across Halma. Six teams were selected and after just a few months' intensive work, they pitched their ideas to the Halma leadership team at our annual conference in Boston, USA. Four teams were successful and will now build on their work to date supported by seed funding.

We are creating a culture where resourcefulness is encouraged and rewarded. We use our internal online communications platform, *HalmaHub*, to share stories and collective success, ask questions, as well as highlighting the obstacles that employees have powered through to achieve results.

Building our Digital ecosystem

Through the Convergence Accelerator, digital growth sprints and 'go and see' visits to global hotspots such as Singapore, Shenzhen and Tel Aviv, we are proactively identifying the gaps in our digital capabilities and assets. We are then bridging these through partnerships, collaboration, external experts, talent and crowdsourcing.

Our success will continue to rely on empowered and ambitious people, ready to seize new opportunities. We can amplify this by continuing to build our unique ecosystem, realising that by working together we can find untapped opportunities, fulfil our purpose and achieve even higher rates of growth.

CASE STUDY

Convergence Accelerator

Our first Convergence programme saw six teams from across Halma developing and refining new ideas that could use digital business models and scale quickly.

Six Halma Convergence teams from across the Group came together in January 2018 to start developing compelling new business ideas that they hoped would win the backing of the judges at the final pitch session in April 2018.

Each team took on different challenges, but all were united in solving a problem that was not only profitable, but also had a positive impact that aligned with Halma's Purpose.

Successful examples included the Digital Water team who are looking at ways to revolutionise digital sensors for the water industry, EyeRisiko who are focused on ways to improve Diabetic Retinopathy diagnosis, and Bloodchain who want to transform healthcare through smart, connected technologies.

These are just some examples of how we are using new Digital & Innovation programmes to leverage our existing talent and technology and combine it with analytics to solve global problems.

Over

94m

people suffer from Diabetic Retinopathy globally

Our People

Enabling growth through Talent, Culture and Communications

Our people = our culture

Halma's culture reflects the collective capabilities of our people, and is one of our unique strategic assets. It attracts high achievers with low egos, striving to make a positive difference in the world. It avoids unnecessary bureaucracy and protocol in preference for acting with speed and precision to maximise impact. It encourages us to imagine the future and then create it, working seamlessly with partners internal and external to ensure our purpose is fulfilled.

We view talent, culture and communications as strategic growth enablers. We have redesigned our Group-wide talent initiatives to build new skills and create new mindsets that will help us tackle our newly articulated Halma 4.0 Growth Strategy on page 6. We have launched new communications efforts internally to foster more awareness of the capabilities and assets across the Group, confident that this will lead to identifying opportunities for convergence and edge growth on page 6, as well as sharing best practices and knowhow to grow our core business.

Diversity and inclusion

Diversity is one of our biggest competitive advantages. The diversity of our portfolio of companies provides stability and broadens the scope for growth. The diversity of our people helps us stay agile as the needs of our customers change and as business adapts. We have taken positive steps this year to increase the diversity of our organisation, from the company level to the Group level. This was in evidence at our Accelerator Convergence programme, which brought together a whole range of different perspectives from Managing Directors to Graduates, and from cultures and countries all over the world.

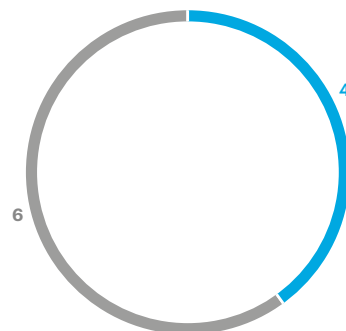
From a gender perspective, the representation of women is strong in executive management and production roles, and weakest in the middle management roles. We are committed to gender pay equality and, while we have parity by role, we must address the representation gap in operating company management and have set ourselves goals to do so.



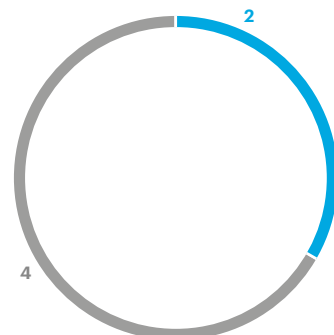
Total number of employees

6,341
as at 31 March 2018

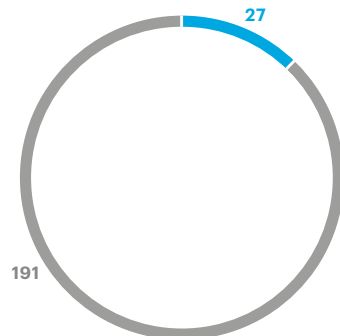
Gender diversity Board of Directors¹



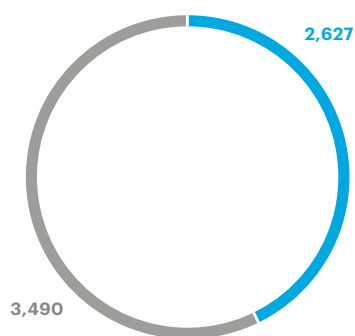
Executive Board²



Senior management³



Other employees



■ Female
■ Male

1 Includes non-executive Directors of the Company
2 Includes the four executive Directors who are also shown in the Board of Directors chart
3 Defined as subsidiary company directors and above



Developing a new mindset to drive growth

We launched our first ever Accelerator programme in December 2017 to show what could be done to drive our new Halma Growth Strategy and put the theory behind our 'Innovating the organisation' programme into practice.

The Convergence Accelerator was designed to rapidly find and evolve new business models that took advantage of Halma's unique strengths as an ecosystem of passionate people, agile companies and great technology.

As the name suggests, we wanted to rapidly improve our capabilities in the following areas, demonstrate to the rest of the organisation what's possible and drive a new way of growing our business:

Opportunity identification

We want our people to see market opportunities differently, unconstrained by existing technologies and business models.

Empowerment

We want teams to come together from all levels of our organisation, across multiple entities, geographies, and seniority levels.

Innovation practices

We want our organisation to develop new mindsets and methods. This means thinking about how to move fast, using MVP and test and learn concepts, knowing when to pivot their original ideas and embracing failure as part of a rapid learning process.

Commercial assessment

We want to improve how we make commercial decisions about new kinds of business opportunities, including startups and partnerships, particularly as we move more quickly and see more opportunities.

New financing options

We want to understand all the financial possibilities related to how we might work with others to achieve our goals. This includes becoming more expert at financing options such as licensing, partnerships and minority equity stakes.

The Convergence Accelerator was run from start to finish in four short months. Narrowing down the applications from 24 to six teams to go through the accelerator was the toughest part. Those six teams pitched their business model and opportunity to the top 100 Halma Leaders in Boston at our annual leadership conference, and this resulted in four teams being funded for the next phase of development. The next round of submissions is approaching fast and our aim is to run as many accelerators as we can until the practices and mindsets become 'business as usual' across Halma.



Our People continued

Strategic Brand and Communications

We know that collectively our companies add huge value to the world, and help Halma tackle some of the most pressing problems on the planet, from water scarcity to preventable blindness.

Our new brand and communications approach is designed to support Halma's Growth Strategy by showcasing this story to attract people and partners who are aligned with our values.

This year we articulated a massive transformative purpose (MTP) for Halma to act as a North Star for people inside and outside the organisation. Our MTP is to grow a safer, cleaner, healthier future for everyone, every day. It helps us achieve better alignment internally, as well as signalling to the world the kind of people we're looking for, and the future we want to make.

Our companies each have their own unique story to tell. The new communications function will be a strategic growth enabler to each business, helping them to raise their profile, attract new customers, and build a stronger platform for future growth.

Employee Engagement

Halma's purpose helps to motivate and engage all our employees globally. It is proven that an engaged workforce outperforms a less engaged one and we continuously monitor and seek to improve areas that are important to our employees' engagement. We conduct an annual survey each February, which provides us insight for the next year's actions. Each operating company, sector and function receive individual reports. This year, we saw continued improvement in overall employee engagement, even though the Group was in the process of undergoing sector management changes.

We have launched a new collaboration and communications portal – *HalmaHub* – to provide an engagement platform for all employees in the Group to connect with each other, build new networks and share best practice.

This new platform has proved successful, with over 2,200 employees signing up and working together to solve business problems and join up to new programmes. It is a critical enabler of our growth strategy, allowing everyone to engage with new cross-company initiatives like the Digital Growth Sprints and the Convergence Accelerator (see page 37).

Engagement survey

75%

of Halma people are highly engaged
(Halma Employee Engagement Survey 2018)

CASE STUDY

Innovating the Organisation

The Innovating the Organisation (ITO) programme launched in 2016 has been a catalyst for business leaders across Halma.

It helps our leaders confront the challenges and opportunities of the 4th Industrial Revolution, and to gain a bigger vision for how they could help their companies grow. The programme equipped them with new tools, skills and practices to employ as well as personal energy and capacity-building techniques for sustaining high performance in a fast-moving world. With the exception of some recently hired leaders, all company presidents, sector leaders, and Executive Board members have completed this programme.





HalmaHub

2,241

employees have signed up to the *HalmaHub* (since Dec 2017)

CASE STUDY

Graduates

Our graduate development programme was launched in 2012 and is like no other. We don't believe that one development path is right for all and so we tailor the programme to each individual.

We select top students who are motivated by our purpose and belong in our culture, and provide them four six-month jobs across multiple companies, sectors, geographies and functions.

They are expected to justify their cost through the significant contributions that they make at each placement. We provide them with assessments to broaden their self-awareness, training to expand their effectiveness as leaders, and exposure to all of the innovation and growth content that our top leaders receive.

Our ambition for them is that they can rapidly become a board member of a Halma operating company. Two alumni of the early Halma Graduate Development Programmes have achieved this goal already.

Our Stakeholders

The Stakeholder Voice in Halma Decision Making

The Board recognises that it has a duty to act in the best interests of the Company for the benefit of its shareholders, as well as considering other stakeholder interests. Maintaining strong stakeholder relationships is the key to building a sustainable business.



Shareholders

Our shareholders are a key beneficiary in the value that we create, so transparent and open engagement with our investors is essential. We communicate and engage with our shareholders through our: online communication channels, such as our website, blog and YouTube channel; Annual General Meeting; Annual Report and Accounts; Investor roadshows and events; and individual investor meetings.

Operating companies

Our decentralised model places our operating companies close to their end markets and under the management of its own board of directors, empowering entrepreneurial action. Our operating subsidiaries are key stakeholders which collectively deliver our organic growth and are vital to the success of our Convergence and Edge growth strategies. Executive management are in regular communication with our companies and through frequent site visits and the annual Leadership conference. This ensures that all parties are familiar with the development and performance of the companies and of Halma's strategic priorities and direction.

Acquisition prospects & business partners

Our companies and sector M&A teams continue to build relationships with businesses that could become acquisition prospects or strategic business partners. Our Convergence growth strategy relies on us to excel at identifying and collaborating with partners to develop new products, services or business models by combining our technologies with new expertise or partnerships inside or outside Halma.

Our people

Developing and attracting high-quality talent is a key driver of our financial success. We strive to build leadership teams which are diverse, effective and engaged. We run management courses throughout the year to provide targeted development and the tools needed to deliver enhanced operational and financial performance in line with our growth strategy.

Suppliers

Developing strong relationships with our suppliers is key to the operational success of our businesses and ensures that we have agility to develop new and market competitive solutions to meet our customers' needs. Our businesses work with suppliers to ensure that we can deliver the best product and services for our customers and have the infrastructure in place to respond to market changes quickly.

Community

We have a duty as corporate citizens to understand how the work we do affects the communities in which we are based and in which our solutions are used. Our businesses are located in over 20 countries and our products supply global markets. Being located close to our end markets, our companies are well placed to monitor the impact that they have locally and to support the needs of their communities. Our solutions serve to meet our purpose of growing a safer, cleaner, healthier future for everyone, every day.

Customers

Our businesses understand the needs of their customers. They work closely with customers to offer and develop solutions using our technology and deep application knowledge. Great business relationships are essential to ensure that our companies are the 'supplier of choice' for our customers.

How our Board takes decisions

Factors that the Board consider include:

- How the decision fits with our purpose of growing a safer, cleaner, healthier, future for everyone, every day
- The likely consequences of the decision long term, both risk and reward
- The impact on our people, processes and performance
- The importance of fostering business relationships with customers and suppliers
- The effect on communities and the environment
- The need to maintain high standards of business conduct
- The value created for our shareholders

UN Sustainable Development Goals

Halma is committed to growing a 'safer, cleaner, healthier future for everyone, every day'.

By setting this common purpose, our businesses have a mandate to make a difference in the world. Every day, Halma companies provide solutions through a wide range of products that protect and improve the quality of life for people worldwide.



The global challenge

End poverty in all its forms everywhere.

Our role

Halma companies provide equal access to paid work, and education and training to our employees worldwide. Elfab has a local educational outreach programme aimed at helping the most vulnerable school-aged children understand what career paths and opportunities are available to them.



The global challenge

End hunger, achieve food security and improved nutrition and promote sustainable agriculture.

Our role

Technology produced by Halma companies helps the agriculture industry to maximise crop growth and cultivation. HWM's COMLog was installed for the Philippines' Sugar Regulatory Authority to help measure unique weather conditions and communicate this to farmers.



The global challenge

Ensure healthy lives and promote well-being for all at all ages.

Our role

Halma's medical technology helps to diagnose and treat disease earlier and more accurately. For example, eye care companies Volk and Keeler have the technology to eradicate preventable blindness. Also at the cutting edge of medical science, Alicat is working with a customer to provide flow measurement for artificial heart drivers for transplant patients.



The global challenge

Ensure inclusive and quality education for all and promote lifelong learning.

Our role

Since 2012, Halma has welcomed 73 graduates onto our two year-long leadership development programme. Additionally, last year marked the 50th anniversary of Keeler's Scholarship Trust, and nearly three decades of their Fellowship Award. To date, 100 trainees have been supported by Keeler with 16 fellowships awarded. These vital schemes support the next generation in STEM (science, technology, engineering and mathematics).



The global challenge

Achieve gender equality and empower all women and girls.

Our role

At Board level, four of our ten executive and non-executive roles are filled by women. Halma is committed to promoting diversity and inclusion in the workplace and will continue to encourage and support more women into leadership roles. We are proud to be a member of the 30% Club – a campaign group calling for better gender balance through voluntary action.



The global challenge

Ensure access to water and sanitation for all.

Our role

Clean water can be a scarce resource and particularly so in areas that lack water supply through inadequate infrastructure or in the aftermath of a natural disaster. Water testing company Palintest specialises in supplying portable water testing kits to aid agencies, such as Unicef. The kits have become a vital tool for emergency response teams and those working in developing countries.



The global challenge

Ensure access to affordable, reliable, sustainable and modern energy for all.

Our role

Innovative technology produced by Halma companies plays a positive role in improving the safety and security of the energy industry, including fire suppression in wind turbines and electricity usage monitoring for major commercial users.



The global challenge

Promote inclusive and sustainable economic growth, employment and decent work for all.

Our role

In 2017, we launched our first all employee engagement survey to help us ensure that we motivate, engage and empower employees across Halma and create the culture that will enable our success. The results for 2018 were very encouraging, with nearly 8 out of 10 Halma employees providing their feedback and 75% reporting to be highly engaged.



The global challenge

Build resilient infrastructure, promote sustainable industrialisation and foster innovation.

Our role

Industry 4.0 presents a challenge and enormous opportunity to Halma. Fortress Interlocks is helping customers move from traditional machine guarding to smart interlocks, helping them transition safely to new technologies, such as collaborative robots and automation.



The global challenge

Reduce inequality within and among countries.

Our role

We require our employees to act fairly in their dealings with fellow employees, customers, suppliers and business partners. Our worldwide Code of Conduct sets out ethical standards across the group, and our policies and procedures adhere to the Modern Slavery Act.



The global challenge

Make cities inclusive, safe, resilient and sustainable.

Our role

As part of our mission we strive to promote a safer future for everyone, one way in which we do this is through our fire prevention and detection systems. Industry-leading fire detector specialists Apollo are helping communities to protect themselves from fire risks.



The global challenge

Ensure sustainable consumption and production patterns.

Our role

Sensor technology produced by our companies helps promote responsible consumption and production for both businesses and consumers. For example, ASL's leading data technology uses smart electricity and solar power meters to help energy customers monitor consumption and use data to improve their services.



The global challenge

Take urgent action to combat climate change and its impacts.

Our role

As a major global supplier of sensor technology to measure environmental changes and detect harmful emissions, we have a long-term commitment to helping monitor and mitigate the impact of industrial activities. PermaPure technology captures high-quality emission measurements, reporting real-time data to customers worldwide.



The global challenge

Conserve and sustainably use the oceans, seas and marine resources.

Our role

Hanovia's ballast technology protects marine life by eliminating harmful bacteria from a ship's ballast water before it is pumped back out into the ocean. Ocean Optics spectrometers embedded into marine emission sensors deployed on ships at sea, help to reduce exhaust gas.



The global challenge

Sustainably manage forests, combat desertification, halt and reverse land degradation, halt biodiversity loss.

Our role

Labsphere's satellite technology is helping monitor the planet's health from space, including identifying desertification and deforestation.



The global challenge

Promote just, peaceful and inclusive societies.

Our role

Halma requires its employees to act fairly with fellow employees, customers, suppliers and business partners. Our culture is one of openness, integrity and accountability. Halma's Code of Conduct applies to all Group company employees and external business partners – to ensure that we maintain high ethical standards worldwide.



The global challenge

Revitalise the global partnership for sustainable development.

Our role

Halma has been a member of the FTSE4Good UK index since its establishment in July 2001. Halma creates wealth responsibly allowing our employees, customers, business partners and shareholders to determine where this wealth is best distributed.

Sustainability

Sustainability

Being a responsible and sustainable company is fundamental to our Purpose and this section of the Report sets out our progress and performance in areas such as health, safety and wellbeing, environmental issues, human rights and ethics. The Group's non-financial KPIs (set out on pages 50 and 51) reflect the importance that the Group places on sustainability and enables the Board to monitor the Group's progress in meeting its objectives and responsibilities in these areas.

We place considerable value on involving our employees and keeping them informed on matters affecting them and the performance of the Group. This is achieved through formal and informal meetings, internal communications, the *HalmaHub* and our Annual Report. Employees and their representatives are consulted on a wide range of matters affecting their current and future interests.

Health, safety and wellbeing

Health and safety is critical to the Group and a top priority for company management. Halma collects details of its worldwide reported health and safety incidents and encourages all Group companies to seek continuous improvement and promote a strong health and safety culture. Halma has an excellent health and safety record, driven by a deeply embedded culture of safety.

We recognise the necessity of safeguarding the physical and mental 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 Health & Safety Policy requires businesses to manage their activities in a way which avoids causing unnecessary or unacceptable risks to health and safety.

Implementing an appropriate framework for an occupational health and safety system is a key way to manage this issue. BS OHSAS 18001 sets a minimum standard for occupational health and safety management

best practice. More than 15% of the Group's revenue is derived from companies who have been credited with this standard.

The Board sets the tone and minimum standards expected of companies and has emphasised the importance of health and safety across the Group by including the Group's Accident Frequency Rate (AFR) as one of our non-financial KPIs (see pages 50 and 51). Kevin Thompson, Finance Director, is the director responsible for Halma's health and safety compliance. We routinely monitor health and safety performance across the Group.

In line with Halma's autonomous structure, operational responsibility for compliance with local health and safety regulations resides with the board of each operating company but is frequently monitored at a sector level. Our Policy requires businesses to carry out an independent health and safety review every three years to assess compliance and to ensure that there is a consistent and adequate level of reporting and investigation of health and safety incidents.

Our health and safety performance over the prior year improved significantly to our lowest ever recorded Accident Frequency Rate of 0.04. As our target rate is set at the lowest that Halma has achieved, our target is now set at 0.04, although we strive to have zero accidents. We thoroughly review the root cause of any accidents to ensure that we take preventative measures, including further training and education of our employees.

During the year, we implemented a new programme of online health & safety training in the UK, in which over 700 employees have been enrolled.

There were no work-related fatalities in 2017/18 or in prior years. Details of recorded injuries during the year and the prior four years is set out below:



Diba Earns Gold Again!

Diba Industries Limited, our specialised fluid transfer sub-assemblies business, received its fourth consecutive gold award in the annual Royal Society for the Prevention of Accidents (RoSPA) programme.

The award was presented to Diba based on its demonstrated commitment to accident and illness prevention at its Cambridge, UK manufacturing facility. Diba's UK site is certified to OHSAS 18001 for occupational health and safety, ISO 14001 for environmental management standards, ISO 9001 for quality management systems and ISO 13485 for medical device quality management systems. In April 2017, Diba was also informed that they had won the RoSPA Gold Medal award for health and safety performance during the period of January 01, 2017 to December 31, 2017. This is Diba's fifth consecutive Gold achievement award, earning Diba the Gold Medal which will be presented later in 2018. This is a great achievement and recognises the continued commitment by Diba on this issue.

	2018	2017	2016	2015	2014
Days lost due to reportable* work-related injuries	85	236	464	546	118
Total recorded injuries to all employees	252	314	342	298	323

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

Protecting our environment

Environmental issues, including climate change, are a challenge affecting all businesses globally and an issue everyone must address collectively to preserve our planet for future generations. Halma recognises that, in common with other businesses, all of our activities have an environmental impact. Our approach is to not have capital-intensive manufacturing processes and also aim to limit our impact by operating geographically close to our end markets. Operating in this way helps ensure that our environmental impact is relatively low when compared to other manufacturers. As a global group of life-saving companies, we also have an excellent long-term record for addressing environmental issues that affect our businesses and for developing products that monitor and protect the environment.

Products promoting a cleaner tomorrow

Our businesses have a range of innovative products which play a very positive role in monitoring and improving the environment. Halma brands are world leaders 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.

We are committed to the development of equipment for measuring and monitoring environmental changes and controlling the impact of industrial activities over the long term.

Environmental Management System

We are committed to developing and implementing an Environmental Management System (EMS) throughout the Group to measure, control and reduce our environmental impact. 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, and more than 22% of the Group's revenue is derived from companies with an ISO 14001 accreditation.

Group companies are encouraged to improve energy efficiency, reduce waste and emissions and reduce their use, or make more efficient use, of materials.

Key environmental impacts in the Group have been identified as emissions to air and water, water and energy consumption, and waste production. In addition to the information set out in this section of the Report, we publish data annually on our website on energy consumption, waste and transportation.

Our carbon footprint

The Group has a clear policy on carbon which is published on our website. The Carbon Policy has been set by the Board and our Finance Director, Kevin Thompson, has principal responsibility for co-ordinating and monitoring the Policy. In line with our autonomous structure, a senior executive in each of our higher impact businesses has been allocated with responsibility for implementing the Carbon Policy at local level.

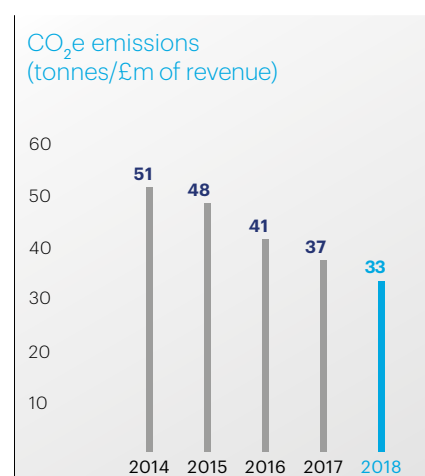
Our car policy, which is subject to regular review, directly supports the Group's commitment to sustainability by setting a general cap on permissible CO₂ emissions for all company-owned vehicles and vehicles used by employees who have taken a cash allowance in lieu of a company car.

We are committed to reducing our carbon footprint. The Board recognises that a growing international business such as Halma cannot continue to reduce energy consumption and absolute CO₂ emissions year-on-year as it acquires and grows its portfolio of companies. Therefore we have set a target of reducing our total carbon emissions relative to revenues by 10% over the three years from March 2016 to March 2019. The same intensity target was set in 2010 and 2013, and was achieved in 2013 and 2016 respectively. Our CO₂ emissions reduced between 2017 and 2018 on an intensity basis by 10%. We have been consistent in reducing our CO₂ on an intensity basis over recent years, as illustrated in the chart below. We will report on our performance against the three-year intensity target to 2019 next year and consider setting a new target for the period thereafter.

Halma recognises that sound carbon management is vital to the continued success of our business and that of our customers and stakeholders. As such, it must be fully integrated into our business so that it is an everyday part of what we all do.

GHG emissions data for the period 2 April 2017 to 31 March 2018

	2017/18 CO ₂ e emissions global tonnes	2016/17 CO ₂ e emissions global tonnes
Scope 1: Combustion of fuel and operation of facilities	4,771	4,658
Scope 2: Electricity, heat, steam and cooling purchased for own use	14,043	14,458
Scope 3: Business air travel, WTT (Well to Tank)	17,281	16,512
Total gross emissions	36,095	35,628
Intensity measure of tonnes of CO ₂ e gross emissions per £m revenue	33.5	37.0



Sustainability continued

Carbon reporting

We comply with the mandatory carbon reporting requirements and have reported on all of the emission sources required under the Companies Act 2006 (Strategic Report and Directors' Report) 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 from 2013/14).

We have also used the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) and guidance provided by the UK's Department for Environment, Food & Rural Affairs (Defra) on voluntary and mandatory carbon reporting. Emission factors were used from the UK Government's GHG Conversion Factors for Company Reporting 2017. In addition, IEA 2017 factors were used for electricity.

Halma has worked with external providers of energy efficiency and carbon reduction solutions since 2010 to ensure compliance with the Carbon Reduction Commitment Energy Efficiency Scheme (CRC). CRC is the UK's mandatory energy savings scheme administered by the Environment Agency. We are in full compliance with the CRC requirements and will continue to purchase allowances to meet our compliance obligation until the scheme comes to an end in 2019.

Halma has complied with the Energy Savings Opportunity Scheme (ESOS) regulations and submitted its first compliance report to the Environment Agency in November 2015. Observations made following site energy

surveys were shared with local management and reviewed centrally at Group level.

The next four-year compliance period to 5 December 2019 has commenced and the exercise of identifying energy saving opportunities over this period is underway.

The United Nations Sustainable Development Goals (SDGs), are a universal 'call to action' to end poverty, protect the planet and ensure that all people enjoy peace and prosperity. As a global group of life-saving companies, Halma is proud to identify with all 17 of the SDGs. Halma's contribution across these multiple goals takes us all a step closer to reaching the SDG targets together.

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

Our ethos

Our 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 has a Code of Conduct which applies to all Group company employees and our external business partners. The Code of Conduct aims to ensure that Halma maintains consistently high ethical standards across the globe, while recognising that our businesses operate in markets and countries with cultural differences and practices. It was updated in 2018, has been translated into nine languages and is issued to all Halma employees via our businesses and is published on our website.

Whistleblowing

We value our diverse workforce and are committed to protect their rights. We require our employees and business partners to maintain the highest standards of integrity and act in good faith. Halma has a Group-wide whistleblowing policy which applies to all employees and Halma operations (including newly acquired businesses) as well as joint venture partners, suppliers, customers and distributors relating to our businesses. Whilst we encourage an open culture where any issues can be raised and handled locally at business level, we recognise that there

will be times when it is not appropriate, or a person will not be comfortable raising a concern through line management. An independent third-party provider, Expolink, has been appointed to operate a confidential reporting service which enables employees to raise any concerns they may have in confidence via the telephone or by web-reporting and employees may report anonymously if they wish.

All reports are treated confidentially and are provided to the Company Secretary for review to ensure that they are appropriately investigated and concluded. Halma is committed to ensuring that anyone raising a concern in good faith is not subject to any victimisation or detrimental treatment, although a malicious allegation may result in disciplinary action.

Anti-bribery and anti-corruption

Halma has a zero-tolerance policy on bribery and corruption which extends to all business dealings and transactions in which the Group is involved. This includes a prohibition on making political donations, offering or receiving inappropriate gifts or making undue payments to influence the outcome of business dealings. Every business records and reports on any gift or hospitality or charitable donation which exceeds the Group policy, or where there has been any breach of the policy. 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 review processes. We also require customers and suppliers who contract on our standard business terms to comply with anti-corruption and anti-bribery laws.

During 2017, we introduced online anti-bribery and anti-corruption compliance training to senior management, all subsidiary board directors and other relevant employees. Over 1,800 employees from across the Group have been enrolled.

Equal opportunities

We are committed to promoting equality of opportunity for all staff and job applicants. We aim to create a working environment in which all individuals are able to make best use of their skills, free from discrimination or harassment, and in which all decisions are based on merit.

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 support is provided. It is the policy of the Group that the training, career development and promotion of disabled people should be identical to that of other employees.

It is a Group policy to not discriminate against staff or candidates on the basis of age, disability, gender reassignment, marital or civil partner status, pregnancy or maternity, race, colour, nationality, ethnic or national origin, religion or belief, or sex or sexual orientation.

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.

Regulatory demands upon us vary considerably around the world, so Halma establishes the core structure to ensure that Group companies comply with legislative and regulatory requirements while permitting them to tailor their approach to their particular needs. We do not tolerate practices which contravene international standards.

Our Group 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. Compliance with, and respect for, these fundamental principles are integrated throughout 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.

Modern Slavery Act

Halma is committed to conducting its business ethically and in line with all relevant legislation including human rights laws. Halma has published two Modern Slavery Act Statements since September 2016 which detail the progressive steps taken annually to tackle modern slavery and human trafficking. Since the introduction of the Act, we have worked to raise awareness of this important agenda.

A detailed guidance note is available to all businesses raising awareness of the Act and the issue of modern slavery in business and supply chains. Each business is requested to consider the potential issue of modern slavery and human trafficking within their business and supply chain. In addition online compliance training on the Modern Slavery Act was rolled out to senior management, all subsidiary board members and other relevant employees across the Group. Currently over 1,800 employees have been enrolled on this training and this is an important tool to assist that our business management understand their responsibilities and consider the Act in their operations.

Responsible investment

As a world leader in several key environmental technologies Halma has a reputation for honesty and integrity in its relationships with employees, customers, business partners and shareholders.

Halma understands that one criterion for many professional and private investors is environmental, social and governance considerations. The FTSE4Good UK index was established in July 2001 and Halma has been a proud member since its inception. This responsible investment index assists investors in identifying companies that meet globally recognised corporate responsibility standards and Halma is proud to be a member.

Halma voluntarily participates in the Carbon Disclosure Project's Climate Change Questionnaire. This global disclosure system assesses how companies are incorporating sustainability into their business strategy and practices and are managing their environmental impact. In 2017 Halma achieved a score of 'Awareness C' and it is our intention to participate in 2018.

Community

We have a duty as corporate citizens to understand how the work we do affects the communities in which we are based and in which our solutions are used. Our business is located in over 20 countries and our products supply global markets. Our companies around the world proactively support community engagement. For example, Oseco employees partnered with Habitat for Humanity in Tulsa, USA to work with the local community to build homes for vulnerable families in need of improved housing.

Key performance indicators

Link to strategy	Strategic focus	Key performance indicator	Comment
	<p>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.</p>	<p>Organic profit growth (%) (constant currency)</p> <p>9% performance ≥5% target</p>	<p>Organic profit growth at constant currency was strong and ahead of our target. There were strong performances in Environmental & Analysis, Process Safety and Infrastructure Safety, with growth in Medical in the second half of the year.</p>
	<p>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.</p>	<p>Acquisition profit growth (%)</p> <p>4% performance ≥5% target</p>	<p>Acquisition profit was just below our target of 5% for the year, with five acquisitions completed. We have maintained a healthy pipeline of opportunities into the new financial year.</p>
	<p>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.</p>	<p>EPS growth (%) (adjusted earnings per share)</p> <p>13% performance ≥10% target</p>	<p>Performance was strong and exceeded our target. The increase was higher than the increase in adjusted earnings due to the lower effective tax rate this year.</p>
	<p>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.</p>	<p>Organic revenue growth (%) (constant currency)</p> <p>10% performance ≥5% target</p>	<p>Organic revenue growth at constant currency in revenue was strong and ahead of our target. There was growth in all sectors and all major geographic regions.</p>
	<p>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.</p>	<p>Return on sales (%)</p> <p>19.9% performance ≥18% target</p>	<p>Return on Sales was well above target. All sectors remain within the Group's longer-term target range of 18–22%.</p>
	<p>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.</p>	<p>ROTIC (%) (Return on Total Invested Capital)</p> <p>15.2% performance ≥12% target</p>	<p>ROTIC of 15.2% was ahead of our target and well in excess of our Weighted Average Cost of Capital estimated to be 7.7% (2017: 7.1%). Our focus continues to be on delivering organic and acquisition growth whilst maintaining high returns.</p>

Growth enablers



M&A



Talent & Culture



Digital Growth Engines



Strategic Communications



International Expansion



Finance & Risk



Innovation Network

Definition

2019 target

Remuneration linkage

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

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

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, with disciplined financial management.

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.

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

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, with disciplined financial management.

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

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

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.

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.

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

Organic revenue drives earnings growth which contributes to the Economic Value Added performance. This forms the basis of the annual bonus plan, requiring consistent annual and longer-term growth with disciplined financial management.

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

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

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

ROTIC is defined as the post-tax return from continuing operations before amortisation and impairment 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), the associated taxation thereon and the effect of the US tax reform measures, as a percentage of Total Invested Capital.

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

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.

Key performance indicators continued

Link to strategy	Strategic focus	Key performance indicator												
	<p>Strong cash generation provides the Group with freedom to pursue its strategic goals of organic growth, acquisitions and progressive dividends without becoming highly-leveraged.</p>	<p>Cash generation (%)</p> <table border="1"> <tr><th>Year</th><td>2014</td><td>2015</td><td>2016</td><td>2017</td><td>2018</td></tr> <tr><th>Value (%)</th><td>89</td><td>87</td><td>86</td><td>86</td><td>85</td></tr> </table> <p>85% performance ≥85% target</p>	Year	2014	2015	2016	2017	2018	Value (%)	89	87	86	86	85
Year	2014	2015	2016	2017	2018									
Value (%)	89	87	86	86	85									
	<p>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.</p>	<p>International revenue growth (%)</p> <table border="1"> <tr><th>Year</th><td>2014</td><td>2015</td><td>2016</td><td>2017</td><td>2018</td></tr> <tr><th>Value (%)</th><td>9</td><td>16</td><td>7</td><td>19</td><td>16</td></tr> </table> <p>16% performance ≥10% target</p>	Year	2014	2015	2016	2017	2018	Value (%)	9	16	7	19	16
Year	2014	2015	2016	2017	2018									
Value (%)	9	16	7	19	16									
	<p>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.</p>	<p>Research and development (%)</p> <table border="1"> <tr><th>Year</th><td>2014</td><td>2015</td><td>2016</td><td>2017</td><td>2018</td></tr> <tr><th>Value (%)</th><td>4.7</td><td>4.8</td><td>5.1</td><td>5.3</td><td>5.2</td></tr> </table> <p>5.2% performance ≥4% target</p>	Year	2014	2015	2016	2017	2018	Value (%)	4.7	4.8	5.1	5.3	5.2
Year	2014	2015	2016	2017	2018									
Value (%)	4.7	4.8	5.1	5.3	5.2									
	<p>Halma conducts an annual survey of its employees to assess engagement across the Group.</p>	<p>Engagement</p> <table border="1"> <tr><th>Year</th><td>2017</td><td>2018</td></tr> <tr><th>Value</th><td>74</td><td>75</td></tr> </table> <p>75% performance 74% target</p>	Year	2017	2018	Value	74	75						
Year	2017	2018												
Value	74	75												
	<p>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.</p>	<p>Health & Safety (accident frequency rate)</p> <table border="1"> <tr><th>Year</th><td>2014</td><td>2015</td><td>2016</td><td>2017</td><td>2018</td></tr> <tr><th>Value</th><td>0.09</td><td>0.15</td><td>0.11</td><td>0.12</td><td>0.04</td></tr> </table> <p>0.04 performance <0.09 target</p>	Year	2014	2015	2016	2017	2018	Value	0.09	0.15	0.11	0.12	0.04
Year	2014	2015	2016	2017	2018									
Value	0.09	0.15	0.11	0.12	0.04									
	<p>Halma development programmes provide key personnel with the necessary skills they need in their current and future roles; new programmes include non-executive director opportunities, enterprise programmes and sales management development, alongside our refreshed executive, manager and graduate programmes.</p>	<p>Development programmes (management development)</p> <table border="1"> <tr><th>Year</th><td>2014</td><td>2015</td><td>2016</td><td>2017</td><td>2018</td></tr> <tr><th>Value (%)</th><td>51</td><td>60</td><td>58</td><td>60</td><td>89</td></tr> </table> <p>89% performance >50% target</p>	Year	2014	2015	2016	2017	2018	Value (%)	51	60	58	60	89
Year	2014	2015	2016	2017	2018									
Value (%)	51	60	58	60	89									

Growth enablers



M&A



Talent & Culture



Digital Growth Engines



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Comment

Cash generation of 85% was in line with our target in the current year with good cash performances across the Group.

Definition

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

2019 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.

Revenue outside the UK, the USA and Mainland Europe increased by 16% which is well above the KPI target with strong growth in both developed and developing markets. Very good progress was made in Asia Pacific, with strong growth in China.

Total sales to markets outside the UK, the 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.

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.

Total spend in the year increased by 12% to a record level of £56.5m (2017: £50.6m) and as a percentage of revenue was 5.2%. All sectors increased R&D expenditure.

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

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.

2017 saw our inaugural engagement survey (building on our previous values survey) and established a baseline engagement level which sets our future target. It is pleasing that the Group's results were on par with the external normative data.

Engagement of Group employees as measured through an externally facilitated survey over nine dimensions: engagement, empowerment, accountability, collaboration & teamwork, communication, development, ethics & fair treatment, innovation and leadership.

2017 saw our inaugural engagement survey and established the baseline engagement level which sets our future target of 74% engagement.

The Health & Safety AFR performance this year was 0.04 (2017: 0.12) representing a significant improvement on last year. We continue to review all reported incidents and there are no specific underlying patterns which cause concern.

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

The target is set at the lowest target we have achieved as a Group. Therefore, this has now been set at 0.04 to match the health and safety performance which was achieved this year, although ultimately we strive for a reportable incident target rate of zero.

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

Having put over 60 leaders through our Innovating the Organisation (ITO) programme, we exceeded our target, with 89% of our qualifying participants having attended during the year. The performance metric is influenced by the introduction of new courses and new eligible employees joining the Group through acquisitions. We are pleased with our performance and continue to invest in developing our talent.

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

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

Risk management and internal controls

Managing risk and taking advantage of opportunities

Our approach

We believe that great risk management involves people at all levels in the organisation being empowered to manage risks and take advantage of opportunities. Our risk awareness culture allows management to make better commercial decisions and helps to maximise the benefits of our decentralised business model.

Our risk governance framework

The Board is responsible for determining the nature and extent of the principal risks it is willing to take to achieve its strategic objectives. During the year, the Board performed a robust assessment of the Principal Risks facing Halma and also reviewed the risk appetite for each Principal Risk.

Each operating company or function within Halma identifies risks and opportunities as part of their strategic reviews, assesses how these are currently controlled and any further actions required. A similar exercise is performed at sector and group level to show an overall 'bottom up' picture of risk for the Group. The Principal Risks identified by the

Board and Executive Board are compared with the bottom up risk picture to ensure appropriate alignment of risk and execution of risk appetite.

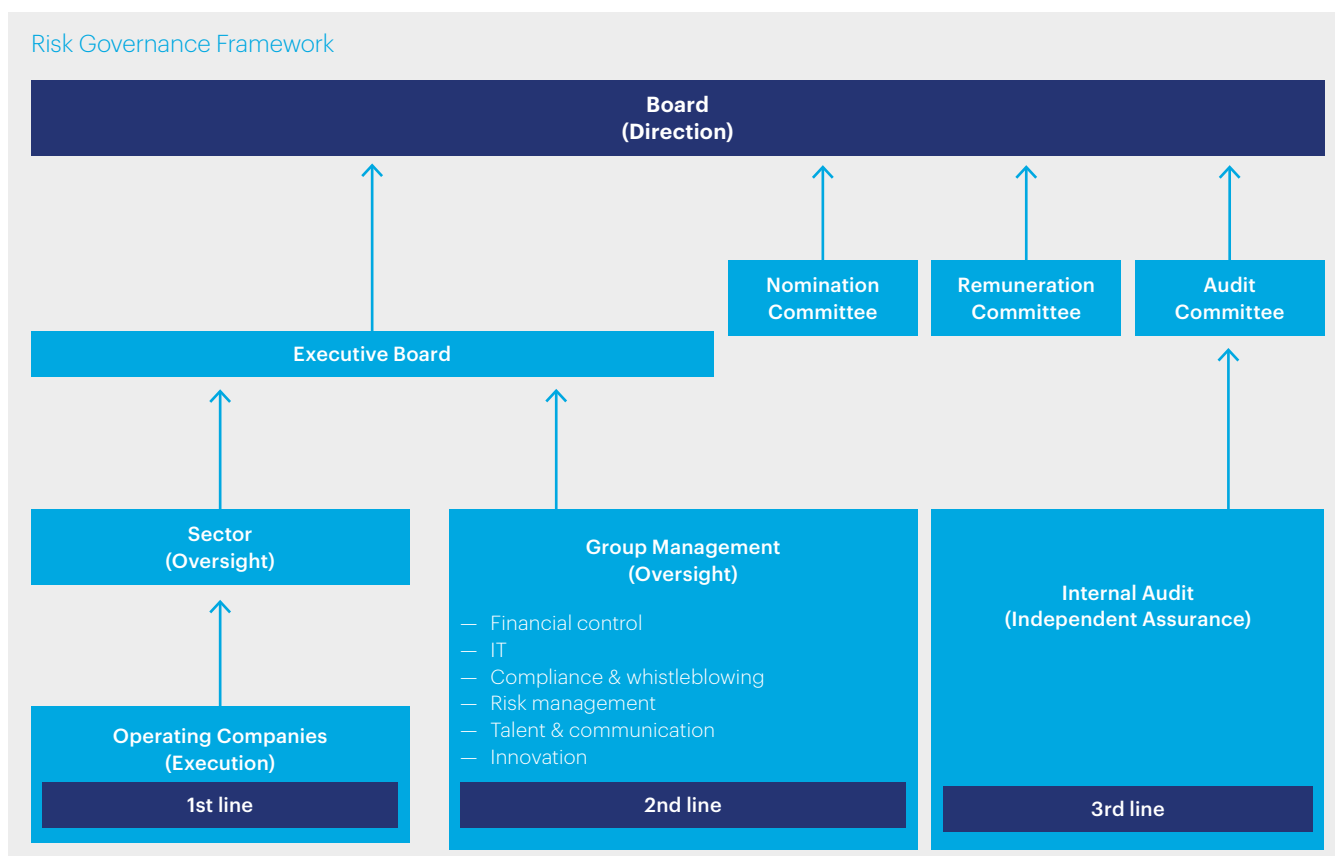
During the year, the updates from management to the Board covered of all our Principal Risks. The Audit Committee, on behalf of the Board, obtains assurance that the risk management and internal control system is operating effectively throughout the organisation and risks are being managed in line with the risk appetite set by the Board. In addition to reports from management, the Board and Audit Committee also receives updates from Group Risk about how the risk management process is operating across the organisation.

On behalf of the Board, the Nominations Committee ensures an optimum balance of skills, knowledge and experience required within the executive management team to deliver the strategy and effectively manage risk, whilst the Remuneration Committee ensures the right reward system to drive an appropriate culture of high performance with commensurate control.

Our control framework

Halma's business model is to provide significant autonomy to operating companies, within the structure of a clear control framework. This framework ensures there is sufficient oversight and clear identification of matters reserved for the Board. The key elements of this framework include:

- Monthly reporting by operating companies on performance, including risks, with regular oversight by sector and group management
- Clear accountabilities and delegation of authority throughout the organisation
- Six monthly self-certifications by operating companies on required minimum controls for finance, legal and IT, including segregation of duties
- Independent six-monthly peer reviews of operating companies' reported financial results by finance directors
- Independent validation of controls and certifications by Internal Audit during audits
- Existence of a whistleblowing hotline which is available for all employees.



Our areas of focus during the year

During the year we continued to strengthen our risk and control framework. Developments included:

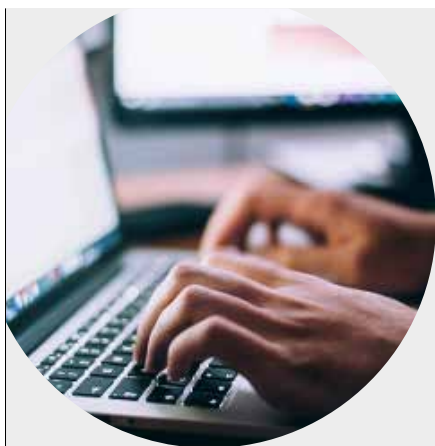
- Recruitment of a Chief Innovation and Digital Officer to help accelerate our approach to innovation and assume responsibility for Group IT and Cyber security.
- A refreshed risk assessment process which is timed to line up with the strategy development process for operating companies. This ensures strategic objectives and risks are considered at the same time.
- An Internal Audit of our Cyber Principal Risk to provide assurance over controls in this critical area. Opportunities identified to further improve control have been implemented.
- Regular updates on Brexit and GDPR compliance to the Board to monitor readiness of our operating companies.
- An update of the six-monthly internal control self-certification process by companies and the required minimum finance, legal and IT controls stipulated.
- A review of the remit of Internal Audit and the assurance it provides over Halma's risk and control framework to seek to

maximise its impact and effectiveness within Halma's business model. Audits of operating companies include validation of the updated expected minimum controls used for self-certification by the operating companies.

Changes to our Principal Risks

Following discussions at the Executive Board and the plc Board, the other following changes were made to our Principal Risks:

- Changed – Globalisation. We decided to capture this risk within the other more specific Principal Risks and also within a newly created risk for Organic Growth which is a core part of our growth strategy.
- Reclassified – Pension deficit. This risk is being well managed as a Group level risk and we decided it was no longer necessary to track this as a Principal Risk. It will continue to be closely monitored.
- Added – Financial Controls. This is to reflect the importance of having effective core financial controls in our decentralised business model.
- Added – Communications. It is critical to communicate effectively with existing and new stakeholder groups with whom we want to engage and partner to ensure delivery of our Halma 4.0 growth strategy.



Despite the risk to businesses, the Cyber Security Breaches Survey 2018 found that only 27% of UK companies have a formal cyber security policy.

At Halma, we proactively manage risk with comprehensive cyber security policies in place, and expect all our employees to adopt this approach. We also ensure that they have the skills and knowledge required to manage their cyber security effectively.

We use employee online training to raise cyber awareness across the global group

and provide regular training courses to employees who have access to computers – this is currently over 3,500 people. Our training is assessed by way of a test, and we also monitor employee vulnerability by sending out monthly phishing e-mail simulations.

The benefits of raising awareness of cyber security are not just for the Halma group of companies, but also for our customers, partners and our employee community.

CASE STUDY

Cyber Security

43%

of UK businesses experienced a cyber security breach or attack in 2017.

This rises to


72%

for large businesses (over 250 employees).

Principal risks and uncertainties

1. Cyber

Risk Owner Inken Braunschmidt

<p>Gross risk level High</p> <p>Change  Increased</p> <p>Risk appetite Averse</p> <p>Growth enablers Finance & Risk Digital Growth Engines</p>	<p>Risk and impact Loss of digital intellectual property/data or ability to operate systems due to internal failure or external attack. There is resulting loss of information or ability to continue operations, and therefore financial and reputational damage. The increase in this risk reflects the growing threat from cyber crime around the world.</p> <p>How do we manage the risk? Clear ownership of cyber risk, with Board level expertise. IT function reports into Chief Innovation & Digital Officer. Group IT Strategy and policies in place, which require use of VPN and e-mail filtering. Minimum required IT controls defined and strengthened during the year. All companies certify compliance every 6 months. Any gaps are tracked until addressed.</p> <p>Monthly cyber threat reporting in place across the Group. Regular online IT awareness training provided for all employees using computers. Disaster recovery and back-up plans in place, required to be tested regularly. Regular reviews by Group IT and Internal Audit.</p>
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2. Organic Growth

Risk Owner Andrew Williams

<p>Gross risk level High</p> <p>Change New risk</p> <p>Risk appetite Open</p> <p>Growth enablers International Expansion Talent & Culture Digital Growth Engines Innovation Network Strategic Communications</p>	<p>Risk and impact Failing to deliver desired organic growth, resulting in missed expected strategic growth targets and erosion of shareholder value.</p> <p>How do we manage the risk? Clear Group strategy to achieve our organic growth targets, supported by detailed operating company strategies.</p> <p>Sector management ensure that the Group strategy is fulfilled through ongoing review and chairing of operating companies. They are critical in achieving the right balance between autonomy and adherence to the overall objectives of the Group.</p> <p>Regional hubs, for example in China and India, support local growth strategic initiatives for all operating companies. Culture of innovation and development of new opportunities. Regular monitoring of financial performance, at all levels, including at the Board. Clarity of strategy and agile business model that allows us to take advantage of new growth opportunities as they arise.</p>
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3. Making and Integrating Acquisitions

Risk Owner Andrew Williams


<p>Gross risk level High</p> <p>Change  No change</p> <p>Risk appetite Open</p> <p>Growth enablers Talent & Culture M&A Finance & Risk</p>	<p>Risk and impact Missing our strategic growth target for acquisitions due to insufficient acquisitions being identified or poor due diligence or poor integration, resulting in erosion of shareholder value.</p> <p>How do we manage the risk? Acquisition of companies in our existing or adjacent markets.</p> <p>Dedicated M&A Directors with Group Chief Executive, Finance Director and plc Board oversight and approval of all acquisitions. Regular reporting of the acquisition pipeline to the Executive and plc Board. Careful due diligence by experienced staff who bring in specialist expertise as required. Valuation model used for all acquisitions to ensure price paid is appropriate. Integration checklist covering control and compliance areas used to ensure consistent high quality and efficient integration into Halma. Clarity of strategy and agile business model that allows us to take advantage of new growth opportunities as they arise.</p>
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Gross risk	
High	High
Medium	Medium
Low	Low

Risk Appetite
Seeking
Open
Cautious
Averse


4. Talent & Diversity

Risk Owner Jennifer Ward

<p>Gross risk level Medium</p> <p>Change  No change</p> <p>Risk appetite Open</p> <p>Growth enablers Talent & Culture Digital Growth Engines Innovation Network Strategic Communications</p>	<p>Risk and impact Not having the right talent and diversity at all levels of the organisation to deliver our strategy, resulting in reduced financial performance.</p> <p>How do we manage the risk? Comprehensive recruitment processes to recruit the best and brightest talent.</p> <p>Development of talent and diversity across our operating companies, including through development programmes, to give us a competitive advantage and ensure that we have motivated leaders to deliver our strategy.</p> <p>Succession planning to identify and develop future leaders.</p> <p>Graduate development programme.</p> <p>Ongoing focus to increase diversity of our employees at all levels worldwide.</p>
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5. Innovation

Risk Owner Inken Braunschmidt

<p>Gross risk level High</p> <p>Change  Increased</p> <p>Risk appetite Seeking</p> <p>Growth enablers Talent & Culture Digital Growth Engines Innovation Network Strategic Communications</p>	<p>Risk and impact Failing to innovate to create new high-quality products to meet customer needs, or failure to adequately protect intellectual property, resulting in a loss of market share and poor financial performance. The increasing speed of innovation and potential for disruption has increased this risk.</p> <p>How do we manage the risk? Product development is devolved to the operating companies who are closest to the customer, with support and guidance provided by sector management.</p> <p>New Chief Innovation & Digital Officer role added during the year to promote and accelerate innovation by our companies including building relationships with new start-ups.</p> <p>Active collaboration of ideas and best practices between operating companies.</p> <p>Head Office approval of all large R&D projects to ensure alignment with strategy.</p> <p>Halma Innovation Awards reward and encourage innovation.</p> <p>Operating companies are encouraged to develop and protect intellectual property.</p>
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6. Competition


Risk Owner Andrew Williams

<p>Gross risk level Medium</p> <p>Change  Increased</p> <p>Risk appetite Open</p> <p>Growth enablers International Expansion Talent & Culture Digital Growth Innovation Network</p>	<p>Risk and impact Failing to adapt to market and technological changes, either through organic or M&A activity, resulting in reduced financial performance. Just as our innovation risk has increased, the threat of disruption from competitors has increased.</p> <p>How do we manage the risk? Focus on niche markets with high barriers to entry and seek to achieve strong market positions.</p> <p>In line with our decentralised business model where we place our operational resources close to our customers, we empower operating companies to monitor and respond to changing market needs.</p> <p>Regular company and sector board meetings which review markets, competition and product innovation.</p> <p>Ongoing discussions with customers and monitoring of market and technological changes to identify new opportunities.</p>
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Principal risks and uncertainties continued


7. Economic and Geopolitical Uncertainty

Risk Owner Andrew Williams

<p>Gross risk level High</p> <p>Change  Increased</p> <p>Risk appetite Cautious</p> <p>Growth enablers International Expansion Finance & Risk Talent & Culture</p>	<p>Risk and impact Risk of decline in financial performance due to recession or geopolitical changes and its potential impact on the carrying value of goodwill.</p> <p>How do we manage the risk? Diverse portfolio of companies across the four sectors, in multiple countries and in relatively non-cyclical specialised global niche markets helps to minimise the impact of any single event operating in one of our markets. Regular monitoring and assessment of potential risks and opportunities relating to geopolitical or economic uncertainties such as Brexit or healthcare reform in the USA. A Brexit Committee is in place to monitor developments and support operating companies. Identification of any wider trends by the Halma Executive Board that require action. Local operating companies have the autonomy to rapidly adjust to changing circumstances. Annual assessment of the carrying value of goodwill.</p>
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8. Natural Disasters

Risk Owner Andrew Williams

<p>Gross risk level Medium</p> <p>Change  No change</p> <p>Risk appetite Cautious</p> <p>Growth enablers Finance & Risk Talent & Culture</p>	<p>Risk and impact Being unable to respond to large scale events or natural catastrophes such as hurricanes, floods or fire, resulting in inability of one or more parts of our business to operate, therefore causing financial loss and reputational damage.</p> <p>How do we manage the risk? All parts of the Group are required to have business continuity plans in place which are tailored to manage the specific risks they are most likely to face and these are required to be tested periodically. The geographic diversity of operating companies limits the impact of any single event and Halma has manufacturing capability in multiple locations which provides flexibility. Business interruption insurance is in place to limit any financial loss that may occur.</p>
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9. Communications

Risk Owner Jennifer Ward

<p>Gross risk level High</p> <p>Change New risk</p> <p>Risk appetite Open</p> <p>Growth enablers Strategic Communications Talent & Culture Innovation</p>	<p>Risk and impact Missed opportunities for growth and attainment of our massive transformative purpose (MTP) should we not clearly articulate our value propositions to potential partners, customers, employees or acquisition targets.</p> <p>How do we manage the risk? Halma plc Board members responsible for Communications and Investor Relations. Clear brand and communications strategy to enable clear understanding and alignment with Group strategy. Proactive brand and communications approach to reach existing and potential audiences to attract and engage them to drive new growth opportunities. Development of pitch books, MTP impact stories, product-solution case studies and investment collateral that are delivered to the appropriate targets via direct, indirect, social media and investor channels. Monitoring of external, social and investor media to gauge sentiment, brand health and protect reputation. Periodic employee engagement survey to gain feedback on the effectiveness of internal communication. Communication platform to enable rapid collaboration and information sharing.</p>
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10. Non-compliance with Laws and Regulations

Risk Owner Kevin Thompson

<p>Gross risk level High</p> <p>Change  No change</p> <p>Risk appetite Averse</p> <p>Growth enablers Finance & Risk Talent & Culture</p>	<p>Risk and impact Failing to comply with laws and regulations resulting in damage to reputation and/or fines/penalties.</p> <p>How do we manage the risk? High-quality management resources who implement controls to monitor and comply with legal requirements in all countries we operate. Operating companies ensure high product quality and compliance with legal standards. High ethical standards which are captured in our Code of Conduct. All employees are required to read and sign up to it. Employees across the group perform regular online compliance training. A whistleblowing hotline is in place and available for use by all employees. All parts of the group complete six-monthly control self-certifications which include legal compliance. Management of a specific coordinated project to achieve compliance with GDPR regulations.</p>
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Gross risk	
High	High
Medium	Medium
Low	Low

Risk Appetite	
Seeking	
Open	
Cautious	
Averse	


11. Financial Controls

Risk Owner Kevin Thompson

<p>Gross risk level Medium</p> <p>Change New risk</p> <p>Risk appetite Averse</p> <p>Growth enablers Finance & Risk Talent & Culture</p>	<p>Risk and impact Failure in financial controls either on its own or via a fraud which takes advantage of a weakness, resulting in financial loss and/or misstated reported financial results. This risk has reduced following an update of the minimum expected controls for operating companies and a coordinated focus to address the most common financial control gaps identified.</p> <p>How do we manage the risk? Local directors have legal, as well as operational, responsibility as they are statutory directors of their operating companies. This fits with Halma's decentralised model to ensure an effective financial control environment is in place.</p> <p>To mirror the decentralised model, Halma Group Finance prescribes the minimum expected financial controls to be in place and requires operating companies to certify every six months that these controls are operating effectively. These include segregation of duties, delegation of authorities and financial accounts preparation checks.</p> <p>Six-monthly peer reviews of reported results for each company to provide independent challenge. Internal Audit also performs periodic risk based reviews.</p> <p>A whistleblowing hotline is in place and available for use by all employees.</p>
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12. Treasury Management

Risk Owner Kevin Thompson

<p>Gross risk level Medium</p> <p>Change  No change</p> <p>Risk appetite Averse</p> <p>Growth enablers Finance & Risk</p>	<p>Risk and impact There is a risk that the Group's cash resources are inadequate to support its activities, there is an inadvertent breach of funding terms/covenants, or that there is volatility on the Group's Sterling reported result due to unhedged exposure to foreign currency movements.</p> <p>How do we manage the risk? A long-term Revolving Credit Facility is in place.</p> <p>Sources of funding, headroom and liquidity forecasts are regularly assessed and monitored.</p> <p>Funding terms are built into company policies and requirements, including export controls to sanctioned countries.</p> <p>A Group Treasury Policy includes hedging and there is regular monitoring of foreign currency exposure at local operating company and Group level.</p>
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13. Product Failure

Risk Owner Andrew Williams

<p>Gross risk level Medium</p> <p>Change  No change</p> <p>Risk appetite Averse</p> <p>Growth enablers Finance & Risk Innovation Network Talent & Culture</p>	<p>Risk and impact A failure in one of our products results in serious injury, death or damage to property, including due to non-compliance with product regulations, resulting in financial loss and reputational damage.</p> <p>How do we manage the risk? Operating companies have strict product development and testing procedures in place to ensure quality of products and compliance with appropriate regulations.</p> <p>Rigorous testing of products during development and also during the manufacturing process.</p> <p>Terms and conditions of sale limit liability as much as practically possible and liability insurance is in place.</p> <p>Product compliance with regulations is checked as part of due diligence for any acquisition.</p>
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Financial review

Widespread growth and continued investment

Kevin Thompson

Finance Director



“Halma achieved record revenue and profit for the fifteenth consecutive year, exceeding £1 billion of revenue and £200m of adjusted¹ profit for the first time.”

Record results

Halma achieved record revenue and profit for the fifteenth consecutive year, exceeding £1 billion of revenue and £200m of adjusted¹ profit for the first time. Revenue increased by 11.9% to £1,076.2m (2017: £961.7m) and adjusted¹ profit was up by 10.1% to £213.7m (2017: £194.0m). Our balance sheet remains strong with significant financial capacity to continue investment in growth and to acquire. The Board is proposing a further dividend increase of 7%, the 39th consecutive year of 5% or more dividend growth.

The 11.9% increase in revenue included 9.9% organic constant currency revenue growth. Acquisitions contributed 2.0% to growth.

The adjusted¹ profit increase of 10.1% included 8.5% organic constant currency profit growth. Acquisitions contributed 1.5% to growth.

Despite currency volatility during the year there was negligible net currency translation impact on revenue and adjusted¹ profit for the year as a whole.

Statutory profit before taxation increased by 9.0% to £171.9m (2017: £157.7m). Statutory profit is calculated after charging the amortisation and impairment of acquired intangible assets of £34.7m (2017: £43.9m) and after charging acquisition related items, including revisions to provision for acquisition contingent consideration, related

foreign exchange movements and disposal of operations and restructuring, of £7.0m (2017: £9.5m credit) arising from current and prior year acquisitions. In the prior year the reduction in forecast acquisition contingent consideration, and the related impairment of acquired intangible assets were primarily attributable to Visiometrics as discussed in the 2016/17 Annual Report. Statutory profit in the prior year included a charge of £1.9m for the restructuring of Pixelteq, within the Environmental & Analysis sector.

Revenue and profit growth

	2018 £m	2017 £m	Increase £m	Percentage growth		
				Total	Organic growth ²	Organic growth ² at constant currency
Revenue	1,076.2	961.7	114.5	11.9%	9.9%	9.9%
Adjusted ¹ profit before tax	213.7	194.0	19.7	10.1%	8.6%	8.5%

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

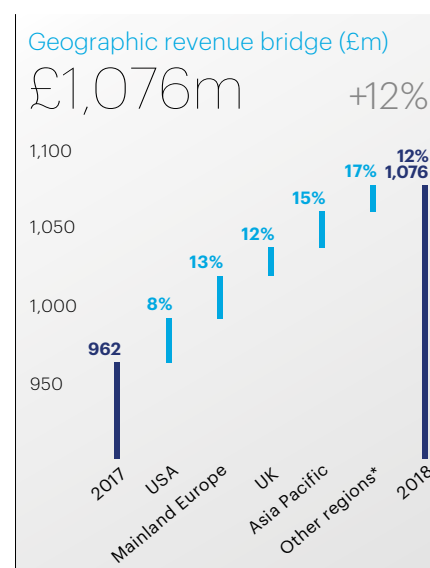
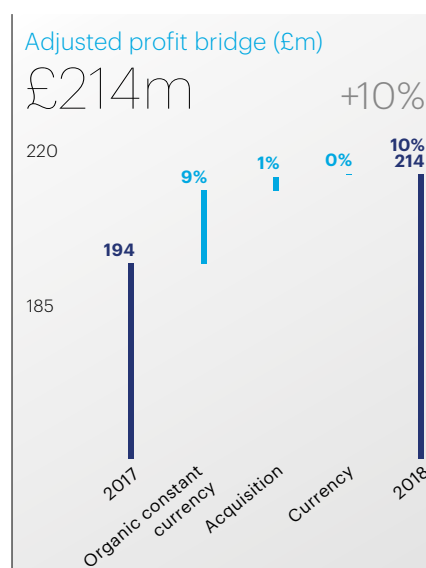
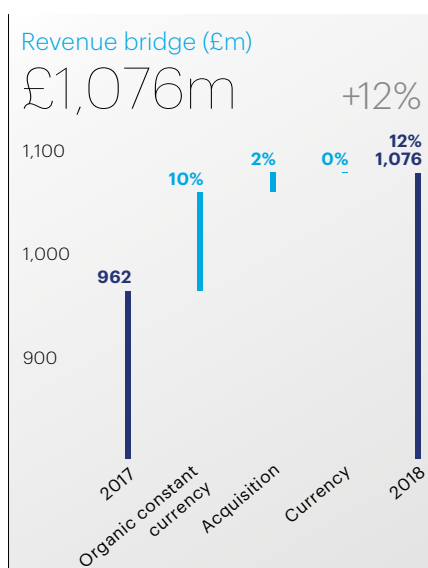
2 See Highlights.

“Organic growth is our priority and is driven by investment in our businesses, international expansion and the development of our people.”

Revenue grew by 14.5% in the first half and 9.7% in the second half. There was a 5% positive contribution from currency translation in the first half which reversed in the second half to give a neutral impact for the year. Organic revenue growth at constant currency was 9.1% in the first half increasing to 10.6% in the second half to give 9.9% growth for the year, with continued growth in the

two Safety sectors and increased second half growth in the Medical and Environmental & Analysis sectors.

Adjusted¹ profit growth was 13.0% in the first half and 7.9% in the second half. As with revenue, there was a 5% positive contribution from currency translation in the first half which reversed in the second half, giving



* Comprises Africa, Near and Middle East & Other countries

Geographic revenue growth

	2018		2017		Change £m	% growth	% Organic growth at constant currency
	£m	% of total	£m	% of total			
United States of America	374.0	35%	345.3	36%	28.7	8%	9%
Mainland Europe	237.7	22%	210.4	22%	27.3	13%	8%
United Kingdom	173.3	16%	154.9	16%	18.4	12%	9%
Asia Pacific	174.9	16%	151.6	16%	23.3	15%	14%
Africa, Near and Middle East	69.7	7%	60.8	6%	8.9	15%	13%
Other countries	46.6	4%	38.7	4%	7.9	20%	10%
	1,076.2	100%	961.7	100%	114.5	12%	10%

Financial review continued

a neutral impact in the full year. Organic profit growth at constant currency was 7.9% in the first half increasing to 9.0% in the second half. The first half/second half split of adjusted¹ profit was 44%/56% in line with our typical 45%/55% pattern.

All four sectors delivered revenue and profit growth. At organic constant currency all sectors achieved strong revenue growth. All except the Medical sector delivered organic constant currency profit growth for the year, although it did deliver growth in the second half after a decline in the first half.

Central administration costs were £15.3m (2017: £10.5m). As expected there was increased investment in digital/innovation capability to support our growth strategy as well as the increased cost of performance-based rewards resulting from high rates of growth. In addition, we held our biennial HITEx conference in the year. We expect a further increase in central costs in 2018/19 with continued investment to support our growth strategy, although in the medium-term central costs are expected to grow no faster than revenue.

Widespread growth

There was strong revenue growth in all regions as well as all sectors with Process Safety and Medical growing in all regions. Headline growth benefited from positive currency translation impacts in the first half, with underlying growth strengthening further in the second half.

The USA remains our largest revenue destination increasing by 8% to contribute 35% (2017: 36%) of Group revenue. All sectors except Infrastructure Safety grew in the USA with the largest increase in the Environmental & Analysis sector. In Mainland Europe revenue increased by 13% and all sectors grew,

with a particularly strong performance by Infrastructure Safety. Asia Pacific was up 15% with very strong growth in the Environmental & Analysis sector. Asia Pacific revenue now exceeds that in the UK, where revenue rose by 12%. Africa, Near and Middle East grew by 15% and Other countries increased by 20% with good growth in Canada and Brazil.

Revenue from territories outside the UK/Mainland Europe/the USA grew by 16%, ahead of our 10% KPI growth target for these territories. We achieved 10% growth in revenue in the UK/Mainland Europe/the USA.

When measured at organic constant currency (removing the impact of currency translation and acquisitions) there was 9.9% growth for the year. This growth was widespread by region and sector. The USA grew in the year by 9% with Infrastructure Safety showing a small decline and the other sectors growing well in the second half. Mainland Europe grew by 8% with a strong performance from Infrastructure Safety. The UK grew by 9%, achieving higher growth in the second half, with Infrastructure Safety performing well and the highest growth coming from the Environmental & Analysis sector.

Asia Pacific grew by 14% at organic constant currency continuing the trend of the first half. There was strong growth in Environmental & Analysis and good growth in the Safety sectors. China grew by 18%. In Africa, Near and Middle East and in Other countries there was a decrease in the Environmental & Analysis sector but good organic constant currency growth in the other three sectors.

Continued high returns

Halma's Return on Sales² has exceeded 16% for 33 consecutive years. We aim to deliver Return on Sales in the range of 18–22%. This year Return on Sales was 19.9% (2017: 20.2%).

The mix of sector performances and increased central administration costs contributed to the slightly reduced Return on Sales for the Group. Return on Sales for Process Safety slightly reduced this year but strengthened in the second half and remains at the high rate of 23%. The Infrastructure Safety sector remained in line with last year at 21%. The Medical sector had lower profitability in the first half mainly due to the mix effect of increased overhead spend, recovering in the second half and ending the year with Return on Sales of 24% (2017: 26%). Environmental & Analysis improved profitability again, building on the increase in the prior year and achieved 21% Return on Sales.

Return on Total Invested Capital² (ROTIC), the post-tax return on the Group's total assets including all historic goodwill, remained at the high level of 15.2% (2017: 15.3%).

Our objective is to continue to invest in our businesses to deliver growth whilst maintaining a high level of ROTIC, and this was achieved in the year due to the strong rate of growth delivered. ROTIC was once again ahead of our target of 12% and well in excess of Halma's Weighted Average Cost of Capital (WACC), estimated to be 7.7% (2017: 7.1%).

Every year the addition of prior year retained earnings to Total Invested Capital mean that high rates of organic constant currency profit and acquisition growth are needed just to maintain ROTIC. Currency movements also have an impact on ROTIC. Total Invested Capital, which includes significant US Dollar and Euro assets, has typically been affected by currency movements more than the post-tax return.

Currency impacts

Halma reports its results in Sterling. Our other key trading currencies are the US Dollar, Euro and to a lesser extent the Swiss Franc and Chinese Renminbi. Over 45% of Group revenue is denominated in US Dollars and approximately 15% in Euros.

The Group has both translational and transactional currency exposure. Translational exposures arise on the consolidation of overseas company results into Sterling. Translational exposures are not hedged.

Transactional exposures arise where the currency of sale or purchase transactions differs from the functional currency in which each company prepares its local accounts. 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 31 March 2018 approximately 60% 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 spend less in Euros than we sell and this year had a net exposure of approximately €30m.

We saw continued volatility in currencies throughout the year although by year end this had a relatively limited impact on the Consolidated Income Statement. Average exchange rates are used to translate results in the Income Statement. Sterling weakened in the first half of the year, giving rise to a 5% positive currency translation impact on both revenue and profit. However in the

second half of the year this position reversed, with stronger Sterling. Currency translation therefore had a neutral impact on revenue and adjusted¹ profit for 2017/18.

Based on the current mix of currency denominated revenue and profit, a 1% movement in the US Dollar relative to Sterling changes revenue by £4.9m and profit by £0.9m. Similarly, a 1% movement in the Euro changes revenue by £1.4m and profit by £0.3m.

We expect currency rates to continue to be volatile. If currency rates through the 2018/19 year were: US Dollar 1.35/Euro 1.13 relative to Sterling, and assuming a constant mix of currency results, we would expect approximately 1% adverse currency translation impact on revenue and profit in 2018/19 compared with 2017/18. On this basis there would be a higher adverse impact in the first half of the year, with some reversal in the second half of the year.

Increased financing cost

The net financing cost in the Income Statement of £9.7m was slightly above the prior year (2017: £9.3m). Average net borrowings were lower this year, despite significant acquisition expenditure, but the average cost of financing increased as interest rates edged up for US Dollars in particular (see the 'Average debt and interest rates' table on page 63 for more information).

Interest cover (EBITDA as a multiple of net interest expense as defined by our Revolving Credit Facility) was 32 times (2017: 30 times) which was well in excess of the four times minimum required in our banking covenants.

The net pension financing charge under IAS 19 is included within the net financing cost. This year it was in line with the prior year at £1.7m (2017: £1.6m).

Reduced group tax rate

This year the Board published the Group's Tax Strategy which sets out the Group's approach to tax matters. The strategy is available on our website at www.halma.com/responsibility/tax.

The Group's approach to tax is to ensure compliance with the tax regulations in all of the countries in which it operates, paying in full all taxes that are due. 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.

	Weighted average rates used in the Income Statement		Exchange rates used to translate the Balance Sheet		
	First half	2018 Full year	2017 Full year	2018 Year end	2017 Year end
US\$	1.29	1.33	1.31	1.41	1.25
Euro	1.14	1.13	1.19	1.14	1.17

Financial review continued

The Group has major operating subsidiaries in 10 countries and 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 Group's effective tax rate on adjusted¹ profit is lower than the prior year at 19.7% (2017: 21.5%) due to the lower US corporate income tax rate, the mix of profits earned in different jurisdictions and increased benefit under UK 'Patent Box' rules.

We expect the recently enacted US Tax Cuts and Jobs Act (the Act) to positively impact the Group's current and future US after tax adjusted earnings due primarily to a reduction in US federal corporate income tax rates. This year, the changes in the Act had a positive impact of 0.7% on the Group's effective tax rate on adjusted¹ profit. The changes also resulted in a one-off non-cash tax credit of £15m relating to the revaluation of US deferred tax assets and liabilities. This credit has been included within Adjustments in the Consolidated Income Statement. We will continue to review and provide updated guidance in light of future clarifications that are expected to be issued by the US authorities on the complex provisions in the Act.

For the year to 31 March 2019 we currently anticipate (based on the forecast mix of adjusted¹ profits) a Group effective tax rate on adjusted¹ profits of approximately 20%.

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 conversion in 2017/18 was strong. Adjusted operating cash flow was £190.4m (2017: £175.5m) and represented 85% (2017: 86%) of adjusted operating profit, in line with our cash conversion KPI target of 85%.

A summary of the year's cash flow is shown in the table on page 64. The largest outflows in the year were in relation to acquisitions, dividends and taxation paid. Working capital outflow, comprising changes in inventory, receivables and creditors, totalled £24.4m (2017: £13.9m). This outflow was higher than the prior year due to increased

debtors following continued strong revenue momentum in the final quarter and higher inventory levels supporting new product introductions. Debtor days remain in line with the prior year and outstanding debtor balances are actively reviewed as part of our year-end process.

Dividends totalling £53.4m (2017: £49.8m) were paid to shareholders in the year. Taxation paid was £41.1m (2017: £33.2m).

Capital allocation and funding

Halma aims to deliver high returns, measured by 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 for digital growth and in 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. This brings new technology and intellectual property into the Group and can expand our market reach.

Investment for organic growth

All sectors continue to innovate and invest in new products with R&D spend determined by each individual Halma company. This year R&D expenditure grew by 12%, in line with Group revenue, with increased investment through the year. R&D expenditure as a percentage of revenue was 5.2% (2017: 5.3%). In the medium term we expect R&D expenditure to continue to increase broadly in line with revenue growth.

Under IFRS accounting rules we are required to capitalise certain development projects and amortise the cost over an appropriate period, which we determine as three years. In 2017/18 we capitalised and acquired £9.7m

(2017: £10.7m), impaired £0.7m (2017: £0.1m) and amortised £6.9m (2017: £6.8m). This results in an asset carried on the Consolidated Balance Sheet, after £1.0m (2017: £1.4m gain) of foreign exchange loss, of £29.9m (2017: £28.8m). All R&D projects and particularly those requiring capitalisation, are subject to rigorous review and approval processes.

Capital expenditure on property, plant, equipment and computer software this year was £22.1m (2017: £24.4m). The prior year included additional investment in Group properties. The expenditure on fixed assets was spread across the four sectors supporting our operating capability, capacity and growth. There was reduced spend in the Process Safety and Medical sectors following completion of projects in the prior year, and the highest increase was in the Environmental & Analysis sector accompanying high rates of growth. We anticipate capital expenditure of £34m in the coming year.

Regular and increasing returns for shareholders

Adjusted¹ earnings per share increased by 13% to 45.26p (2017: 40.21p), higher than the increase in Adjusted¹ Profit due to the lower effective tax rate this year. Statutory earnings per share increased by 19% to 40.69p (2017: 34.25p). Statutory earnings per share benefited from the one-off credit arising from revisions to US taxation rates discussed above.

The Board is recommending a 7.0% increase in the final dividend to 8.97p per share (2017: 8.38p per share), which together with the 5.71p per share interim dividend gives a total dividend of 14.68p (2017: 13.71p), up 7.1%. This year dividend cover (the ratio of adjusted¹ profit after tax to dividends paid and proposed) is 3.08 times (2017: 2.93 times).

The final dividend for 2017/18 is subject to approval by shareholders at the AGM on 19 July 2018 and will be paid on 15 August 2018 to shareholders on the register at 13 July 2018.

Dividend growth has been an important contributor to our Total Shareholder Return over many years. Halma has a long-term progressive dividend policy which aims to deliver consistent, sustainable and affordable dividend growth, whilst maintaining a prudent level of dividend cover.

We aim to increase the per share dividend amount each year, with approximately 35–40% of the anticipated total dividend being declared as an interim dividend. The Board's determination of recommended annual dividend increases takes into account the medium-term rate of organic constant currency growth and the financial resources required in executing our strategy, including organic investment needs and acquisition opportunities, whilst maintaining moderate debt levels.

Five acquisitions completed

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.

In the year we spent £116m on five acquisitions (net of cash/(debt) acquired of £1m including acquisition costs). In addition, we paid £1m in contingent consideration for acquisitions made in prior years, giving a total spend of £117m.

The acquisitions made in 2017/18 were as follows:

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

In August 2017, we completed the acquisition of Cardios Sistemas Comercial e Industrial Ltda (Cardios) located in Brazil. The initial cash consideration was R\$50m (£12.4m) with further payment of up to R\$5m (£1.2m) payable based on future growth. Our current estimate is that R\$2.5m (£0.6m) will be paid.

In October 2017, we acquired Mini-Cam Enterprises Limited and its subsidiaries (Mini-Cam). The initial consideration was £62m, on a cash and debt-free basis, with up to a further £23.1m payable based on annualised profit growth to the end of March 2020. Our current estimate is that £8.1m will be paid in deferred contingent consideration and this has been provided for in these accounts.

In November 2017, we acquired Setco S.A. for a cash consideration of €17m (£15.1m).

In December 2017, we acquired Argus Security S.r.l (Argus) and its UK-based distributor Sterling Safety Systems Limited (Sterling) for a combined cash consideration of €20.8m (£18.4m).

The acquisitions completed in the current and prior year contributed to revenue in 2017/18 in line with expectations. Their aggregate profit contribution was lower than the annualised run-rate at the time of acquisition due to the timing of certain acquisitions and additional investment under Halma ownership.

We expect a good performance from these acquisitions in the coming year and in the long term.

Funding capacity extended

Halma operations are cash generative and the Group has access to competitively priced debt finance providing good liquidity for the Group. Group treasury policy remains conservative and no speculative transactions are undertaken. We continue to fund organic and acquisition growth through our strong cash flow and use of debt facilities.

In November 2017 we extended the £550m Revolving Credit Facility, put in place in November 2016, by a further year to 2022. This supplements the US\$250m US Private Placement drawn down in January 2016 which provided diversification of Group funding.

At the year end net debt was £220.3m (2017: £196.4m), a combination of £291.0m of debt and £70.7m of cash held around the world to finance local operations. The gearing ratio at year end (net debt to EBITDA) was 0.87 times (2017: 0.86 times). 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 5% (2017: 5%) 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.

Average debt and interest rates

	2018	2017
Average gross debt (£m)	284.5	300.5
Weighted average interest rate on gross debt	2.16%	2.00%
Average cash balances (£m)	76.5	67.3
Weighted average interest rate on cash	0.33%	0.32%
Average net debt (£m)	208.0	233.3
Weighted average interest rate on net debt	2.83%	2.49%

Financial review continued

Operating cash flow summary	2018 £m	2017 £m
Operating profit	181.3	167.1
Net acquisition costs and contingent consideration fair value adjustments	7.8	(9.5)
Amortisation and impairment of acquisition-related acquired intangible assets	34.6	43.9
Loss on restructuring of operations	-	1.9
Adjusted operating profit	223.7	203.4
Depreciation and other amortisation	28.4	26.3
Working capital movements	(24.4)	(13.9)
Capital expenditure net of disposal proceeds	(20.5)	(23.1)
Additional payments to pension plans	(10.8)	(10.2)
Other adjustments	(6.0)	(7.0)
Adjusted operating cash flow	190.4	175.5
Cash conversion %	85%	86%

Non-operating cash flow and reconciliation to net debt	2018 £m	2017 £m
Adjusted operating cash flow	190.4	175.5
Tax paid	(41.1)	(33.2)
Acquisition of businesses including cash/debt acquired	(117.6)	(10.2)
Net movement in loan notes	0.2	0.2
Net finance costs and arrangement fees	(7.3)	(9.5)
Dividends paid	(53.4)	(49.8)
Own shares purchased	(2.6)	(2.4)
Adjustment for cash outflow on share awards not settled by own shares	(3.3)	(3.3)
Effects of foreign exchange	10.8	(17.0)
Movement in net debt	(23.9)	50.3
Opening net debt	(196.4)	(246.7)
Closing net debt	(220.3)	(196.4)

Net debt to EBITDA	2018 £m	2017 £m
Adjusted operating profit	223.7	203.4
Depreciation and amortisation (excluding acquired intangible assets)	28.4	26.3
EBITDA	252.1	229.7
Net debt to EBITDA	0.87	0.86

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 substantial 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.

The Group accounts for post-retirement benefits in accordance with IAS 19 Employee Benefits. The Consolidated Balance Sheet reflects the net deficit on our pension plans at 31 March 2018 based on the market value of assets at that date and the valuation of liabilities using year end AA corporate bond yields.

On an IAS 19 basis the deficit on the Group's DB plans at the 2017/18 year end had decreased to £53.9m (2017: £74.9m) before the related deferred tax asset. The value of plan assets increased to £271.7m (2017: £265.0m).

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 £325.6m (2017: £339.9m) due primarily to the revision to mortality assumptions based on latest guidance.

The plans' actuarial valuation reviews, rather than the accounting basis, determine any cash deficit payments by Halma. Following the 2014/15 triennial actuarial valuation of the two UK pension plans, cash contributions aimed at eliminating the deficit were agreed with the trustees. In 2017/18 these contributions amounted to £10.8m (2017: £10.2m). The latest triennial valuation for the two UK plans are in the process of completion and review. Appropriate contribution rates will be set following discussion between the Company and the pension plan trustees.

Brexit update

The UK referendum decision in June 2016 and the subsequent triggering of Article 50 in March 2017 mean that the UK is now scheduled to leave the European Union ('Brexit'), creating a new dimension to the uncertainties surrounding global economic growth. In March 2018, the EU announced that agreement in principle had been reached on a transition (or 'implementation') period running from the UK's withdrawal from the EU on 29 March 2019 to the end of 2020.

In 2017/18, approximately 10% of Group revenue came from direct sales between the UK and Mainland Europe. Our decentralised model, with business in diverse markets and locations, enables each Halma company to adapt quickly to changing trading conditions.

Halma formed an executive working group that is tasked with assessing and monitoring the impacts on our business and to communicate updates and guidance as the Brexit process evolves. This approach will continue throughout the transition period.

To date, the following Brexit risks have been identified as having an actual and/or potential impact on our business:

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

Finally... on a personal note

I am very proud to have been part of Halma's progress over the past 30 years, including 20 years as Finance Director. Halma has grown and evolved significantly. Over that 30-year period, our compound revenue growth has been 11% (with growth in all but 2 years), delivering consistently high returns, acquiring over 100 businesses and growing the dividend by 5% or more every year, without becoming highly geared. However, Halma remains very much the business I joined – in its core strategy, model, culture and approach to ethical business. I have been lucky enough to work with many talented people, past and present. They have been key to Halma's success. I wish them all the very best for continued progress over the years to come.

Kevin Thompson
Finance Director

The Strategic Report was approved by the Board of Directors on 12 June 2018 and signed on its behalf by:

Andrew Williams
Group 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.

Chairman's introduction to governance



“Our culture enables autonomous and agile decision making, constructive challenge, innovative diversity of thought and open collaboration to thrive.”

Introduction from Paul Walker

I am pleased to be presenting Halma's Corporate Governance Report for 2018 in what has been another strong year for the Group. This Report aims to provide stakeholders with an understanding of the governance framework within which Halma and its businesses operate. The Board recognises the importance of good governance and throughout the year ended 31 March 2018, the Company has complied with the provisions set out in the UK Corporate Governance Code 2016 (the Code).

In last year's Report, I outlined four key Board priorities:

- delivering a robust performance across each sector during a time of political and economic uncertainty;
- continuing to build our talent;
- encouraging businesses to innovate, collaborate and seek out opportunities to keep pace with digital developments; and
- seeking to acquire businesses which complement our strategy and portfolio, in new or existing markets that can deliver our growth expectations.

It is pleasing to report that we have successfully delivered in all of these areas, details of which are set out in the Strategic Report on pages 1 to 65.

I am very proud of Halma's achievements and sustainable growth, recognised by our entry into the FTSE 100 in December 2017 which was a tremendous milestone. I am equally proud of how we have maintained our enviable culture of openness, transparency and support throughout the organisation.

Our culture enables autonomous and agile decision making, constructive challenge, innovative diversity of thought and open collaboration to thrive. I maintain that it is essential that the Board and executive management act in a constructive, non-political and respectful manner, exhibiting the tone that we expect across our companies. I am pleased that this is the case at all levels within Halma.

Leadership changes

In recent years, there have been a number of changes to the membership and responsibilities of Board and Executive Board members to re-shape the leadership to support our evolving growth strategy. There have been no changes to the Board

during 2017/18 although in April 2017, Kevin Thompson announced his intention to retire during 2018. Kevin has made a remarkable contribution to Halma since joining the business over 30 years ago and I would like to personally thank him and wish him a happy and healthy retirement. I am delighted that the Board decided to appoint Marc Ronchetti as Kevin's successor as from 1 July 2018. Marc brings a wealth of operational, technical and financial experience to the Board and, having had the benefit of working with him since he joined Halma in August 2016, I am confident that he will make a significant contribution.

In December 2017, the Board agreed some changes to the Executive Board structure by consolidating the four Sector Chief Executive (SCE) roles into two. Paul Simmons now covers the Process Safety and Infrastructure Safety sectors and Adam Meyers covers the Medical and Environmental & Analysis sectors. These changes provide greater visibility and helps to align the management team with the objectives of our 4.0 growth strategy, by facilitating effective communication and agile decision making.

Biographies for the Board and Executive Board members are set out on pages 68–70.

Governance engagement

As a strong supporter of good governance, the Company provided a response to the FRC's consultation on the revised Corporate Governance Code, which it intends will apply for our accounting period beginning on 1 April 2019. As we stated in our response, we are very supportive of the revised Code but consider that some of the measures are overly prescriptive and could increase the reporting burden and introduce complexity, without achieving the desired effect. A copy of the Company's full response is available at www.frc.org.uk.

Board priorities

Our continuous focus on talent and culture has been a critical foundation for Halma to launch the Convergence and Edge strands to its Core growth strategy. While talent remains a priority, the other key priorities for 2018/19 are to:

- focus on communicating and executing the Halma 4.0 growth strategy – delivering strong organic and acquisition growth and developing our thinking in the areas of Convergence and Edge;
- support our senior management by providing them with tools and insight to drive innovation and collaboration to monetise our technology and know-how in the digital and 'big data' space;
- seek new acquisition and/or partnering opportunities.

This Report, along with the Committee Reports, describes how the Board has applied the main and supporting principles of the Code. I trust that you will find it useful in understanding Halma's governance structure and how it is fit to support both our 4.0 growth strategy and our transformative Purpose of growing a safer, cleaner, healthier future for everyone, every day.

Paul Walker
Chairman

12 June 2018

How the Board supported strategy

Halma's clear and focused strategy over many years has led to a strong financial performance and consistent dividend growth. The Board has supported the evolution of our strategy over the past year – which is now articulated in the Halma 4.0 growth strategy.

Strategic Growth Enablers	The Board's governance role	What we achieved in 2018
M&A	The Board has a clear strategy which includes a significant growth element being delivered through M&A. Key resources, both in terms of people and finances, are made available to ensure that we can deliver this strategy. The M&A pipeline is regularly reviewed and discussed by the Board and all material acquisitions are subject to its approval. Post-acquisition value creation strategies are under regular review.	<ul style="list-style-type: none"> — Acquired: Cardios and CasMed in August 2017; Mini-Cam and Setco in November 2017; and Argus/Sterling in December 2017; — We further strengthened the M&A team and changed the reporting lines to reflect the revised SCE structure;
International Expansion	The Board has formally adopted matters reserved for its decision and a schedule of matters that it delegates to executive management. This governance structure ensures that major changes, financial commitments or new business developments are considered by the Board, while permitting local and sector autonomy to operate and grow our businesses.	<ul style="list-style-type: none"> — In addition to expanding our business footprint into Brazil and Italy, we continued to grow our business in India and China, where our hubs provide an efficient route to penetrating these growing markets, with our existing, or adapted for local-market, products.
Talent & Culture	The Board recognises the importance of talent and culture in driving not only Halma's growth but also the behaviour that we expect from our people across the Group. In September 2016, the Board recognised the importance of leading talent from the top and promoted Jennifer Ward to the Board. Talent discussions are a key feature at each Nomination Committee meeting.	<ul style="list-style-type: none"> — We continued to invest in our leadership development, putting over 60 senior leaders through our <i>Innovating the Organisation (ITO)</i> programme. — In November 2017, we launched <i>HalmaHub</i> a communication and collaboration platform for companies and central functions to share knowledge and ideas.
Finance & Risk	The Board have established a clear and robust framework to control financial investment, oversee financial performance and to manage risks and opportunities.	<ul style="list-style-type: none"> — We refreshed our approach and appetite to risk, considering both top-down and bottom-up risks and updated the delegated authorities.
Digital Growth Engines	The Board are aware of the changing landscape and the risks and opportunities that will arise as the digital revolution, and inherent data-related responsibilities, continue to proliferate.	<ul style="list-style-type: none"> — Our Leadership conference gave managing directors the tools to expand their thinking and develop their business using Convergence and Edge technologies.
Strategic Communications	The Board recognised the need for our companies to be more strategic in their communications with stakeholders. A key focus has been on adequately resourcing our central team to support our businesses in developing market-leading positions by connecting with customers through their brand, marketing, product positioning and the effective use of all media channels.	<ul style="list-style-type: none"> — The development of our massive transformative purpose – to grow a safer, cleaner, healthier future for everyone, every day – has created the foundation from which all our businesses can build their communications strategy, tailored to the needs of their customers and the local markets.

Board of Directors



1. Paul Walker N R

Chairman

Paul was appointed non-executive Chairman of Halma in July 2013, having been appointed to the Board in April 2013. 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.

Non-executive directorships

Experian plc
Sophos Group plc

3. Kevin Thompson

Finance Director

Kevin was appointed to the Halma plc Board in 1998, having been appointed as Finance Director in 1997. He qualified as a Chartered Accountant with Price Waterhouse and joined Halma in the role of Group Financial Controller in 1987. Kevin became a member of the Executive Board in 1995. He has functional responsibility for finance, tax & treasury, risk & internal audit and health & safety.

Non-executive directorships

RPC Group Plc

5. Jennifer Ward

Group Talent and Communications Director

Jennifer was appointed to the Halma plc Board in September 2016. She became a member of the Halma Executive Board in March 2014. Prior to joining Halma, as Group Talent Director, Jennifer spent over 15 years leading HR, Talent and Organisational Development for divisions of PayPal, Bank of America and Honeywell. Jennifer has global responsibility for talent development and communications across the Group, with a strong focus on Halma's senior management and the boards of its subsidiary businesses.

2. Andrew Williams N

Group Chief Executive

Andrew was appointed Group Chief Executive of Halma plc in February 2005. He is a Chartered Engineer and joined the Group in 1994 as Manufacturing Director of Reten Acoustics (now HWM-Water), becoming Managing Director in 1997. Andrew became a member of the Halma Executive Board in 2002 and was promoted to the Halma plc Board in July 2004.

Non-executive directorships

Capita plc

4. Adam Meyers

Sector Chief Executive,
Medical & Environmental

Adam was appointed to the Halma plc Board in 2008. He became a member of the Halma Executive Board in 2003, in the position of Divisional Chief Executive, having previously been Assistant Divisional Chief Executive. He joined Halma in 1996 as President of Bio-Chem Valve. Adam is responsible for all companies within Halma's Medical and Environmental & Analysis sectors.

6. Daniela Barone Soares A N R

Non-executive Director

Daniela was appointed a non-executive Director of Halma plc in November 2011. She is currently CEO of Granito & Capital and was previously CEO of Impetus – The Private Equity Foundation, having held senior roles at Save the Children, BancBoston Capital, Goldman Sachs and Citibank. Daniela is a non-executive Director of Évora S.A., a company listed on the São Paulo Exchange, which operates businesses in manufacturing and forestry.

Non-executive directorships

Évora S.A.



7. Carole Cran A N R

Non-executive Director

Carole was appointed a non-executive Director of Halma plc in January 2016. She is Chief Financial Officer at Forth Ports Ltd, having held the same position at Aggreko plc until December 2017. Prior to that, she held a number of senior financial roles since joining Aggreko in 2004. Carole qualified as a Chartered Accountant with KPMG and worked for seven years at BAE Systems plc in a range of senior financial positions, which included four years in Australia.

8. Jo Harlow A N R

Non-executive Director

Jo was appointed a non-executive Director of Halma plc in October 2016. Jo has held international positions, most recently at Microsoft and previously at Nokia. Before her move into consumer electronics, Jo worked on strategic marketing at Reebok and Procter & Gamble.

Non-executive directorships

InterContinental Hotels Group plc
J Sainsbury plc
CECONOMY AG*

* supervisory board member

9. Tony Rice R A N

Senior non-executive Director

Tony was appointed a non-executive Director of Halma plc in August 2014 and as Senior Independent Director in July 2015. He was formerly the senior independent director and remuneration committee chair 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).

Non-executive directorships

Dechra Pharmaceuticals PLC (Chairman)

10. Roy Twite A N R

Non-executive Director

Roy was appointed a non-executive Director of Halma plc in July 2014. He is an executive director at IMI plc, the FTSE 250 specialist engineering company, having been appointed to the 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).

11. 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.

Non-executive directorships

Renishaw plc
Hunting plc

Committee membership

- A** Audit Committee
- N** Nomination Committee
- R** Remuneration Committee
- Chairman of Committee
- Member of Committee

Executive Board



1. Andrew Williams

Group Chief Executive

Andrew was appointed Group Chief Executive of Halma plc in February 2005. He is a Chartered Engineer and joined the Group in 1994 as Manufacturing Director of Reten Acoustics (now HWM-Water), becoming Managing Director in 1997. Andrew became a member of the Halma Executive Board in 2002 and was promoted to the Halma plc Board in July 2004. Andrew is a non-executive director of Capita plc.

3. Paul Simmons

Sector Chief Executive, Safety

Paul was appointed to the Executive Board in July 2016. He joined Halma in April 2010 and led businesses, including Avire and Apollo, before becoming Sector Vice President. Paul holds a degree in Production Engineering and, prior to joining Halma, he spent 13 years at 3M. He is responsible for all companies within Halma's Process Safety and Infrastructure Safety sectors.

5. Adam Meyers

Sector Chief Executive,
Medical & Environmental

Adam was appointed to the Halma plc Board in 2008. He became a member of the Halma Executive Board in 2003, in the position of Divisional Chief Executive, having previously been Assistant Divisional Chief Executive. He joined Halma in 1996 as President of Bio-Chem Valve. Adam is responsible for all companies within Halma's Medical and Environmental & Analysis sectors.

2. Kevin Thompson

Finance Director

Kevin was appointed to the Halma plc Board in 1998, having been appointed as Finance Director in 1997. He qualified as a Chartered Accountant with Price Waterhouse and joined Halma in the role of Group Financial Controller in 1987. Kevin became a member of the Executive Board in 1995. He has functional responsibility for finance, tax & treasury, risk & internal audit and health & safety. Kevin is a non-executive director of RPC Group Plc.

4. Inken Braunschmidt

Chief Innovation and Digital Officer

Inken joined Halma, and was appointed to the Executive Board, in July 2017. Prior to joining Halma, Inken was the Chief Innovation Officer of innogy SE, a renewables energy company based in Germany and a subsidiary of RWE. Previously, Inken was MD of RWE's Strategy and Management Consultancy practice. Inken studied Business Administration and Innovation & Technology Management at Kiel University and has a PhD in Technology Management.

6. Jennifer Ward

Group Talent and Communications Director

She became a member of the Halma Executive Board in March 2014. Prior to joining Halma, as Group Talent Director, Jennifer spent over 15 years leading HR, Talent and Organisational Development for divisions of PayPal, Bank of America and Honeywell. Jennifer has global responsibility for talent development and communications across the Group, with a strong focus on Halma's senior management and the boards of its subsidiary businesses.

Leadership

Role of the Board and Principal Committees

The role of the Board is to provide entrepreneurial leadership, within a framework of prudent and effective controls, that promotes the interests of the Company over the long term for the benefit of stakeholders. The Board sets the Group's strategic goals and has ultimate responsibility for its management, direction and performance. The Company's Articles of Association set out the Board's powers. The Board has adopted a formal schedule of matters reserved solely for its decision (a summary of which is set out on page 75) and certain decision-making and monitoring activities have been delegated to Board Committees or management, through a clearly defined delegated authority matrix.

The Board has established three principal Committees – Nomination Committee; Audit Committee; Remuneration Committee – which review and monitor key areas on behalf of the Board and make recommendations for its approval. Each Board Committee operates under written terms of reference which are approved by the Board and made available at www.halma.com. The Chair of each Committee reports to the Board on their activities after each meeting and minutes are circulated to all Board members once they have been approved by the Committee. Further information on the activities and composition of each Committee is detailed within the separate Committee reports.

Board meeting attendance

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

Board attendance	Meetings	
	Eligible to attend	Attended
Paul Walker	6	6
Andrew Williams	6	6
Kevin Thompson	6	6
Adam Meyers	6	6
Jennifer Ward	6	6
Daniela Barone Soares	6	6
Jo Harlow	6	6
Roy Twite	6	6
Tony Rice	6	6
Carole Cran	6	6

To ensure an orderly transition between Kevin Thompson and Marc Ronchetti, Marc attended the four Board meetings that occurred after the decision to appoint him had been made in July 2017.

Leadership continued

Division of responsibilities

The division of responsibilities between the Board members is set out below. A summary of the Board's activities throughout the year is shown on page 74 and Board meeting attendance is on page 71.

Role	Name
Chairman's responsibilities	<p>Governance</p> <ul style="list-style-type: none"> — 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' performances 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. <p>Strategy</p> <ul style="list-style-type: none"> — leading the Board in reviewing the strategy of the business and setting its objectives; — promoting open and constructive debate in Board meetings; — ensuring effective implementation of Board decisions with the support of the Group Chief Executive; — ensuring that the Board manages risk effectively; and — consulting, where appropriate, with the Senior Independent Director on Board matters. <p>People</p> <ul style="list-style-type: none"> — chairing the Nomination Committee; — identifying and meeting the induction and development needs of the Board and its committees; — developing a strong working relationship with the Group Chief Executive; — ensuring a strong working relationship between executive and non-executive Directors; — setting clear expectations concerning the Company's culture, values and behaviours; and — ensuring effective relationships are maintained with all major stakeholders in the business.
Group Chief Executive	<ul style="list-style-type: none"> — 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; and — ensuring the Board is aware of the view of employees on issues of relevance to Halma plc.
Executive Directors	<ul style="list-style-type: none"> — 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; — promoting talent management, encouraging diversity and inclusion; and — ensuring the Board is aware of the view of employees on issues of relevance to Halma plc.
Senior Independent Director	<ul style="list-style-type: none"> — 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	<ul style="list-style-type: none"> — 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	<ul style="list-style-type: none"> — 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 and its committees on matters of corporate governance.

Corporate Governance Framework

As a decentralised organisation, it is critical that the governance and control structure is robust, clearly communicated and operating effectively. In addition to the principal Board Committees, the Board has established three topic-specific Committees to which it has delegated certain powers to negotiate, review and administer matters: Share Plans Committee; Bank Guarantees and Facilities Committee; and Acquisitions and Disposals Committee.

The Executive Board is a management committee, chaired by the Group Chief Executive, which primarily develops strategy, reviews operational matters and monitors business performance, it is a key forum for implementing actions arising from the Board and for driving strategic initiatives which support Halma's 4.0 growth strategy, such as talent and innovation.

A summary of the structure and responsibilities of each Board Committee and the Executive Board is set out below.

Our businesses benefit from an autonomous operational structure but, in order to maintain oversight and control from a Group perspective and obtain assurance over the compliance and control environment,

businesses must comply with Halma's suite of financial and non-financial policies and procedures. A delegated authority matrix, which was updated this year following the consolidation into the two Sector Chief Executive (SCE) structure, sets out the authority limits which have been delegated from the Group Chief Executive and SCEs to the Divisional Chief Executives (DCEs) and business managing directors. This matrix ensures that businesses have a clear framework within which they can operate and it provides certainty on the financial and legal decisions or commitments that can be approved locally and those which must be approved at sector, Group or Board level.

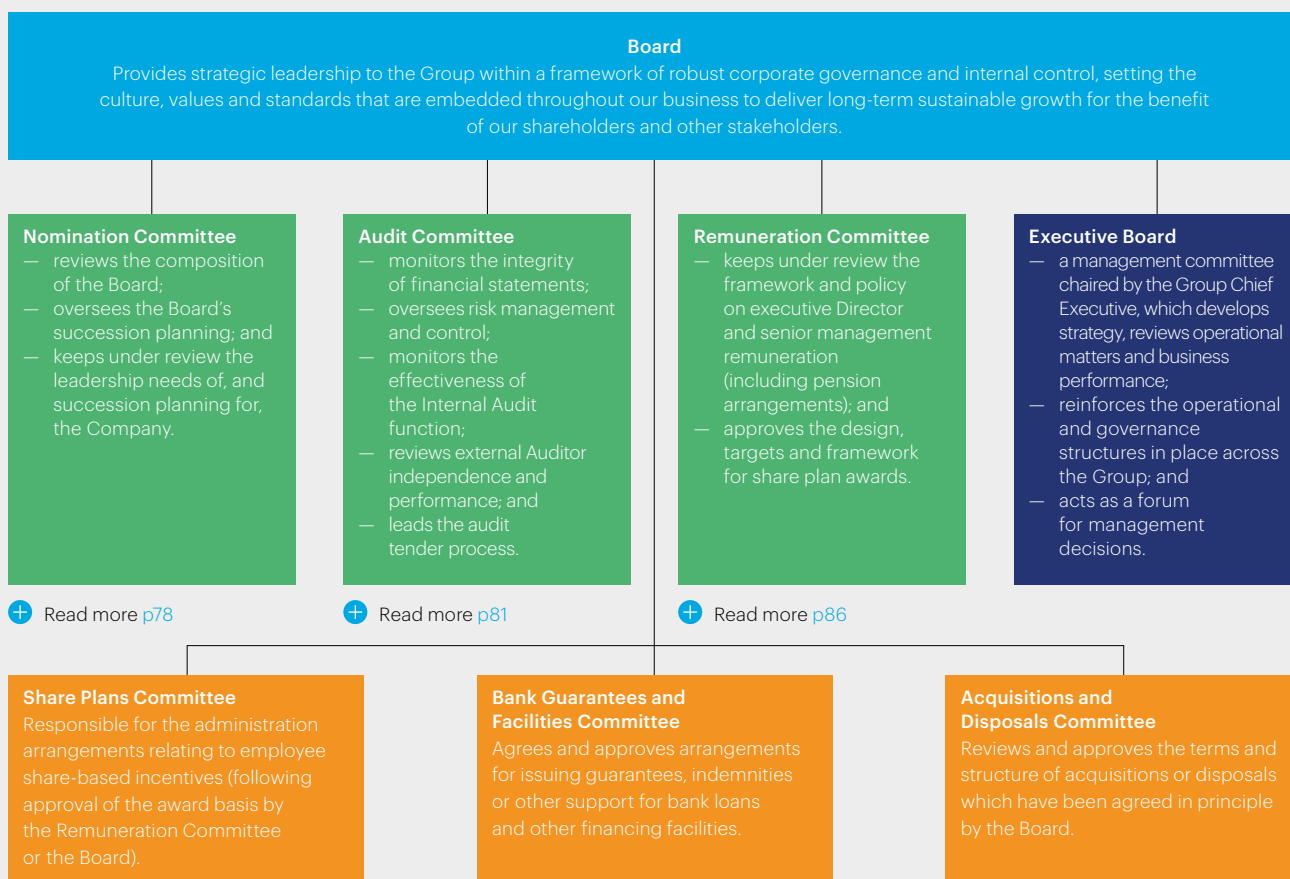
The interface between the operating companies and the Board governance structure is described below and illustrated in the Risk Governance Framework set out on page 52 in respect of the Group's approach to risk management. Each operating subsidiary in the Group has its own board of directors which meets regularly to fulfil its legal duties and to maintain operational and financial oversight of the company's affairs. The DCE is a member of, and chairs, each of their subsidiary company boards and will meet with the Executive Board at least three times per year. The Group's policies and procedures set out the Group's requirements in the areas

of financial reporting, health & safety, ethics, human resources, IT and administration. These procedures are made available to all employees via the Group's communications platform, *HalmaHub*. Each SCE holds regular sector board meetings, attended by all managing directors in their sector and sector personnel, to review financial and business performance and areas such as talent and M&A. The sector board also provides a valuable forum for businesses to share and collaborate. Each SCE prepares a report for the Executive Board, covering business performance and other matters discussed at, or arising from, their subsidiary and sector board meetings.

Board meetings

The Board has six scheduled meetings per year but will meet separately, as required, to discuss urgent matters or to approve event-driven items such as M&A transactions or trading updates. All Directors are issued with an agenda and meeting papers in the week prior to the Board meeting; papers are delivered via an electronic board portal for security and efficiency. The Board and each Director have access to the advice and services of the Company Secretary and each can obtain independent professional advice at the Company's expense.

Board Governance Structure



Leadership continued

The Board's year

Activities

<h4>Strategy, Investor Relations & Communications</h4>	<ul style="list-style-type: none"> – Two-day strategy meeting – developing the Halma 4.0 strategy – Organisational structure review – New product development – Strategic growth opportunities – Investor relations and shareholder movements – Communications strategy – centred on a renewed purpose – Presentations from operating companies
<h4>Financial & Operational</h4>	<ul style="list-style-type: none"> – Budget for 2018/19 – Half Year results, Full Year results and Trading updates – Extension of the Revolving Credit Facility – Sector and Sector Finance presentations – Asia Pacific presentation – Presentation on the changing global taxation landscape – Approval of the Group's Tax Strategy – Employee Benefit Trust share purchase approval – Share Incentive Plan allocation
<h4>Governance, Compliance & Ethics</h4>	<ul style="list-style-type: none"> – Review and discussion of the external Board and Committee evaluations – Chairman and non-executive Director fees – AGM business – Annual Report – Compliance reports (including progress reports on GDPR compliance) – Cyber security update – Pensions update – Modern Slavery Act Statement approval – Code of Conduct approval and the re-approval of key policies
<h4>Talent & Culture</h4>	<ul style="list-style-type: none"> – Succession planning and talent development for all senior roles – Engagement survey results – Finance Director succession and appointment of Chief Financial Officer – Review of graduate and other management development programmes
<h4>Mergers & Acquisitions</h4>	<ul style="list-style-type: none"> – Approval of five acquisitions (Cardios, CasMed, Mini-Cam, Setco, Argus/Sterling) – M&A pipeline – Our approach to digital opportunities – Organisational resource and structure 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 Group Chief Executive;
- Report from the Finance Director;
- Investor Relations report;
- M&A update;
- Health & Safety review;
- Risk review;
- Corporate governance update;
- Compliance & integrity report; and
- Updates from the Company Secretary on administrative matters.

Matters reserved for decision by the Board

- 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).

Effectiveness

Composition of the Board

The Board comprises 10 directors, who bring a wide variety of skills and experience to the Boardroom. With four executive Directors and six non-executive Directors (including the Chairman), there is a strong independent element to Halma's Board which encourages constructive challenge and ensures that the balance of power rests with the non-executive members of the Board. The Chairman considers the current Board structure to be appropriate both in terms of size and the balance of skills around the table. The biographies of each Director, including an overview of their skills and experience, are set out on pages 68 and 69.

The Board has established a formal process for the search and appointment of new directors, details of which are set out in the Nomination Committee report on page 78.

Independence

The Board has reviewed the independence of each non-executive Director and, following an assessment of any relationships or circumstances which are likely to affect a Director's judgement, consider each to be independent of management. 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 Senior Independent Director in July 2015 and is available as an alternative channel of communication for shareholders, independent from executive management and the Chairman.

Time commitment

The Board benefits from the wide variety of skills, experience and knowledge that each Director has. Director availability and commitment of sufficient time to the Company is essential. Accordingly, the number of external directorships that a non-executive Director holds is an important consideration when recruiting and when annually evaluating the contribution and effectiveness of each non-executive Director.

Executive Directors are permitted to accept one external 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; does not require undue time commitment which could be detrimental to Halma; and where the role is considered to be beneficial to the development of the individual and therefore of benefit to the Company.

In addition to the scheduled Board meetings, non-executive Directors are expected to attend the Annual General Meeting, the annual strategy meeting and other key events and conduct company visits throughout the year. A time commitment of around 20 days per annum is the anticipated requirement for each non-executive Director. Prior to their appointment, confirmation is obtained 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 71 and attendance for each Committee is in the relevant Committee reports on pages 78, 81 and 86.

Induction and development

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. Thereafter, non-executive Directors arrange site visits throughout the year, often around their other business travel commitments. The Chairman reviews training and development needs of the Board, and each individual Director, at least annually. While most Directors undertake their own programme of continuing professional development, briefings and presentations from subject experts are available to all Directors throughout the year. New or specialist topics may also be covered within the Board meeting agenda or as part of the annual Leadership conference, which this year promoted our innovation activities.

Board 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 a separate annual evaluation of their effectiveness, in accordance with their terms of reference.

For 2017/18, the Board engaged a specialist external adviser, Condign Board Consulting (which has no other connection with the Company) to review its effectiveness. This process involved the adviser reviewing previous evaluations and meeting each Director and the Company Secretary individually, to ask a series of questions covering areas of importance to the individual, their role and the Company. The adviser's attendance, as an observer, at the Board and Committee meetings held in November 2017 provided useful insight into the work and dynamics in the boardroom. The evaluation report found that the Board operates in a highly functional, purposeful and collegiate way. It observed that there was healthy, effective challenge from the non-executive Directors and also the Group Chief Executive – suggesting that the Board do not suffer from 'groupthink'.

The genuine desire to seek input from the Board members, rather than simply approving management recommendations, was considered to be refreshing. The limited areas identified for additional consideration related to factors that the Board had already identified and were managing – such as the Group's strategic direction relating to the digital revolution, which is now embodied in the Halma 4.0 growth strategy.

The Chairman and non-executive Directors meet after each Board meeting without executive Directors present, to ensure that there is an opportunity to discuss potentially sensitive matters. At least annually, the Senior Independent Director meets with the non-executive Directors, excluding the Chairman, to evaluate the Chairman's performance. The executive Directors 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 Group Chief Executive, as appropriate.

Re-election

With the exception of Kevin Thompson, who is retiring from the Company, all of the current Directors will stand for re-election at the forthcoming Annual General Meeting (AGM). Marc Ronchetti, who will be appointed as Group Chief Financial Officer from 1 July 2018, will stand for election at the AGM. Following the annual evaluation of the Board and its Committees, all Directors standing for election or re-election continue to be effective, hold recent and relevant experience and demonstrate commitment to their role.

Biographical details of each Director standing for election or re-election are set out in the Notice of Meeting.

Liability insurance and indemnities

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 each individual Director in respect of any proceedings brought against them personally by a third party, in their capacity as Director 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.

Strategy in action: Investor dinner

On 7 February 2018, the Company hosted a dinner for analysts and institutional investors in London. The presentation, which was given by a number of Halma executives, summarised the evolution of Halma's strategy over the past 45 years, set out Industry 4.0 trends and the Group's digital growth potential, and introduced the new Convergence and Edge growth elements to our Halma 4.0 strategy.

The event enabled stakeholders to meet with executive management and to appreciate the Group's digital growth opportunities. Our management find such events, along with the investor results roadshows, an important forum for sharing knowledge and insight across the Group.



The slides from the investor event are accessible via the website at www.halma.com

Governance in action: The Board's engagement with stakeholders

Operating companies

The executive members of the Board have frequent contact with our companies and make regular visits to companies in all sectors. The non-executive members of the Board visit companies as part of their induction and routinely thereafter. The Board members also engage with our current and future business leaders through their personal contributions to our development programmes, participation on our collaboration platform *HalmaHub* and attendance at the annual Leadership conference. This regular interaction between the Board and the businesses provides a vital channel of communication and a forum for open dialogue and knowledge-sharing.

Acquisition prospects and business partners

Our M&A teams are in frequent dialogue with numerous businesses that could be potential acquisition prospects or business partners in the future. The Executive Board takes a strategic lead in driving the acquisition pipeline. Our Executives act as the primary contact in M&A discussions – promoting the benefits of working with Halma to business owners and evaluating the cultural and strategic fit with our Group.



Employees

Good communication with employees is key to supporting an agile approach to business and encouraging innovation. Being part of the Halma group means that all of our businesses benefit from group-wide communications, talent and innovation support and initiatives, such as our collaboration platform *HalmaHub*, a policy framework and participation in our annual global engagement survey. The Board engages with employees through development programmes and site visits. We recognise that our people are a valuable asset and talent development is a key driver of our financial success.

Shareholders

We regularly engage with our shareholders through a variety of events and media. Investor events include: investor results presentations and roadshows, the Annual General Meeting, investor & analyst dinner, investor conferences and institutional investor meetings. In addition to regulatory news announcements, we provide updates to shareholders via our website, blog, press releases, social media, YouTube channel and our Annual and Half Year Reports.

Nomination Committee report



Introduction from Paul Walker

In my report last year, I mentioned that Kevin Thompson had indicated his intention to retire during 2018 and that the Committee would assist the Board in identifying and selecting his successor. Accordingly, the Committee focused its efforts on the selection of a suitable executive search firm and undertaking a due process to enable it to make a recommendation to the Board. I am delighted that the Committee made the recommendation to the Board to appoint Marc Ronchetti as CFO from 1 July 2018. Further details of the process that the Committee undertook are outlined in this Report.

Another key area of activity for the Committee during the year was a thorough review of the Group's leadership talent and succession planning, including a review of central, sector and business leader talent and development. As part of the discussions around how our talent informs our strategic aspirations, with the Committee's endorsement, Andrew made the decision to reduce the number of Sector Chief Executives from four to two, to improve communication and agility across the structure. At the same time, the previous Sector Vice President roles were consolidated and upgraded to Divisional Chief Executive positions. We are confident that this streamlined organisational structure will provide a strong base from which to communicate and execute our Halma 4.0 growth strategy.

Following a review of the Board size, structure and the skills, knowledge and experience that both the executive and non-executive Directors

bring, the Committee believes that we have the right team in place to continue to drive Halma's strategic objectives over a period of continued economic uncertainty and inevitable change as Industry 4.0 rapidly evolves.

I trust that you will find this Report useful in understanding the structure of the Committee and its activities during the year.

Paul Walker Chair

For and on behalf of the Committee
12 June 2018

Committee Composition

The Committee comprises, and has comprised of throughout the year, the Chairman, the Group Chief Executive and the five independent non-executive Directors:

Paul Walker (Chair)
Daniela Barone Soares
Carole Cran
Jo Harlow
Tony Rice
Roy Twite
Andrew Williams

The Committee is chaired by Paul Walker but he would not chair a meeting which was dealing with the appointment of his successor.

The Committee is appointed by the Board and operates under written terms of reference, which are available at www.halma.com.

Only Committee members are entitled to attend meetings but the Chair invites the Group Talent and Communications Director to regularly attend meetings.

Principal Role and Responsibilities

The primary duties of the Committee are:

- reviewing the size, balance and composition (evaluating the skills, knowledge and experience) of the Board and its Committees, ensuring that they remain appropriate and to make recommendations to the Board on any changes;
- leading the process for new Board appointments;
- overseeing 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
- keeping under review the leadership needs of the Group, for both executive Directors and other senior executives, including any recommendations made by the Group Chief Executive for changes to the executive membership of the Board.

Activities during 2017/18

- agreeing the executive profile for the Group Chief Financial Officer (Group CFO) role;
- appointing Lygon Group to initiate a search and undertake a market benchmarking exercise for the Group CFO role;
- recommending to the Board the appointment of Marc Ronchetti as Group CFO;
- reviewing succession plans for Board and Executive Board members;
- reviewing talent and development at sector and company managing director level;
- agreeing the new Executive Board structure;
- carrying out the annual self-evaluation and review of Director independence in accordance with the terms of reference;
- following a focused review and assessment of Daniela Barone Soares's contribution to the Board, her experience and continuing independence, an extension of her term of office was agreed for a three-year term; and
- based on the evaluation, proposing the election and re-election of Directors.

Committee attendance

	Eligible	Attended
Paul Walker	3	3
Kevin Thompson	3	3
Daniela Barone Soares	3	3
Carole Cran	3	3
Roy Twite	3	3
Tony Rice	3	3
Jo Harlow	3	2 ¹

1 Jo Harlow could not attend the June 2017 Committee due to a prior commitment, which she advised the Board of prior to her appointment as a Director.

Board appointment process

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

- identifying the skills, experience and knowledge required for, and complementary to, the role of Group CFO including: financial leadership skills and experience forged within a global company; experience of a decentralised operating structure and the challenges and opportunities that it can bring; proven ability to bring about efficiencies and improvements to the control and financial reporting environment;
- agreeing the draft Group CFO candidate profile;
- selecting a global executive search firm, Lygon Group (which has no connection with the Company) to: finalise the draft role specification; conduct a benchmarking exercise and identify potential external candidates; provide an

in-depth assessment of Marc Ronchetti's suitability for the role, based on an interview, psychometric testing and references; provide a summary report on the external candidates and Marc Ronchetti, as an internal candidate;

- Paul Walker, Tony Rice and Carole Cran conducted interviews with Marc Ronchetti on behalf of the Committee and received input from the Group CEO and Director of Talent and Communications;
- based on a number of key factors, the Committee established that Marc Ronchetti was the most suitable candidate and unanimously recommended his appointment to the Board.

Diversity

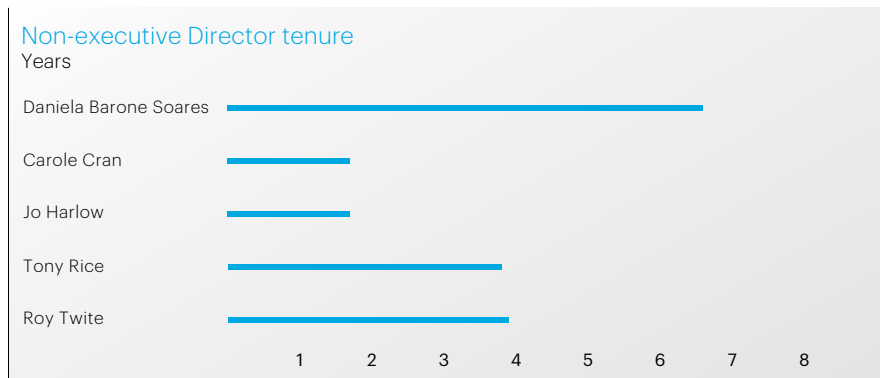
The Board recognises the benefits that diversity and inclusion brings to the Group. At the year end, and at the date of this Report, the Board comprised 10 Directors, including four women (40% of the Board). The spread of nationalities are six British, three American

and one Brazilian. On the Executive Board, there are two women (33%) and four men (66%), with a spread of nationalities comprising three British, one American, one German, plus an Asian Pacific adviser to the Executive Board.

Board Diversity Policy

Halma has adopted a Diversity and Inclusion Policy which aims to increase the overall proportion of female executives on subsidiary company boards over 5 years (from 2015) and aims to have at least 20% of senior management executives geographically based outside Europe and the USA. The work that Halma is doing to improve diversity across the Group, along with our open and inclusive culture, ensures that candidates are fairly considered and paid regardless of their gender, race, age, sexual orientation, professional or academic background. Board and senior management appointments are made on merit and are not made simply to maintain, or improve on, one element of diversity but we do ensure that a diverse range of candidate profiles are received to help meet our aims on diversity.

The Board supports the recommendation of the Hampton Alexander Review on gender diversity, to have at least one third of the Board comprised of women. While further aims or targets may be set in the future relating to diversity, we are mindful that maintaining a flexible approach is favourable as it enables steps to be taken to achieve a genuinely diverse and talented Board and senior management team.



A view from the Board table

Jennifer Ward

Promoting diversity and inclusion

The Board recognises the benefits of diversity and embraces diversity and inclusion in the widest sense. During the year, we adopted a Board Diversity Policy, to complement the Groupwide Diversity and Inclusion Policy that was already in place. This Policy sets out our commitment to ensure that candidates at all levels are fairly considered and paid regardless of their gender, race, age, sexual orientation, professional or academic background. While appointments are made on merit, taking account of an individual's relevant skills and experience for the role, we request CVs reflecting a diverse range of candidates from recruiters before we consider the merits of each applicant. We have set goals to increase the diversity in our senior management talent to improve our decision making and innovation in our group companies.

While we have achieved good progress on gender diversity at Board and Executive Board level, and have demonstrated our commitment by becoming a member of the '30% club', we will continue to focus our efforts on driving gender diversity at senior levels throughout our business.

"Diversity, in all its forms, is vital to Halma realising its strategy and fulfilling its Purpose. While we have made great progress in achieving gender diversity at Board and Executive Board level, we remain committed to enabling talent throughout the Group to contribute fully."

Accountability

Internal control effectiveness

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. While not providing absolute assurance against material misstatements or loss, this system is designed to identify and manage those risks that could adversely impact the achievement of the Group's objectives. The Group's risk management structure and process is detailed on pages 52 and 53. The Group's principal risks and uncertainties are detailed on pages 54 to 57.

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.

The Board's regular review of the effectiveness of the Group's risk management and internal control systems (including financial, operational and compliance controls) is principally based on reports from management. These reports consider whether significant risks have been identified, evaluated, managed and controlled. The Group's external Auditor, PricewaterhouseCoopers, has audited the financial statements and has reviewed the financial control systems to the extent considered necessary to support the audit report.

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 exposure to

currency and liquidity risks. The Directors believe the Group is well placed to manage its business risks successfully. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current committed facilities, which includes a £550m Revolving Credit Facility running until November 2022 of which £437m remains undrawn at the date of this report. The Revolving Credit Facility was extended to November 2022 during the year.

The Group contracts with a diverse range of customers and suppliers across different geographic areas and industries and no one customer accounts for more than 2% of Group turnover. With this in mind, the Directors have a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

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 54 to 57 of the Strategic Report.

The Board have 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:

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.

Relations with shareholders and other stakeholders

The Board has visibility of shareholder interaction and comments. The Group Chief Executive and Finance Director have the most regular contact with investors and analysts but specific feedback received, and analyst comments and reports, are provided to all Directors. The full Board attends the AGM, which avails individual shareholders with the opportunity to engage directly with the Directors. Shareholders can raise questions in relation to the Annual Report and Accounts and the business proposed in the formal setting at the AGM or they can raise questions about Halma more generally, and in an informal manner, with any of the Board members before or after the AGM.

- 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. Scenarios modelled included increases and decreases in the level of acquisitions, major events such as litigation or product failure and a significant increase in pension deficit payments. Combinations of the above scenarios were also modelled. 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 2021.

Audit Committee report



Introduction from Carole Cran

It is a pleasure to be presenting my second report as Chair of the Audit Committee, covering the year ended 31 March 2018. This has been my first full financial year in the role and it has been a busy period for the Committee. We have continued to focus our efforts on the Committee's core areas of responsibility of maintaining integrity across all aspects of corporate reporting, internal control, risk management and audit quality.

I am committed to delivering strong leadership of the Committee throughout my tenure and to actively encourage the Committee to challenge management assumptions. Each member of the Committee has a detailed understanding of Halma's strategy and business model and the Group's culture and core values.

The report outlines the composition and work of the Committee, covering the topics and issues that have been reviewed up to the date of the report. The key activities of the Committee during 2017/18 can be summarised as follows:

- reviewing the Committee's constitution and governance processes to ensure that it operates effectively in discharging its responsibilities and that its approach reflects current and best practice;
- reviewing the judgements and assumptions related to disclosures in the Annual Report and Accounts 2018, the impact of IFRS 9 and IFRS 15 and the likely impact of IFRS 16;
- reviewing the Group's delegated authority matrix to ensure clarity across a number of financial and non-financial controls and to reflect the revised sector structure;
- refreshing the approach to the assessment and management of risk, following a 'top down' and 'bottom up' review. The new approach aims to deliver efficient and effective reporting, via the Executive Board, to the Committee and Board and is designed to support the opportunities that arise from Halma's 4.0 growth strategy;
- engaging a professional advisory firm to undertake an independent review of

Halma's IT risk management framework.

Their work covered: good IT practice; benchmarking against organisations of a similar size and nature; testing the design and operating effectiveness of key controls which are monitored or operated at Group level; and a review of compliance and assurance activities performed by the Group's IT function;

- reviewing the Group's Tax Strategy and recommending its approval to the Board;
- clarifying the evolving role of the Internal Audit function, to ensure that audits are risk based, have a focus on core controls and that there is flexibility within the audit plan to identify and review other risk areas;
- ensuring a smooth transition from Deloitte to PricewaterhouseCoopers (PwC) as external Auditor. A clear plan and regular status reviews ensured an orderly transition;

I trust that you will find this report useful in understanding the operation and activities of the Committee over the year.

Carole Cran Chair

For and on behalf of the Committee
12 June 2018

Committee Composition

The Committee comprises, and has comprised of throughout the year, the five independent non-executive Directors:

Carole Cran (Chair)
Daniela Barone Soares
Jo Harlow
Tony Rice
Roy Twite

The Committee is chaired by Carole Cran, who has recent and relevant financial experience and competence in accounting. Carole qualified as a Chartered Accountant with KPMG and has worked in senior financial positions at FTSE listed companies and is currently CFO at Forth Ports Ltd.

The Committee as a whole have competence relevant to the Company's sector and act with diversity of thought and independent judgement. Biographies for all members of the Committee are set out on pages 68 and 69.

Only Committee members are entitled to attend meetings but the Chair invites the Chairman, executive Directors, Company Secretary, Director of Risk & Internal Audit and representatives from the external Auditor to regularly attend meetings.

Governance

The Committee meets at least three times per year, to coincide with key events in the reporting and audit cycle. The meeting attendance is set out below. Both the

Committee attendance

	Eligible	Attended
Carole Cran	3	3
Daniela Barone Soares	3	3
Jo Harlow	3	3
Tony Rice	3	3
Roy Twite	3	3

Audit Committee report continued

Committee and the Committee Chair meet regularly with the Director of Risk & Internal Audit, and separately with the external Auditor, without any executive Directors present. The Chair maintains regular contact with management, particularly the Group Chief Executive, Finance Director, Group Financial Controller, Director of Risk & Internal Audit and the Company Secretary. All members of the Committee further their internal network and knowledge of the businesses through company visits, corporate events and Halma's annual Leadership conference.

The Chair sets the forward agenda for the year but allows for flexibility in the timing and the schedule to ensure that new or unforeseen areas can be reviewed.

The scheduled meeting length was extended during the year to ensure that there is always sufficient time available to focus on key issues and judgements or any other business that arises.

The agenda and meeting papers are circulated in timely manner, in accordance with the terms of reference. The Chair provides a summary of the key matters discussed to the Board and the Committee minutes are circulated to all Board members and the external Auditor. Internal Audit reports that identify any significant control weakness, a compliance weakness or other risk that requires immediate management

attention, are circulated to the Committee as soon as the report is issued.

Appointments to the Committee are made by the Board. The remuneration of the Chair reflects the additional responsibilities and time demand for the role over the other members of the Committee.

As part of the induction that all new non-executive Directors receive, members of the Committee will meet separately with key individuals, including the Chair, the Finance Director, the Director of Risk & Internal Audit and the external Auditor. While each non-executive Director will largely manage their own continuing development, the Committee receives written technical, legal and risk updates throughout the year and may request additional information on new or technical areas. During 2017/18, the Committee received technical updates from third parties on cyber security and new accounting standards.

Whistleblowing

The Committee is responsible for reviewing the adequacy and security of the Group's arrangements for employees and contractors to raise concerns about possible improprieties in financial reporting or other matters. Halma has appointed an external third-party provider, Expolink, to operate a confidential, multilingual, telephone and web reporting service, 24/7, through which concerns can be raised. Further details are

set out in the Sustainability section on page 44. Reports are provided to the Company Secretary for review and appropriate investigation. For any reports relating to fraud or financial matters, the Company Secretary has access to the services of Internal Audit. Most matters reported through Expolink relate to personnel/HR matters and, while these are not areas for review by the Committee, such matters are duly investigated in the same manner. During the year, the Committee undertook a review of the adequacy of the arrangements in place for individuals to raise concerns and it was satisfied that they remain appropriate and effective.

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, and materiality level, necessary for expressing an audit opinion as to whether they present a true and fair view of the state of the Group and parent company affairs as at 31 March 2018. As reported in last year's Report, following an audit tender process, the Board recommended to shareholders the appointment of PwC as Auditor to the Company. Their appointment was approved at the Annual General Meeting (AGM) in 2017 and Deloitte ceased to be the Company's Auditor at that date. The Senior Statutory Auditor is Owen Mackney.

Principal Role and Responsibilities

The Committee's primary duties, as set out in its terms of reference (available at www.halma.com) are:

Financial reporting

- reviewing significant financial reporting judgements and the application of accounting policies, including compliance with accounting standards;
- ensuring the integrity of the financial statements and compliance with UK company law and regulation;
- ensuring the Annual Report and Accounts are fair, balanced and understandable;
- monitoring the integrity of announcements containing financial information;

Internal control

- monitoring the adequacy and effectiveness of the internal financial controls and processes;

Risk management

- reviewing and providing oversight of the processes by which risks are managed;
- reviewing the process undertaken, and the stress-testing performed, to support the Group's Viability Statement and Going Concern Statement;

Compliance, fraud and whistleblowing

- monitoring compliance with the UK Corporate Governance Code;
- reviewing the adequacy and effectiveness of the Group's compliance functions;
- monitoring the processes in place to prevent and detect fraud and receiving reports on fraud attempts or incidents;
- reviewing the adequacy of arrangements in place to enable employees to raise concerns in confidence;

Internal audit

- reviewing and approving the audit work plan and charter;
- reviewing reports from audits and monitoring the status of remedial actions;
- monitoring the structure, composition and resourcing of the function;
- reviewing the role and effectiveness of the function;
- considering whether an independent third-party review of internal audit effectiveness and processes is appropriate;

External audit

- managing the relationship with the Auditor;
- monitoring and reviewing the independence and performance of the Auditor and formally evaluating their effectiveness;
- reviewing the policy on non-audit services carried out by the Auditor;
- negotiating and approving the Auditor's fee, the scope of the audit and the terms of their engagement;
- leading the audit tender process at least every 10 years; and
- making recommendations to the Board for the appointment or reappointment of the Auditor.

Audit Tendering

The Committee has primary responsibility for recommending to the Board the appointment or re-appointment of the external Auditor before it is put to shareholders at the AGM. The Committee will, at the appropriate time, lead the process for putting the audit contract out to tender. A tender process will be carried out at least every 10 years and, unless it is undertaken earlier, it is the Committee's policy to consider whether a tender is appropriate every five years, coinciding with the change in Senior Statutory Auditor. Accordingly, it is anticipated that the Committee will review the position in 2023 and should a tender not be considered appropriate at that time, the rationale will be included within the Committee's Report.

Statement of compliance

The Company confirms that it complied throughout the year with the provisions of the Competition & Markets Authority's Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014.

Auditor Objectivity & Independence (including non-audit fees)

The Group has adopted a policy on 'Auditor Independence and Services provided by the External Auditor' which sets out the limited services that the external Auditor can provide to Group companies, which do not

conflict with the Auditor's independence. A summary of the Policy is set out on page 84. This Policy goes further than the restrictions in the FRC's revised Ethical Standard as it applies the restrictions worldwide (not simply to the Group's EU subsidiaries) with any exceptions requiring the Committee's pre-approval. During 2017/18, a 12-month transition period was applied for non-EU services to comply with the policy, allowing an orderly transfer of non-audit services. The Committee believes that this additional restriction safeguards Auditor independence and objectivity, as permitted exceptions will still require the Committee to satisfy itself that: the services are not prohibited non-audit services; the Auditor is the most suitable supplier for the services; and the independence of the Auditor would not be compromised. During the year, only two such items have been approved. In addition to our well-communicated Policy, prior to accepting any engagement the Auditor runs their own independence and compliance checks to ensure that all non-audit work is compliant with the revised Ethical Standard and that there is no conflict of interest.

The audit fees payable to PwC for the year ended 31 March 2018 were £1,181,000 (2017: nil) and non-audit service fees, in line with the policy on auditor independence and services, were £246,000 (2017: 142,000).

Financial statements and significant accounting matters

During the year and prior to the publication of the Group's results for the Half Year ended 30 September 2017 and the full year ended 31 March 2018, the Committee considered the significant risks and material issues and judgements made in relation to the Group's financial statements:

- 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; and
- the risk that revenue is incorrectly recognised for significant contracts which have unusual elements.

These issues were discussed with management at various stages during the year and during the preparation and

Activities during 2017/18

Financial reporting

- reviewed the 2018 Annual Report and Accounts, the 2017 Half Year Report and the trading statements issued in September 2017 and March 2018. As part of these reviews the Committee received a report from the external Auditor on the audit of the Annual Report and Accounts and a report on the ISRE 2410 Interim Review performed on the half-year results;
- reviewed PwC's approach to materiality;
- 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 the Group's tax strategy;

Internal control

- reviewed the output from a high-level financial control framework review which was undertaken by a professional services firm;
- reviewed the Group's delegated authority matrix

Risk management

- considered the output from the Group-wide risk review process to identify, evaluate and mitigate risks;
- reviewed the findings from the independent review of the Group's IT risk management framework;
- monitored developments relating to Brexit and considering the potential impact for the Group;

Compliance, fraud and whistleblowing

- reviewed the Group's whistleblowing policy and procedures;
- monitored compliance including health and safety performance, compliance training and sanctions compliance

Internal audit

- evaluated the effectiveness and the scope of work to be undertaken by the function;
- agreed changes to the presentation and grading of internal audit reports;
- reviewed management responses to audit reports issued during the year;

External Auditor and non-audit work

- monitored the external Auditor transition;
- agreed the scope and methodology of the audit work to be undertaken by the external Auditor;
- reviewed the Auditor's approach to data-enabled auditing;
- evaluated the independence and objectivity of the external Auditor;
- agreed changes to the Committee's terms of reference;
- agreed the terms of engagement and fees to be paid to the external Auditor for the audit of the 31 March 2018 financial statements.

Audit Committee report continued

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:

- 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 CasMed, Cardios, Mini-Cam, FluxData and Visiometrics
 - the fair value of acquired intangible assets and carrying values;
 - management's assessment and reasons for the lower than expected

- returns at Firetrace and the ongoing resolution of the previously identified contract delays;
- composition of the cash generating units;
- the evidence supporting the going concern basis of accounts preparation, the Viability Statement and the risk management and internal control disclosure requirements; and
- accounting assumptions and disclosures of the defined benefit pension plans.

Risk Management and Internal Controls

The Committee maintains oversight of the risk management and internal control framework and monitors its effectiveness. During 2017/18, the risk management and internal control process was reviewed and, with the assistance of the Director of Risk & Internal Audit, both areas were refined to ensure that they remain robust and effective and complement Halma's decentralised, autonomous organisational structure which is integral to Halma's 4.0 growth strategy. Full details of the internal control framework and approach to risk management are set out on pages 52–53.

Policy on auditor independence and services

Permitted audit-related services

Audit-related services are non-audit services, as specified in the revised Ethical Standard, that are largely provided by the external auditor and where the work is closely related to the work performed in the audit and where threats to auditor independence are clearly insignificant and safeguards need not be applied. These audit related services include:

- reporting required by law or regulation to be provided by the auditor;
- reviews of interim financial information;
- reporting on regulatory returns;
- reporting to a regulator on client assets;
- reporting on government grants;
- reporting on internal financial controls when required by law or regulation; and
- extended audit work that is authorised by those charged with governance performed on financial information and/or financial controls where this work is integrated with the audit work and is performed on the same principal terms and conditions.

Prohibited non-audit services

Under this policy, the external auditor must not provide non-audit services to Halma or any of its EU subsidiaries (or to any of Halma's non-EU subsidiaries with effect from 1 April 2018) which fall within the general categories of services listed under the policy (including taxation, bookkeeping, payroll, design or implementation of risk management procedures, valuation services, legal services, internal audit services, services relating to financing/capital structure/investment/promotion or dealing in shares, HR services, organisational design or cost control) or any of the specific services as set out in the revised Ethical Standard and Staff Guidance Note 05/2016.

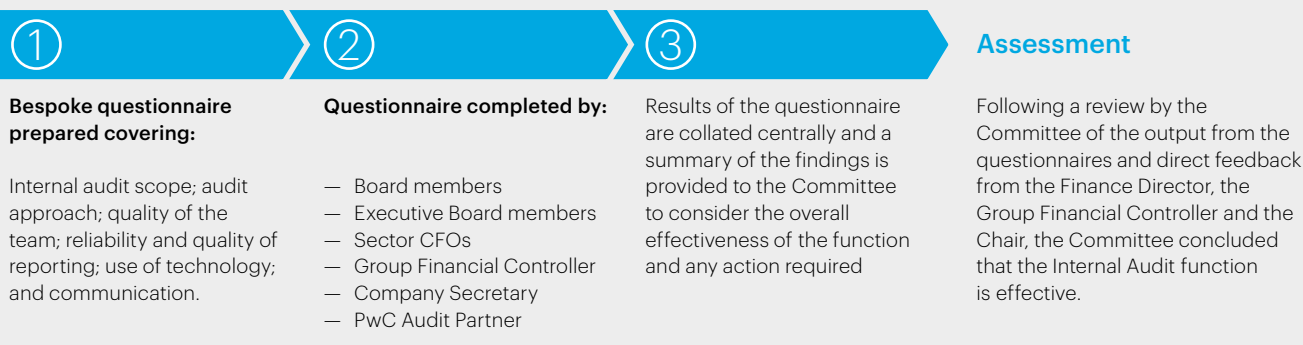
Fee cap

The external auditor can be engaged to perform audit-related services without the requirement for a separate tender process unless the anticipated fees exceed £150,000. If the anticipated fees are above £150,000, the Committee must approve the decision to engage the external auditor in advance, and always subject to the overall fee cap. The total fees for audit related and non-audit services paid to the external auditor in any year cannot exceed 70% of the average fees for audit services charged over a three-year period. The Committee will be notified of all projects with the external auditor with estimated fees between £75,000 and £150,000 and, at each meeting, the Committee will receive a summary of all fees, audit and non-audit, payable to the external auditor.

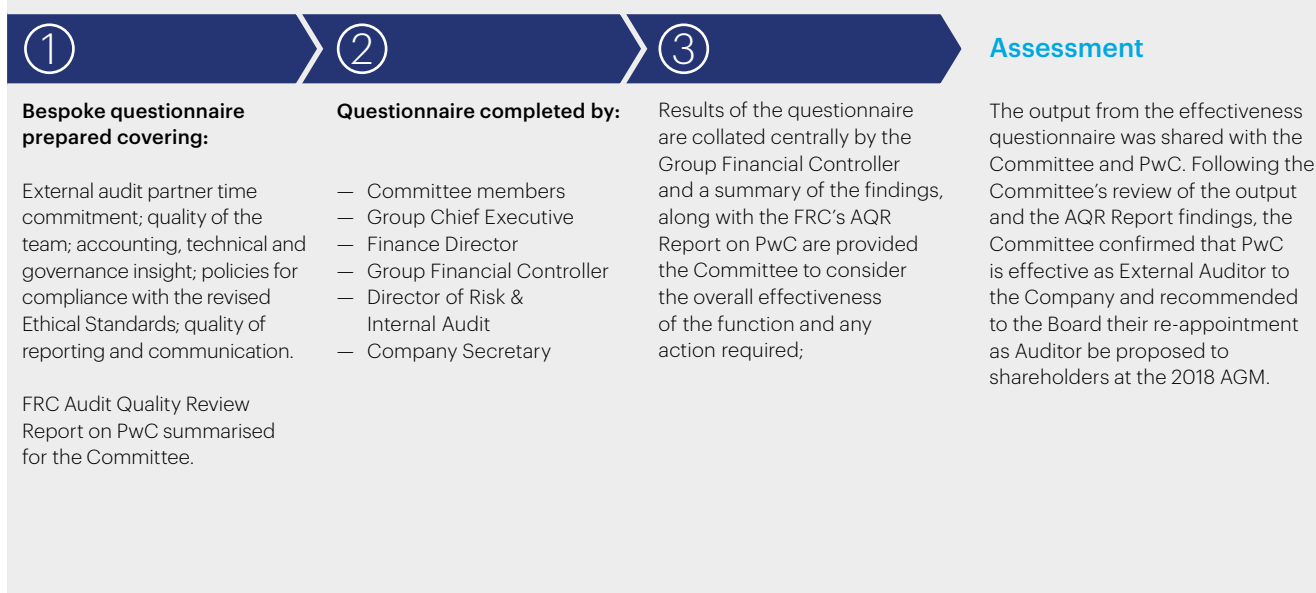
Auditor effectiveness

The Committee reviews annually the effectiveness of both the Internal Audit function and the External Auditor. The process for each review is conducted primarily by way of tailored questionnaire.

Internal audit process



External audit process



Internal Audit

The Internal Audit function comprises the Director of Internal Audit & Risk and four audit managers, based in the UK, the USA and China, to provide coverage across the Group's global operations. The risk-based audit work plan is agreed by the Committee annually and takes account of the rotational visits undertaken by the external Auditor under their audit programme. Progress against the work plan is reviewed at each Committee meeting, in order that any changes in priorities or resourcing can be discussed and agreed. Internal Audit reports are routinely issued to management and the external Auditor, and where there are any higher priority findings which require immediate management action, the report is circulated to the Committee with commentary from the Finance Director on the underlying issue and the remedial action taken.

Fair, balanced and understandable

To ensure that the report and accounts are fair, balanced and understandable, the Committee considers the output from a series of focused exercises that take place during the Annual Report and Accounts production process. These focused exercises can be summarised as follows:

- a qualitative review, performed by the Group's finance and secretarial functions, of disclosures and a review of internal consistency throughout the Annual Report and Accounts. This review assesses the Annual Report and Accounts against objective criteria drawn up for each component of the requirement (individual criteria that indicate 'fairness', 'balance' and 'understandability' as well as criteria that overlap two or more components);

- a risk comparison review, which assesses the consistency of the presentation of risks and significant judgements throughout the main areas of risk disclosure in the Annual Report and Accounts;
- a formal review of all Board and Committee meeting minutes by the Company Secretary to ensure that all significant issues are appropriately reflected and given due prominence in narrative reporting; 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 111.

Remuneration Committee report



Introduction from Tony Rice

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 31 March 2018.

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), Earnings per Share (EPS) and, formerly, Total Shareholder Return (TSR).

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 represented 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.

Remuneration policy review 2018

Over recent months, the Committee has re-evaluated the existing arrangements and consulted our top 10 shareholders and several proxy voting advisory bodies, with a view to making some amendments to better accommodate the Group's priorities and key management following the restructuring of the Executive Board in December 2017.

Halma's ongoing growth, newly articulated purpose and strategy require that we ensure our leadership possesses the appropriate skills and capabilities to match the new and emerging requirements of our business. This has resulted in recruitment into the Group, sector and company leadership teams from the outside. We have experienced upward remuneration compression such that longer tenured leaders in more senior roles were recruiting talent at pay packages equivalent to their own. We are accordingly making some adjustments to our policy to accommodate the needs of this new generation while retaining the core elements of rewarding our management fairly and ensuring incentives are closely linked to measurable and demanding targets for value creation.

This investment in new capabilities to drive our growth is balanced by an overall reduction in spend on senior executive pay, resulting from the organisational changes made earlier in the year.

The Committee recommends:

- the alignment of executive salaries relative to around market median, in accordance with the existing policy, but resulting in some higher than inflation increases; this primarily reflects Halma's growth over the period such that our market peers, on a mixture of bases, include many new constituents;
- the harmonisation of executive Director bonus opportunities at 150% of salary; with salaries already providing differentiation, the compounding of a further differential is now considered to be unnecessary; with no subjective bonus elements in the policy (see next), this amendment provides an equitable position to all executive Directors and only delivers additional value when performance warrants it;
- the introduction of an option to include specific, stretching strategic performance targets up to 20% of the annual incentive opportunity with the balance drawing on financial measures, principally Group Economic Value Added (GEVA) profit; with much dialogue surrounding Halma 4.0 and investment for the Group's future, we want to ensure an appropriate balance in the incentive structure so that value-creating behaviours can be rewarded even if they may not yet be revenue generating;
- the introduction of a mandatory two-year holding period for vested awards

Committee attendance

	Eligible	Attended
Paul Walker	3	3
Daniela Barone Soares	3	3
Carole Cran	3	3
Jo Harlow	3	3
Tony Rice	3	3
Roy Twite	3	3

- for performance share awards granted after the 2018 AGM;
- additional flexibility around pension contributions/supplements paid to executive Directors such that no contributions/supplements below CEO will exceed 20% of basic salary.

Directorate changes in 2018/19

As referenced in Paul Walker's Nomination Committee narrative, Kevin Thompson is retiring from the Board at the AGM and Marc Ronchetti will succeed him as CFO on 1 July 2018.

As salaries are being moved closer to median in 2018/19, we are recommending a salary for Marc that is slightly higher than Kevin's outgoing salary due to a combination of timing and our policy to not provide more than inflationary increases during notice periods. Otherwise, Marc's benefits will be aligned to those of the CFO role, but with the lower pension percentage (max 20%) payable on contributions/supplements.

Remuneration outcomes in 2017/18

The Company has delivered another year of solid performance against our KPIs and strategic priorities.

In particular revenue, grew by 12%, adjusted EPS grew by 13% 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 44% and 134% of base salary. Of these amounts one third will be deferred for two years and is payable in shares.

Performance was similarly robust over the three-year performance period for the performance share awards granted in 2015, with 3-year average ROTIC of 15.4% and 3-year Adjusted Earnings per Share growth of 13.2%.

Accordingly, 90% of the 2015/16 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 2018/19

As mentioned, there are no individually significant structural changes proposed to the policy, or its implementation for 2018/19. Base salaries for executive Directors remain below median, with any further increase towards median itself delayed until Halma is firmly embedded in the FTSE 100. Once the executive Directors are at median, salaries will be increased 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.

As reported last year, the Committee is also responsible for determining the fee level for the Chairman, and in 2016 we reviewed the fee level against market positions in peer companies. The shortfall in the fee level in relation to our assessment of an appropriate market positioning, resulted in the Committee determining that the Chairman's fee should be increased to a mid-market level in two stages. The initial increase to £210,000 occurred effective 1 April 2016 and we anticipated the need for a further correction this year. As such, and in common with the approach taken with the executive Directors, the Chairman's fee has risen to £250,000 when median exceeds £270,000. The Committee's policy to pay median fees means that a further adjustment may be necessary, subject to the Committee considering this to be appropriate in the circumstances.

The next review of the remuneration policy will occur during 2020/21 with a policy vote at the 2021 AGM.

Shareholder voting at the 2018 AGM

The changes we have made to our remuneration policy require Halma to seek binding shareholder approval at the 2018 AGM to approve this policy for up to three years from the date of the AGM. There will also 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 monitors developments in the executive pay closely, particularly best practice guidance from institutional shareholders.

My colleagues on the Remuneration Committee and I hope that you will support the resolutions approving the new remuneration policy and the Remuneration Report.

Tony Rice

Chair

For and on behalf of the Committee

12 June 2018

Remuneration at a glance

Aligning awards to performance

➔ How did we perform in the year?

Financial performance



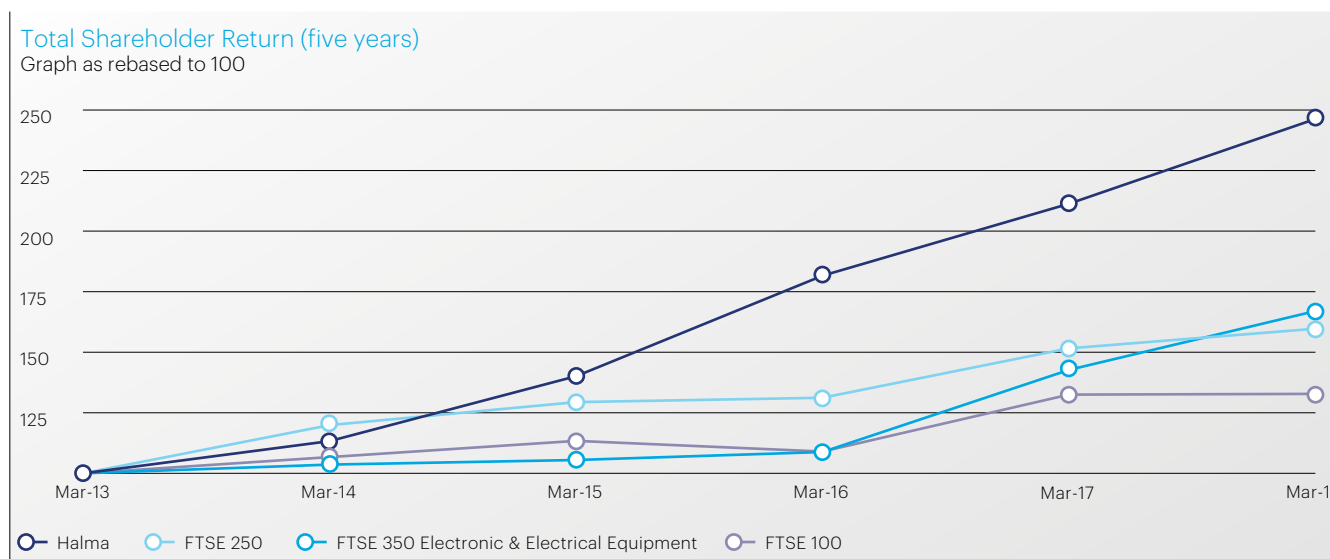
Long-term incentive plan – outcome against targets: 90%



50% of 2015 PSP awards vest on achievement of three-year average EPS growth in excess of 12.5% (actual: 13.2% average growth = 50% vesting)



50% of 2015 PSP awards vest on achievement of three-year average ROTIC in excess of 11% with full vesting at 17% (actual: 15.4% average = 40% vesting)



¹ See note 3 to the Accounts.

→ How was our performance reflected in our pay?

£'000s	Andrew Williams	Kevin Thompson	Adam Meyers	Jennifer Ward
Salary	625	390	369	306
Benefits	33	15	13	16
Pension	163	102	10	30
Annual bonus	835	521	164	341
Share-based incentives				
- Share incentive plan	3	3	-	3
- Value on award (2015)	1,074	586	393	212
- Share price increase to 31 March 2018	696	380	255	138
Total	3,429	1,997	1,204	1,046

→ Outcomes against performance metrics for the year:

Annual bonus plan
Economic Value Added

Group target:

Group actual:

£197m £216m

→ Ensuring shareholder alignment

Proportion of variable awards received in shares:

33.3%

of annual incentives

Proportion of variable awards received in shares:

100%

of long-term incentives (excluding dividend equivalents)

Shares subject to mandatory two-year holding period:

100%

of vesting shares arising from performance share awards made after the 2018 AGM

Shareholding guideline:

200%

of salary for all executive Directors from 2017

→ Arrangements for the coming year

Policy element	Proposed change from 2015 policy
Salaries absent a material change in responsibilities, executive Directors receive inflationary adjustments in line with all employees	No change
Pension contributions/supplements up to 20% of base salary	Elimination of pensionable salary cap
Annual bonus maximum 150% of salary satisfied 66.7% cash and 33.3% deferred into Company shares for two years	Increase from 125% maximum for Adam Meyers and Jennifer Ward; flexibility to use strategic non-financial, measurable metrics for up to 20% of the bonus opportunity
Performance share awards granted at a maximum of 200% of salary; 2-year post-vesting holding period	Introduction of 2-year post vesting holding period for awards granted after the 2018 AGM
Clawback/malus applied to variable incentive awards	No change

Remuneration Policy

This section of the report details the remuneration policy for executive and non-executive Directors which shareholders are asked to approve at the 2018 Annual General Meeting. This policy will formally come into effect from 19 July 2018, being the date of the 2018 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, resolutions to approve the Remuneration Policy and 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 31 March 2018; 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 Annual Report on Remuneration 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 to market median levels periodically against appropriate comparators of a similar size and operating in a similar sector, and is linked to individual performance and contribution.

Salary is the only element of remuneration that is pensionable.

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 three 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
<p>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.</p> <p>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.</p>	Not applicable
<p>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.</p> <p>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.</p> <p>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).</p> <p>The rationale behind the exercise of such discretion will be provided in the relevant year's Annual Report on Remuneration.</p>	Not applicable
<p>Defined Contribution: maximum contribution of 20% of pensionable salary.</p> <p>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/Money Purchase members whose contributions exceed the local tax allowance are paid the excess contributions, on pensionable salary, as a cash supplement, net of employer social costs.</p> <p>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; £157,083 for 2017/18 and £161,795 for 2018/19.</p>	Not applicable

Remuneration policy continued

Element and objective	Operation and process
Executive Directors	
<p>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.</p>	<p>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.</p> <p>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.</p> <p>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.</p> <p>Dividend equivalents accrue over the vesting period. Dividend equivalents are paid in cash or shares at the end of the vesting period.</p> <p>Deferral into shares provides a link to the long-term strategy of the Group and enhances the retentiveness of the policy.</p> <p>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.</p>
<p>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.</p>	<p>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.</p> <p>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.</p> <p>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.</p> <p>A mandatory two-year holding period for vested awards relating to awards granted after the 2018 AGM also aids recovery of overpayments as referenced above.</p>
<p>Share Incentive Plan (SIP) To encourage share ownership across all UK-based employees using HMRC-approved schemes.</p>	<p>The SIP is an HMRC-approved arrangement. It entitles all eligible UK-based employees to receive Halma shares in a potentially tax-advantageous manner.</p>
<p>Chairman and non-executive Director fees To attract individuals with the requisite skills, experience and knowledge to contribute to the Board.</p>	<p>Non-executive Director (NED) fees are determined by the Board and may comprise a base fee, committee chairmanship fee and Senior Independent Director fee.</p> <p>The Chairman's fee is determined by the Committee.</p>

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 19 July 2018. 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 99) 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. 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.

Opportunity

Performance measures

Maximum opportunity: 150% of base salary for all executive 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 on the achievement of financial performance targets, principally EVA. Other financial measures may supplement EVA at the discretion of the Committee. Such financial measures must comprise at least 80% of the overall bonus opportunity. The balance of 20% may be utilised, at the Committee's discretion, to support non-financial, but measurable, strategic growth priorities.

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.

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.

Not applicable

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.

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.

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/money purchase arrangements, receive a cash supplement or local equivalent.
Annual bonus	The scheme as described in the policy table will apply to new appointees with the relevant maximum being pro-rated to reflect the proportion of the year employed.
ESP	New appointees will be granted performance awards under the ESP on the same terms as other executives, as described in the policy table.
SIP	New appointees in the UK will be eligible to participate on identical terms to other employees.

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

Internal Appointments

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

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
Jennifer Ward	January 2014	One year

* Kevin Thompson has resigned from his employment and as a Director with effect from 19 July 2018; as such he will not be seeking re-election to the Board at the 2018 AGM.

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		
	All other reasons	Awards lapse	—

Pay-for-performance

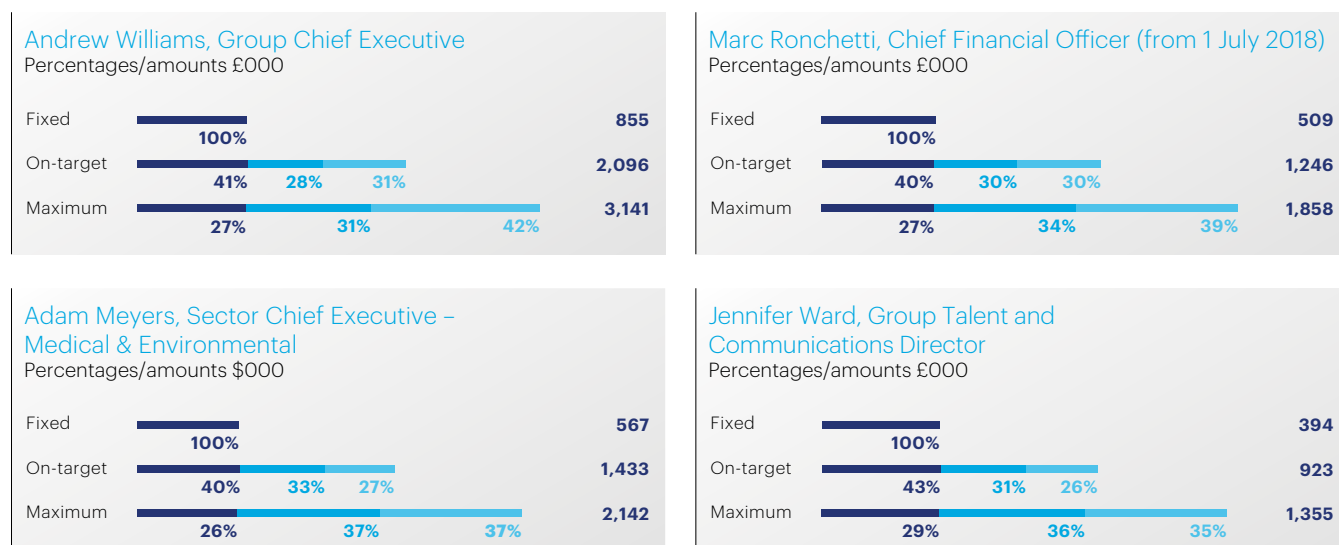
The following charts provide an estimate of the potential future rewards for executive Directors, and the potential split between different elements of pay, under three different performance scenarios: 'Fixed', 'On-target' and 'Maximum'.

Potential reward opportunities are based on Halma's remuneration policy, applied to salaries as at 1 April 2018. In the case of the Group Chief Executive, Chief Financial Officer (elect) 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 2018/19). The projected values exclude the impact of any share price movements and dividend equivalents.

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

The 'On-target' scenario shows fixed remuneration as above, plus a target level of 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 level of annual bonus and ESP awards.



Remuneration policy continued

Non-executive Directors

Unless otherwise indicated, all 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 respectively, 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 without compensation, by either party, by giving not less than three months' notice. Contracts are available for inspection at the AGM and throughout the year at the Company's registered office. Summary details of terms and notice periods for NEDs are included below.

Non-executive Director	Date of appointment	Notice period
Paul Walker	April 2013	6 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
Jo Harlow	October 2016	3 months

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 92 and 93.

NED recruitment

In recruiting a new Chairman or NED, the Committee will use the policy as set out in the table on pages 92 and 93.

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 Remuneration at the previous annual general meeting is provided on page 97.

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 year to 31 March 2018 were £64,500 (2017: £64,500). Kevin Thompson is a non-executive director of RPC Group plc. Fees paid to him during the year to 31 March 2018 were £32,000 (2017: N/A).

Annual Remuneration report

The following section provides details of how Halma's remuneration policy was implemented during the financial year ending 31 March 2018, and how it will be implemented in 2018/19.

Committee Composition

As at 31 March 2018, the Committee comprised the following non-executive Directors:

- Tony Rice (Chairman)
- Paul Walker
- Daniela Barone Soares
- Roy Twite
- Carole Cran
- Jo Harlow

All members of the Committee are considered independent within the definition set out in the Code. No member of the Committee has any personal financial interest in Halma (other than as shareholders), conflicts of interests arising from cross directorships or day-to-day involvement in running the business.

During the year the Committee met formally three times. Attendance by individual members of the Committee is disclosed on page 86.

Only members of the Committee have the right to attend Committee meetings. The CEO, Group Talent and Communications Director 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.

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 sector and subsidiary executives and ensures a consistent approach is applied.

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

External advisers

Mercer Kepler (MK) acted as the independent remuneration adviser to the Committee from November 2017 with that role previously fulfilled by New Bridge Street (NBS). MK and, formerly, NBS, attend Committee meetings, as appropriate, and provide advice on remuneration for executives, analysis on all elements of the remuneration policy and regular market and best practice updates. MK 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). MK provides no other services to the Company, and is therefore considered independent. MK's fees for the year were £22,500 (2017: nil) and NBS's fees for the year were £6,000 (2017: £7,000).

Shareholder vote at 2017 Annual General Meeting

The following table shows the results of the voting at the 2015 (policy) and 2017 (report) annual general meetings.

	For	Against	Total	Withheld
Remuneration Policy (2015)				
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 (2017)				
Total number of votes	271,644,501	10,370,427	282,014,928	1,775,161
% of votes cast	96.3%	3.7%	100%	

Annual Remuneration report continued

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 31 March 2018 and the prior year.

2018							
	Salary £000	Benefits ¹ £000	Pension ² £000	Annual bonus ³ £000	PSP ⁴ £000	SIP ⁵ £000	Total remuneration £000
Executive Directors							
Andrew Williams	625	33	163	835	1,770	3	3,429
Kevin Thompson	390	15	102	521	966	3	1,997
Adam Meyers ⁶	369	13	10	164	648	-	1,204
Jennifer Ward	306	16	30	341	350	3	1,046
Non-executive Directors							
Paul Walker	210	-	-	-	-	-	210
Daniela Barone Soares	52	-	-	-	-	-	52
Roy Twite	52	-	-	-	-	-	52
Tony Rice	68	-	-	-	-	-	68
Carole Cran	62	-	-	-	-	-	62
Jo Harlow	52	-	-	-	-	-	52
							8,172

2017							
	Salary £000	Benefits ¹ £000	Pension ² £000	Annual bonus ³ £000	PSP ⁴ £000	SIP ⁵ £000	Total remuneration £000
Executive Directors							
Andrew Williams	612	33	159	307	1,222	3	2,337
Kevin Thompson	383	15	100	192	808	3	1,501
Adam Meyers ⁶	367	12	13	239	652	-	1,283
Jennifer Ward ⁷	150	8	15	63	131	3	370
Non-executive Directors							
Paul Walker	210	-	-	-	-	-	210
Daniela Barone Soares	52	-	-	-	-	-	52
Roy Twite	52	-	-	-	-	-	52
Tony Rice	68	-	-	-	-	-	68
Carole Cran	59	-	-	-	-	-	59
Jo Harlow ⁷	26	-	-	-	-	-	26
Past Directors							
Jane Aikman ⁸	20	-	-	-	-	-	20
							5,978

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.

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 31 March 2018 (estimated) and 1 April 2017 (actual).

5 SIP: value based on the face value of shares at grant.

6 Remunerated in US dollars and translated at the average exchange rate for the year (2018: US\$1.327; 2017: US\$1.307).

7 Jennifer Ward was appointed to the Board on 27 September 2016 and Jo Harlow on 3 October 2016.

8 Jane Aikman retired from the Board effective 21 July 2016.

Other payments

No payments were made to former Directors after their retirement, nor were any payments made on cessation during the year under review.

In August 2017, Neil Quinn received his final, pro-rated vested share awards valued at £324,000 (2017: £494,000).

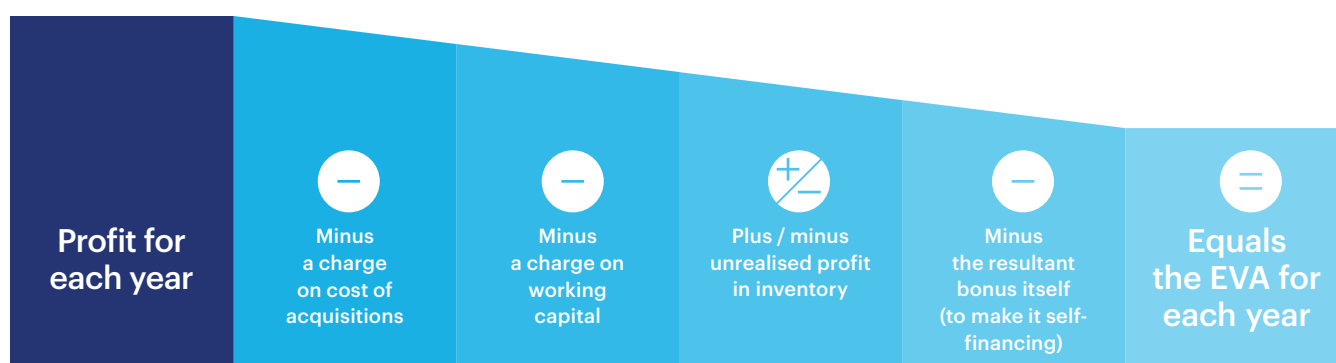
Incentive outcomes for 2018

Annual bonus in respect of 2018

In 2018, 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) and Group Talent and Communications Director (125% 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:



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 2018 are based on the sectoral allocation that existed throughout 2018 (nine months with four Sector CEOs and three months with two Sector CEOs responsible for all Group operating companies). 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	£197,124	£215,755	134%	£217,949
Kevin Thompson	£197,124	£215,755	134%	£217,949
Adam Meyers	\$99,417	\$105,831	44%	\$113,409
Jennifer Ward	£197,124	£215,755	114%	£221,991

No discretion was applied by the Committee in determining the annual bonus outcome calculation for 2018. The EVA maximum column represents the EVA performance at which the maximum bonus is payable for each individual.

Executive Share Plan (ESP): 2015 Awards (vesting during the year to 31 March 2019)

In July 2015, the executive Directors received awards of performance shares under the ESP. The performance targets for the 2015, and subsequent, awards are illustrated below and the vesting criteria are 50% EPS-related and 50% ROTIC-related.

Performance conditions for awards made in 2015/16, 2016/17 and 2017/18

EPS ¹	ROTI ² (post-tax)	EPS	ROTI ²	Total
				% of award vesting ³
< 5%	< 11.0%	0.0%	0.0%	0.0%
5%	11.0%	12.5%	12.5%	25%
12% or more	17.0% or more	50%	50%	100%

1 Adjusted earnings per share growth over the three-year performance period.

2 Average ROTIC over the performance period.

3 There is straight line vesting in between threshold and maximum vesting.

Annual Remuneration report continued

The three-year period over which these two independent performance metrics is measured ended on 31 March 2018. ROTIC was 15.4% (the average ROTIC for financial years 2016, 2017 and 2018) and average EPS growth of 13.2% for the same period, results in vesting of 89.8% of the maximum award. The vesting estimate included in the single figure of Total Remuneration for Directors for 2018 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	160,547	895	89.8%	144,155	1228p	1,770
Kevin Thompson	87,580	488		78,638		966
Adam Meyers	58,761	328		52,762		648
Jennifer Ward	31,757	177		28,515		350

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: Performance Share Awards (granted during the year to 31 March 2018)

On 3 July 2017, the executive Directors were granted performance share awards under the ESP.

Executive Director	Awards made during the year	Five-day average market price at award date	Face value at award date £000	Face value at award date (% of salary)	Maximum award permitted
Andrew Williams	111,484	1118p	1,246	199.4%	200%
Kevin Thompson	60,724		679	174.1%	175%
Adam Meyers	50,300		562	150.0%	150%
Jennifer Ward	40,733		455	148.8%	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 2017 to March 2020. The ROTIC element will be based on the average ROTIC for 2018, 2019 and 2020. The EPS element will be based on EPS growth from April 2017 to March 2020. The award is eligible to vest in its entirety on the third anniversary of the date of grant (3 July 2020), subject to 50% on ROTIC performance and 50% on EPS performance.

Executive Share Plan: Deferred Share Awards (granted during the year to 31 March 2018)

On 3 July 2017, the executive Directors were granted merit deferred share awards under the ESP in respect of one third of the bonus earned for the financial year ended 1 April 2017.

Executive Director	Awards made during the year	Five-day average market price at award date	Face value at award date £000	Bonus to 1 April 2017 £000	Amount awarded in shares
Andrew Williams	9,159	1118p	102	307	33.3%
Kevin Thompson	5,730		64	192	33.3%
Adam Meyers	7,135		80	239	33.3%
Jennifer Ward	3,280		37	110	33.3%

The two-year performance period over which performance will be measured is 3 July 2017 to 3 July 2019. The award is eligible to vest in its entirety on the second anniversary of the date of grant (3 July 2019), subject to ongoing service.

Implementation of remuneration policy for the year to 31 March 2018

Salary

The Committee approved the following salary increases with effect from 1 April 2018. By way of comparison, the average salary increase across the sectors for 2018 was between 2% and 4%.

Executive Director	Salary from 1 April 2018	Salary from 1 April 2017	% change
Andrew Williams	£653,000	£625,000	4.5%
Kevin Thompson (to 19 July 2018)	£398,000	£390,000	2.0%
Adam Meyers	\$525,000	\$490,000	7.0%
Jennifer Ward	£320,000	£306,000	4.6%
Marc Ronchetti (from 1 July 2018)	£415,000	-	-

Pension and benefits

No change, other than the lifting of the pensionable salary cap, to the executive Directors' current pension and benefits arrangements is planned for 2019.

Annual bonus

The maximum annual bonus opportunity for 2019 will remain at 150% of salary for the Group CEO and CFO and is increased to 150% of salary for other executive Directors with one third of the bonus earned being payable in shares which are deferred for two years.

Bonuses for 2018/19 will continue to be solely 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, CFO and Group Talent and Communications Director.

Bonus payments will be subject to recovery and withholding provisions during a period of three years from the date of payment.

ESP

Under the ESP, performance share awards and deferred bonus awards will be made in June 2018. 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 2018/19	Performance share award	Value of award
Andrew Williams	£653,000	200%	£1,306,000
Adam Meyers	\$525,000	150%	\$787,500
Jennifer Ward	£320,000	150%	£480,000

As CFO-elect, Marc Ronchetti will be granted a performance share award valued at 175% of his CFO salary of £415,000.

The performance share awards to be granted in June 2018 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 2019, 2020 and 2021. The performance targets are as set out earlier.

The deferred bonus awards are derived as one third of the bonus earned for the 2018 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 2018	Cash-settled	Value of 2018 deferred bonus award
Andrew Williams	£835,000	£557,000	£278,000
Kevin Thompson	£521,000	£347,000	£174,000
Adam Meyers	\$218,000	\$145,000	\$73,000
Jennifer Ward	£341,000	£227,000	£114,000

Awards vest in full on their second anniversary.

Annual Remuneration report continued

Chairman and non-executive Director fees

The Chairman's and the NEDs' fees, as detailed below, were last 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 most recent resetting was aligned with the 2018 executive review.

Fees	Fees from 1 April 2018	Fees from 1 April 2017
Chairman	£250,000	£210,000
Base fee	£57,000	£52,000
Senior Independent Director	£10,000	£7,500
Audit Committee Chairman	£15,000	£10,000
Remuneration Committee Chairman	£10,000	£8,000
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.

	2018	2017		
	CEO £000	CEO £000	CEO % change	Other employees % change
Salary	625	612	2.1%	4.3%
Taxable benefits	33	33	0.0%	-
Annual bonus	835	307	272.0%	138.8%

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 1 April 2017 to the financial year ended 31 March 2018.

	2018 £m	2017 £m	% change
Distribution to shareholders	55.6	51.9	7.1%
Employee remuneration (gross)	303.6	272.8	11.3%
Employee remuneration (pro-rated)	286.6	272.8	5.1%

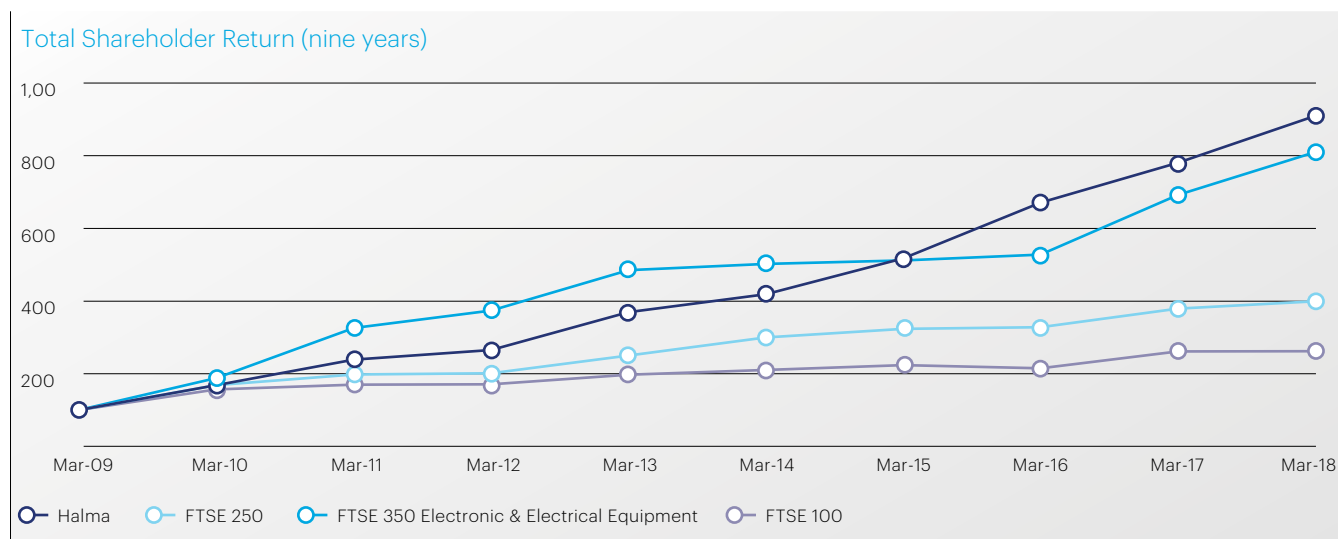
The Directors are proposing a final dividend for the year ended 31 March 2018 of 8.97p per share (2017: 8.38p).

Pro-rated employee remuneration represents a restatement of the prior year employee remuneration for the current year number of employees.

Pay-for-performance

The nine-year graph below shows the Company's TSR performance over the nine years to 31 March 2018 as compared to the FTSE 100, FTSE 250 and the FTSE 350 Electronic & Electrical Equipment indices. Over the period indicated, the Company's TSR was 910% compared to 262% for the FTSE 100, 399% for the FTSE 250 and 810% 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 FTSE 100 is also provided, following Halma's inclusion in December 2017. The table below the chart details the CEO's single figure remuneration and actual variable pay outcomes over the same period.



	2010	2011	2012	2013	2014	2015	2016	2017	2018
CEO single figure remuneration (£000)	£1,472	£1,999	£1,715	£1,958	£1,543	£2,006	£2,423	£2,337	£3,429
Annual bonus outcome (% of maximum)	19%	100%	40%	48%	37%	53%	53%	34%	89%
PSP vesting outcome (% of maximum)	96%	100%	100%	98%	74%	78%	95%	92%	90%

Directors' interests in Halma shares

The interests of the Directors in office at 31 March 2018 (and their connected family members) in the ordinary shares of the Company at the following dates were as follows:

	Shares 31 March 2018	Shares 1 April 2017	Shareholding as a multiple of salary 31 March 2018
Paul Walker	30,000	30,000	N/A
Andrew Williams	565,473	561,969	10.7
Kevin Thompson	389,273	385,951	11.8
Adam Meyers	338,480	333,480	10.8
Jennifer Ward	15,058	1,358	0.6
Daniela Barone Soares	2,473	2,473	N/A
Roy Twite	4,000	2,000	N/A
Tony Rice	16,939	7,665	N/A
Carole Cran	2,000	-	N/A
Jo Harlow	2,000	-	N/A

The executive Directors, excluding Jennifer Ward, each meet the 2016 guideline of holding Company shares to the value of at least two times salary (2015 and prior: one times salary). Jennifer Ward will progressively build up her shareholding through share vestings which commenced in August 2017. There are no other non-beneficial interests of Directors. There were no changes in Directors' interests from 1 April 2018 to 11 June 2018.

Annual Remuneration report continued

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 and deferred shares under the ESP and PSP and free shares under the SIP are outlined in the tables below.

Executive and Performance Share Plans		Date of grant	As at 1 April 2017	Granted/ (vested) in the year	Five-day average share price on grant (p)	As at 31 March 2018
Andrew Williams	PSP	12 Aug 14	117,748	(107,833)	569.90	-
	PSP	31 July 15	160,547		745.20	160,547
	PSP	26 July 16	117,527		1,038.40	117,527
	DSA	26 July 16	15,422		1,038.40	15,422
	PSP	3 July 17		111,484	1,118.00	111,484
	DSA	3 July 17		9,159	1,118.00	9,159
Kevin Thompson	PSP	12 Aug 14	77,829	(71,275)	569.90	-
	PSP	31 July 15	87,580		745.20	87,580
	PSP	26 July 16	64,200		1,038.40	64,200
	DSA	26 July 16	9,870		1,038.40	9,870
	PSP	3 July 17		60,724	1,118.00	60,724
	DSA	3 July 17		5,730	1,118.00	5,730
Adam Meyers	PSP	12 Aug 14	62,821	(71,275)	569.90	-
	PSP	31 July 15	58,761		745.20	58,761
	PSP	26 July 16	45,918		1,038.40	45,918
	DSA	26 July 16	10,600		1,038.40	10,600
	PSP	3 July 17		50,300	1,118.00	50,300
	DSA	3 July 17		7,135	1,118.00	7,135
Jennifer Ward	PSP	12 Aug 14	25,337	(23,202)	569.90	-
	PSP	31 July 15	31,757		745.20	31,757
	PSP	26 July 16	25,665		1,038.40	25,665
	DSA	26 July 16	4,283		1,038.40	4,283
	PSP	23 Nov 16	18,097		994.60	18,097
	PSP	3 July 17		40,733	1,118.00	40,733
	DSA	3 July 17		3,280	1,118.00	3,280

The performance conditions attached to the 2015 and later awards are outlined on page 99. As at year end, the vesting expectations for PSP grants made in 2015 is 89.8%; for grants made 2016, 89.1%, and for grants made in 2017, 88.8%.

The Deferred Share Awards (DSA) have a two-year performance period from date of grant and vest in their entirety on the second anniversary subject to ongoing service.

	Date of grant	As at 1 April 2017	Granted/ (withdrawn) in the year	Share price on award (p)	As at 31 March 2018
Share Incentive Plan					
Andrew Williams	>3 years	3,602		422.96	3,602
	1 Oct 15	496		724.50	496
	1 Oct 16	343		1049.00	343
	1 Oct 17		322	1115.81	322
Kevin Thompson	>3 years	3,655		421.43	3,655
	1 Oct 15	496		724.50	496
	1 Oct 16	343		1049.00	343
	1 Oct 17		322	1115.81	322
Jennifer Ward	>3 years	559		598.50	559
	1 Oct 15	482		724.50	482
	1 Oct 16	317		1049.00	317
	1 Oct 17		318	1115.81	318

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 (£157,083 for 2017/18).

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.

Two UK executive Directors receive pension supplements to compensate them for the fact that their pension accrual entitlement under the Halma Group Pension Plan was 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.

Prior to drawing his pension, to the extent that a DB 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.

Annual Remuneration report continued

Two Directors accrued benefits under the Company's defined benefit pension plan during the year as follows.

Executive Director	Age at 31 March 2018	Years of pensionable service at 31 March 2018	Increase in accrued benefits £000	Increase in accrued benefits net of inflation £000	Accrued benefits at 31 March 2018 £000
Andrew Williams	50	20	2	-	64
Kevin Thompson	58	18	6	-	132

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 1 April 2017 £000	Transfer value at 31 March 2018 £000	Director contribution in the year £000	Transfer value increase/ (decrease) £000
Andrew Williams	1,520	1,554	-	34
Kevin Thompson	3,385	3,536	-	151

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.

Other Statutory Information

Activities

Halma plc is a holding company. A list of its subsidiary companies is set out on pages 185 to 191. Our businesses by sector and their activities are set out on pages 198 to 203.

Ordinary dividends

The Directors recommend a final dividend of 8.97p per share and, if approved, this dividend will be paid on 15 August 2018 to ordinary shareholders on the register at the close of business on 13 July 2018. Together with the interim dividend of 5.71p per share already paid, this will make a total of 14.68p (2017: 13.71p) 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 themselves being a member, shall have one vote, as shall proxies (unless they are appointed by more than one holder, in which case they may vote both for and against the resolution in accordance with the holders' instructions). On a poll every holder of ordinary shares present in person or by proxy shall have one vote for every share of which they are the holder. Electronic and paper proxy appointments and voting instructions must be received not later than 48 hours before the meeting. A holder of ordinary shares can lose the entitlement to vote at general meetings where that holder has been served with a disclosure notice and has failed to provide the Company with information concerning interests held in those shares. Except as set out above and as permitted under applicable statutes, there are no limitations on voting rights of holders of a given percentage, number of votes or deadlines for exercising voting rights.

The Company has established an Employee Benefit Trust and the trustee has waived its right to vote and its right to all dividends.

Restrictions on transfer of shares

The Directors may refuse to register a transfer of a certificated share that is not fully paid, provided that the refusal does not prevent dealings in shares in the Company from taking place on an open and proper basis or where the Company has a lien over that share. The Directors may also refuse to register a transfer of a certificated share unless the instrument of transfer is: (i) lodged, duly stamped (if necessary), at the registered office of the Company or any other place as the Board may decide accompanied by the certificate for the share(s) to be transferred and/or such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer; (ii) in respect of only one class of shares; (iii) in favour of a person who is not a minor, infant, bankrupt or a person of unsound mind; or (iv) in favour of not more than four persons jointly.

Transfers of uncertificated shares must be carried out using CREST and the Directors can refuse to register a transfer of an uncertificated share in accordance with the regulations governing the operation of CREST.

There are no other restrictions on the transfer of ordinary shares in the Company except certain restrictions which may from time to time be imposed by laws and regulations (for example insider trading laws); or where a shareholder with at least a 0.25% interest in the Company's certificated shares has been served with a disclosure notice and has failed to provide the Company with information concerning interests in those shares. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

Treasury shares

Shares held in treasury do not have voting rights and are not eligible for dividends.

Other Statutory Information continued

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 Plan is 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 creates a strong alignment of long-term interest between senior management and shareholders.

Dilution limits

The Company operates three share plans: the 2005 Performance Share Plan, under which no further awards can be made and, during the year, all remaining awards were satisfied; the 2015 Executive Share Plan, under which all new discretionary awards are made; and the Company's Share Incentive Plan (SIP), a tax approved share plan for UK employees.

Overall dilution through the issuance of new shares for employee share schemes (including treasury shares) may not exceed an amount equivalent to 10% of the Company's issued share capital over a 10-year period and for discretionary share awards to senior management, 5% over a 10-year period. Over the last 10 years, the Company has granted discretionary awards over 3.2% of the Company's issued share capital and a further 0.4% in respect of the SIP. All awards under these three plans have been settled by treasury shares or market-purchased shares held via a trust.

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, 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 set out in the Articles of Association and a description of the Matters Reserved for decision by the Board, copies of which are available on request from the Company Secretary, and are summarised in the Corporate Governance Report on page 75.

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 £550m 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\$250m 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 £9,400,000 (up to 94,000,000 new ordinary shares of 10p each), being just less than one quarter of the issued share capital of the Company (excluding treasury shares) as at 11 June 2018 (the latest practicable date prior to the publication of the Notice of Meeting).

In accordance with the Directors' stated intention to seek annual renewal, the authority will expire at the earlier of the conclusion of the annual general meeting of the Company in 2019 and 31 August 2019. 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 11 June 2018, the Company had 379,645,332 ordinary shares of 10p each in issue of which 3,990 were held as treasury shares, which is equal to approximately 0.001% 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 11 June 2018 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, other than the release of treasury shares under share plans previously approved in general meeting.

Purchase of the Company's own shares

The Company was authorised at the 2017 annual general meeting to purchase up to 37,900,000 of its own 10p ordinary shares in the market. This authority expires at the end of the 2018 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 earlier of the end of next year's annual general meeting and 31 August 2019, in respect of up to 37,900,000 ordinary shares, which is approximately 10% of the Company's issued share capital (excluding treasury shares) as at 11 June 2018.

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. The final PSP awards vested in August 2017 so there will be no future purchases of shares to satisfy PSP awards. In the year to 31 March 2018, 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.

Annual General Meeting

The Company's Annual General Meeting will be held on 19 July 2018. 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.

Other Statutory Information continued

Substantial shareholdings

As at 31 March 2018, the Company had been notified, in accordance with chapter 5 of the Disclosure Guidance and Transparency Rules, of the following voting rights as a shareholder of the Company.

	31 March 2018		Nature of holdings
	No. of ordinary shares	Percentage of voting rights and issued share capital	
Massachusetts Financial Services Company	37,848,103	9.98	Indirect
Capital Group	22,865,085	6.04	Indirect
Mawer Investment Management	18,943,311	5.00	Direct
Sprucegrove Investment Management Ltd	18,776,510	4.96	Indirect
BlackRock Inc	14,646,007	3.87	Indirect

During the period between 31 March 2018 and 11 June 2018 (the latest practicable date prior to the publication of the Notice of Meeting) the Company did not receive any notifications under chapter 5 of the Disclosure Guidance and Transparency Rules.

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.

PricewaterhouseCoopers LLP has expressed its willingness to continue in office as Independent Auditor and a resolution to appoint PricewaterhouseCoopers 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 Independent Auditors' Report, for the year ended 31 March 2018. The Corporate Governance Report set out on page 66, 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 Report on pages 1 to 65. Details related to employee matters are in the Our people section on page 36 and with the Sustainability report on page 44. Environmental matters, including greenhouse gas emissions reporting, are also included within the Sustainability report.

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-preemptive issues of equity for cash;
- (8) non-preemptive 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 107 to 110.

By order of the Board

Carol Chesney
Company Secretary
 12 June 2018

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
Group Chief Executive

Kevin Thompson
Finance Director
12 June 2018

Independent auditors' report to the members of Halma plc

Report on the audit of the financial statements

Opinion

In our opinion:

- Halma plc's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 March 2018 and of the group's profit and cash flows for the 12 month period (the "period") then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the Consolidated and Company Balance Sheets as at 31 March 2018; the Consolidated Income Statement and Consolidated Statement of Comprehensive Income and Expenditure, the Consolidated Cash Flow Statement, and the Consolidated and Company Statements of Changes in Equity for the 12 month period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence


We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the company.

Other than those disclosed in note 6 to the financial statements, we have provided no non-audit services to the group or the company in the period from 2 April 2017 to 31 March 2018.

Our audit approach

Overview

	<ul style="list-style-type: none"> – Overall group materiality: £10.6 million based on 5% of profit before taxation before adjustments. – Overall company materiality: £9.5 million, based on 1% of total assets.
	<ul style="list-style-type: none"> – There were no significant components within the group. – We performed audit procedures over 60 reporting components in the group. – This provided coverage of 65% revenue, 78% profit before tax, and 93% net assets.
	<ul style="list-style-type: none"> – Impairment of goodwill (group). – Acquisition accounting relating to the valuation of intangibles and fair value of contingent consideration (group and parent) – Accounting for defined benefit pension schemes (group and parent).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

We gained an understanding of the legal and regulatory framework applicable to the group and the industries in which it operates, and considered the risk of acts by the group which were contrary to applicable laws and regulations, including fraud. We designed audit procedures at group and reporting component level to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. We focused on laws and regulations that could give rise to a material misstatement in the group and company financial statements, including, but not limited to, the Companies Act 2006, the Listing Rules, Pensions legislation, UK tax legislation, Employment regulation, Health and safety regulation and equivalent local laws and regulations applicable to significant component teams. Our tests included, but were not limited to review of the financial statement disclosures to underlying supporting documentation, review of correspondence with regulators, review of correspondence with legal advisors, enquiries of management, review of reporting component auditors' work and review of internal audit reports in so far as they related to the financial statements. There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

We did not identify any key audit matters relating to irregularities, including fraud. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
<p>Goodwill impairment Refer to page 128 and page 147 (note 11) for management's disclosure of this significant judgement</p> <p>As a result of a number of past acquisitions, goodwill with a carrying value of £632.2m (2017: £603.6m) has been recognised on the balance sheet. The increase in value during the year is the result of five acquisitions in the period net of exchange rate movements.</p> <p>Under IAS 36 'Impairment of Assets', all cash generating units (CGUs) containing goodwill must be tested for impairment annually. To fulfil this requirement, management perform an impairment review on an annual basis for each of its 11 CGU groups, along with additional impairment reviews whenever an indication of impairment exists.</p> <p>The impairment reviews performed by management contain a number of significant judgements and estimates including the identification of CGU groupings, revenue growth rates and discount rates. A change in these assumptions can result in a material change in the valuation of the assets, and as a result there is a risk that goodwill is no longer deemed to be recoverable and hence should be impaired. The assumptions used are particularly sensitive for the Sensor Technology CGU where lower than forecast growth could result in an impairment as disclosed in note 11 to the accounts.</p> <p>As a result, assessment of the carrying value of goodwill is a significant risk due to the quantum of the balance and the judgements involved.</p>	<p>We have assessed the methodology and approach applied by management in performing their impairment reviews including the identification of CGU groups, and ensured this is consistent with IAS 36.</p> <p>We obtained management's annual impairment assessment for all 11 CGU groups and ensured the calculations were mathematically accurate. We evaluated the year 1 cash flows used for each CGU and assessed the short and long term growth rates applied to these. In doing this, we compared the cash flow forecasts to the latest Board approved budgets and compared prior year budget to actual data, in order to assess the quality of the forecasting process. We tested the growth rate assumptions by comparing them to management's strategic plans, previous sector growth rates, and the long term rates to third party published economic data. We also tested the discount rate by testing the data and rates used in management's calculation back to third party source data. We considered all assumptions used by management to be reasonable.</p> <p>We recalculated management's sensitivity analysis on key assumptions and applied our own additional sensitivities by replacing key assumptions with alternative scenarios to ascertain the extent of change in those assumptions that, either individually or collectively, would be required for the goodwill to be impaired. These did not indicate impairment in any CGU group.</p> <p>As included within note 11, lower than forecast growth in the Sensor Technology CGU could result in an impairment and this CGU is more sensitive to changes in assumptions as the expected growth rates are significantly higher than others in the group. This was reflected in the premium paid to acquire the business. In respect of this CGU, we have performed a number of sensitivity assessments including running scenarios to reduce the period of cash flows used before projecting these to perpetuity, reducing the growth rates, removing the impact of changes in working capital and modelling the impact of associated changes to the cost base. Whilst these scenarios reduce the potential headroom, there continues to be no impairment to goodwill in these instances.</p>

Independent auditors' report to the members of Halma plc continued

Key audit matter	How our audit addressed the key audit matter
<p>Acquisition accounting</p> <p>Refer to page 128 and page 160 (note 24) for management's disclosure of the significant judgement relating to acquisition accounting and the valuation of acquired intangibles</p> <p>During the year ended 31 March 2018, the group completed five acquisitions with a combined total consideration of £123.0m. Management engaged third party valuation experts to assist them in the preparation of the acquisition accounting for all acquisitions in the period.</p> <p>There is a risk that these acquisitions of CasMed NIBP, Cardios, Mini-Cam, Setco and Argus are not appropriately accounted for in line with IFRS3 'Business Combinations' and that the separate intangible assets acquired are not appropriately valued by management as a result of the methodology and assumptions used.</p> <p>There is further potential for material misstatement in the calculation of the fair value of contingent consideration payable on three of the acquisitions in the period; being CasMed NIBP, Cardios and Mini-Cam, and in relation to the previous acquisitions of Visiometrics and FluxData. Significant judgement has been applied by management in establishing their best estimate of the liability for each of these acquisitions based on risk weighted assessments of the forecast performance of each business.</p>	<p>We have also reviewed the adequacy of disclosures made in the financial statements and assessed compliance with IAS 36.</p> <p>We have obtained and read key documentation and agreements relating to the five acquisitions in the period together with obtaining the acquisition models and the final purchase price allocations performed by management's experts and agree with the identification of trade names, customer relationships, technology and non-compete agreements as separately identified intangible assets.</p> <p>We performed detailed testing of the opening balance sheet and related fair value adjustments for each acquisition based on materiality.</p> <p>With respect to the audit of the acquired intangible assets, we utilised our internal valuation experts to evaluate the methodology and assumptions used by management's experts including assessing discount rates, royalty rates and attrition rates. We challenged the key assumptions used in these areas and performed sensitivity analysis where rates differ from those we might typically use, noting no material differences. We also assessed the useful lives which have been assigned to the acquired intangible assets and consider these to be reasonable based on the nature of the assets and the period over which benefits would flow to the group.</p> <p>Regarding contingent consideration, we agreed the terms used in the deferred contingent consideration calculation for new acquisitions to the signed sale and purchase agreements. We assessed the methodology used by management to determine the estimate of future deferred contingent consideration payable for the most material agreements for Mini-Cam, Visiometrics and Flux Data and considered the underlying data used in each of these calculations, assessing this against post-acquisition results. The weightings applied to different scenarios used by management in calculating the potential payable are highly judgemental and the sensitivity of the estimate increases where significant multiples are agreed as part of the contingent consideration agreement. As a result we performed sensitivity analysis to run additional weighting scenarios and agree that the contingent consideration recorded by management is materially appropriate in light of what are considered to be the most likely scenarios.</p> <p>These judgements can be materially impacted by the profit outturn for the entities involved and as a result, we concur with the decision to include additional disclosures surrounding these estimates.</p> <p>We have reviewed the disclosures included in note 24 of the Annual Report and agree that these are consistent with our audit work performed and the disclosure requirements of IFRS 3.</p>
<p>Accounting for the liabilities associated with defined benefit pension schemes</p> <p>Refer to page 128 and page 175 (note 28) for management's disclosure of this significant judgement</p> <p>A defined benefit pension liability of £53.9m (2017: £74.9m) has been recorded on the balance sheet at 31 March 2018 in respect of group schemes. As a result of the quantum of this liability and the level of judgement involved in calculating the closing liability, there is an increased risk of material misstatement.</p> <p>Whilst management utilises the service of third party actuarial advisors to determine their key assumptions, there is a risk that the discount rate, rate of inflation and mortality assumptions used in the calculation are inappropriate.</p>	<p>We obtained the IAS 19 actuarial valuations for each material pension scheme as prepared by management's experts and agreed the project unit methodology used to be appropriate.</p> <p>We used our internal actuarial experts to assess the appropriateness of the significant assumptions used in determining the defined benefit pension liabilities including the discount rate, RPI and CPI inflation assumptions and mortality assumptions. Specifically, we ensured these fell within an acceptable range on benchmarking these against our internally accepted actuarial assumptions and noted no outliers.</p> <p>We assessed the appropriateness and adequacy of the disclosures in respect of the defined benefit pension liability in note 28 of the annual report and agree these to be satisfactory and aligned to the requirements of IAS 19.</p>

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

The group is split into four sectors being Process Safety, Infrastructure Safety, Medical and Environmental & Analysis. Each sector consists of a number of the businesses spread globally across more than 20 countries. The businesses are further disaggregated into 194 reporting components within the consolidation.

We did not identify any individually significant components within the group, with no single component providing more than 10% of the group's revenue or profit before taxation before adjustments. We determined the most effective approach to scoping was to perform full scope procedures over 44 reporting components where statutory audits were required in UK, France, Tunisia, Germany, Belgium, Switzerland, Ireland, New Zealand, UAE, Singapore, India and Italy, together with a further 3 reporting components in China. In addition, specified audit procedures were performed over all material balances for a further 12 components in United States, Brazil, Luxembourg and Spain. Additional audit procedures were performed in relation to the component relating to consolidation adjustments. This approach ensured that appropriate audit coverage has been obtained over all financial statement line items.

Where work was performed by component auditors, we determined the appropriate level of involvement we needed to have in that audit work to ensure we could conclude that sufficient appropriate audit evidence had been obtained for the group financial statements as a whole. We issued written instructions to all component auditors and had regular communications with them throughout the audit cycle. This included a meeting with each component team and review of all significant matters reported.

In addition, the group engagement partner has visited a number of sites in the US and UK, including meeting with local audit teams and local management as part of these visits.

Based on the detailed audit work performed across the group, we have gained coverage of 65% of total revenue, 78% of profit before tax, and 93% of net assets.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Company financial statements
Overall materiality	£10.6 million.	£9.5 million.
How we determined it	5% of profit before tax before adjustments.	1% of total assets.
Rationale for benchmark applied	Based on the benchmarks used in the annual report, profit before tax before adjustments is the primary measure used by the shareholders in assessing the underlying performance of the group. This benchmark excludes the impact of adjustments in respect of amortisation and impairment of acquired intangible assets, acquisition items, restructuring costs, profit or loss on disposal of operations and any associated taxation on these items which are not considered to be representative of the underlying results of the business and which are therefore adjusted in the middle column of the Consolidated Income Statement.	We believe that a total asset benchmark is appropriate given that the company does not generate revenues of its own.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across trading components was between £0.1 million and £2.4 million. The highest materiality allocated to a component was £9.5 million as allocated to the parent company; Halma plc. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £500,000 (group audit) and £500,000 (Company audit) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Independent auditors' report to the members of Halma plc continued

Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the group's and the company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern.
We are required to report if the directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006, (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the period ended 31 March 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. (CA06)

The directors' assessment of the prospects of the group and of the principal risks that would threaten the solvency or liquidity of the group

We have nothing material to add or draw attention to regarding:

- The directors' confirmation on page 80 of the Annual Report 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 in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The directors' explanation on page 80 of the Annual Report 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 have nothing to report having performed a review of the directors' statement that they have carried out a robust assessment of the principal risks facing the group and statement in relation to the longer-term viability of the group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the group and company and their environment obtained in the course of the audit. (Listing Rules)

Other Code Provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the directors, on page 111, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the group's and company's position and performance, business model and strategy is materially inconsistent with our knowledge of the group and company obtained in the course of performing our audit.
- The section of the Annual Report on pages 81–85 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. (CA06)

Responsibilities for the financial statements and the audit**Responsibilities of the directors for the financial statements**

As explained more fully in the Directors' Responsibilities Statement set out on page 111, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Independent auditors' report to the members of Halma plc continued

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the Company Financial Statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the members on 20 July 2017 to audit the financial statements for the year ended 31 March 2018 and subsequent financial periods. This is therefore our first year of uninterrupted engagement.

Owen Mackney (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Uxbridge

12 June 2018

Consolidated Income Statement

	Notes	Year ended 31 March 2018**			52 weeks to 1 April 2017		
		Before adjustments* £000	Adjustments* (note 1) £000	Total £000	Before adjustments* £000	Adjustments* (note 1) £000	Total £000
Continuing operations							
Revenue	1	1,076,211	-	1,076,211	961,662	-	961,662
Operating profit		223,705	(42,447)	181,258	203,371	(36,301)	167,070
Share of results of associate	14	(310)	-	(310)	(81)	-	(81)
Profit on disposal of operations	29	-	719	719	-	-	-
Finance income	4	295	-	295	494	-	494
Finance expense	5	(10,013)	-	(10,013)	(9,780)	-	(9,780)
Profit before taxation	6	213,677	(41,728)	171,949	194,004	(36,301)	157,703
Taxation	9	(42,143)	24,422	(17,721)	(41,734)	13,720	(28,014)
Profit for the year attributable to equity shareholders	1	171,534	(17,306)	154,228	152,270	(22,581)	129,689
Earnings per share	2						
From continuing operations							
Basic and diluted		45.26p		40.69p	40.21p		34.25p
Dividends in respect of the year	10						
Paid and proposed (£000)				55,639			51,916
Paid and proposed per share				14.68p			13.71p

* Adjustments include the amortisation and impairment of acquired intangible assets; acquisition items; restructuring costs; profit or loss on disposal of operations and the associated taxation thereon; and the effect of the US tax reform measures. Note 3 provides more information on alternative performance measures.

** During the year the accounting reference date was changed to 31 March, see Accounting Policies for further details.

Consolidated Statement of Comprehensive Income and Expenditure

	Notes	Year ended 31 March 2018 £000	52 weeks to 1 April 2017 £000
Profit for the year		154,228	129,689
Items that will not be reclassified subsequently to the Consolidated Income Statement:			
Actuarial gains/(losses) on defined benefit pension plans	28	11,839	(31,059)
Tax relating to components of other comprehensive income that will not be reclassified	9	(2,453)	6,082
Items that may be reclassified subsequently to the Consolidated Income Statement:			
Effective portion of changes in fair value of cash flow hedges	26	(62)	1,197
Exchange (losses)/gains on translation of foreign operations and net investment hedge		(62,937)	74,810
Tax relating to components of other comprehensive income that may be reclassified	9	15	(233)
Other comprehensive (expense)/income for the year		(53,598)	50,797
Total comprehensive income for the year attributable to equity shareholders		100,630	180,486

The exchange loss of £62,937,000 (2017: gain of £74,810,000) includes losses of £13,263,000 (2017: gains of £21,305,000) which relate to net investment hedges as described in note 26.

Consolidated Balance Sheet

	Notes	31 March 2018 £000	1 April 2017 £000
Non-current assets			
Goodwill	11	632,162	603,553
Other intangible assets	12	234,562	234,430
Property, plant and equipment	13	103,727	106,016
Interest in associate	14	3,993	3,553
Deferred tax asset	21	36,977	56,866
		1,011,421	1,004,418
Current assets			
Inventories	15	127,966	118,780
Trade and other receivables	16	235,184	212,236
Tax receivable		859	124
Cash and bank balances		70,721	66,827
Derivative financial instruments	26	705	598
		435,435	398,565
Total assets		1,446,856	1,402,983
Current liabilities			
Trade and other payables	17	149,600	134,816
Borrowings	18	1,142	1,351
Provisions	19	8,834	6,776
Tax liabilities		12,175	16,055
Derivative financial instruments	26	223	315
		171,974	159,313
Net current assets		263,461	239,252
Non-current liabilities			
Borrowings	18	289,913	261,918
Retirement benefit obligations	28	53,896	74,856
Trade and other payables	20	12,621	11,221
Provisions	19	23,072	16,917
Deferred tax liabilities	21	66,983	100,121
		446,485	465,033
Total liabilities		618,459	624,346
Net assets		828,397	778,637
Equity			
Share capital	22	37,965	37,965
Share premium account		23,608	23,608
Own shares		(6,285)	(7,263)
Capital redemption reserve		185	185
Hedging reserve		307	354
Translation reserve		87,260	150,197
Other reserves		(5,844)	(6,323)
Retained earnings		691,201	579,914
Shareholders' funds		828,397	778,637

The financial statements of Halma plc, company number 00040932, were approved by the Board of Directors on 12 June 2018.

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 2 April 2017	37,965	23,608	(7,263)	185	354	150,197	(6,323)	579,914	778,637
Profit for the year	-	-	-	-	-	-	-	154,228	154,228
Other comprehensive income and expense:									
Exchange differences on translation of foreign operations	-	-	-	-	-	(62,937)	-	-	(62,937)
Actuarial gains on defined benefit pension plans	-	-	-	-	-	-	-	11,839	11,839
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	(62)	-	-	-	(62)
Tax relating to components of other comprehensive income	-	-	-	-	15	-	-	(2,453)	(2,438)
Total other comprehensive income and expense	-	-	-	-	(47)	(62,937)	-	9,386	(53,598)
Dividends paid	-	-	-	-	-	-	-	(53,375)	(53,375)
Share-based payment charge	-	-	-	-	-	-	7,867	-	7,867
Deferred tax on share-based payment transactions	-	-	-	-	-	-	(449)	-	(449)
Excess tax deductions related to share-based payments on exercised awards	-	-	-	-	-	-	-	1,048	1,048
Purchase of Own shares	-	-	(2,615)	-	-	-	-	-	(2,615)
Performance share plan awards vested	-	-	3,593	-	-	-	(6,939)	-	(3,346)
At 31 March 2018	37,965	23,608	(6,285)	185	307	87,260	(5,844)	691,201	828,397

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 31 March 2018 the number of treasury shares held was 3,990 (2017: 462,188) and the number of shares held by the Employee Benefit Trust was 631,991 (2017: 512,417). The market value of Own shares was £7,498,000 (2017: £9,980,000).

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.

	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 3 April 2016	37,965	23,608	(8,219)	185	(610)	75,387	(5,831)	523,855	646,340
Profit for the year	-	-	-	-	-	-	-	129,689	129,689
Other comprehensive income and expense:									
Exchange differences on translation of foreign operations	-	-	-	-	-	74,810	-	-	74,810
Actuarial losses on defined benefit pension plans	-	-	-	-	-	-	-	(31,059)	(31,059)
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	1,197	-	-	-	1,197
Tax relating to components of other comprehensive income	-	-	-	-	(233)	-	-	6,082	5,849
Total other comprehensive income and expense	-	-	-	-	964	74,810	-	(24,977)	50,797
Dividends paid	-	-	-	-	-	-	-	(49,788)	(49,788)
Share-based payment charge	-	-	-	-	-	-	6,076	-	6,076
Deferred tax on share-based payment transactions	-	-	-	-	-	-	65	-	65
Excess tax deductions related to share-based payments on exercised awards	-	-	-	-	-	-	-	1,135	1,135
Purchase of Own shares	-	-	(2,368)	-	-	-	-	-	(2,368)
Performance share plan awards vested	-	-	3,324	-	-	-	(6,633)	-	(3,309)
At 1 April 2017	37,965	23,608	(7,263)	185	354	150,197	(6,323)	579,914	778,637

Consolidated Cash Flow Statement

	Notes	Year ended 31 March 2018 £000	52 weeks to 1 April 2017 £000
Net cash inflow from operating activities	25	173,250	172,493
Cash flows from investing activities			
Purchase of property, plant and equipment	13	(20,202)	(21,875)
Purchase of computer software	12	(1,915)	(2,479)
Purchase of other intangibles	12	(140)	(281)
Proceeds from sale of property, plant and equipment and capitalised development costs		1,750	1,495
Development costs capitalised	12	(9,403)	(10,731)
Interest received		255	211
Acquisition of businesses, net of cash acquired	24	(111,711)	(9,972)
Net cash used in investing activities		(141,366)	(43,632)
Financing activities			
Dividends paid		(53,375)	(49,788)
Purchase of Own shares		(2,615)	(2,368)
Interest paid		(7,185)	(7,023)
Loan arrangement fee paid		(419)	(2,656)
Proceeds from bank borrowings	25	119,185	-
Repayment of bank borrowings	25	(81,409)	(54,761)
Net cash used in financing activities		(25,818)	(116,596)
Increase in cash and cash equivalents	25	6,066	12,265
Cash and cash equivalents brought forward		65,637	49,526
Exchange adjustments		(2,034)	3,846
Cash and cash equivalents carried forward		69,669	65,637
Reconciliation of net cash flow to movement in net debt			
	Notes	Year ended 31 March 2018 £000	52 weeks to 1 April 2017 £000
Increase in cash and cash equivalents		6,066	12,265
Net cash (inflow)/outflow from (drawdown)/repayment of bank borrowings	25	(37,776)	54,761
Net debt acquired	25	(3,109)	-
Loan notes repaid in respect of acquisitions	25	161	241
Exchange adjustments		10,766	(16,991)
		(23,892)	50,276
Net debt brought forward		(196,442)	(246,718)
Net debt carried forward		(220,334)	(196,442)

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 IFRS Interpretations Committee (IFRS IC) 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 31 March 2018 and 1 April 2017 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'.

Effective this financial year, the Group changed its reporting basis from weeks to calendar months. The accounting reference date is therefore 31 March, and the Annual Report has been prepared for the year ended 31 March 2018. For the current financial year, 52 weeks is equivalent to one year, so the comparative period presented in the financial statements and related notes remains consistent.

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.
- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions – effective for accounting periods beginning on or after 1 January 2018.
- Annual Improvements 2014–2017 Cycle – effective for accounting periods beginning on or after 1 January 2018.
- IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration – effective for accounting periods beginning on or after 1 January 2018.
- IFRIC Interpretation 23 Uncertainty over income tax treatments – effective for accounting periods beginning on or after 1 January 2019.
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures – effective for accounting periods beginning on or after 1 January 2019.

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group except for IFRS 16 'Leases'. Further information on the impact of the adoption of IFRS 9 'Financial Instruments: Classification and measurement', IFRS 15 'Revenue from Contracts with Customers' and IFRS 16 'Leases' is given below.

IFRS 9 'Financial Instruments'

For the Group, transition to IFRS 9 is effective from 1 April 2018. The half year results for the period ended 30 September 2018 will be IFRS 9 compliant with the first Annual Report published in accordance with IFRS 9 being the 31 March 2019 report. The Group has elected not to restate comparatives on initial application of IFRS 9, the opening impact of adoption of IFRS 9 will be recognised in reserves.

IFRS 9 provides a new expected losses impairment model for financial assets, including trade receivables, and includes amendments to classification and measurement of financial instruments. An accounting policy choice is available with regards to applying the new hedge accounting requirements or retaining IAS 39. The Group has elected to retain IAS 39.

During this reporting period the Group has undertaken an impact assessment of this new standard on its financial statements. The Group's use of financial instruments is limited to short-term trading balances such as receivables and payables, borrowings and derivatives used for hedging foreign exchange risks. Therefore, the standard impacts the Group's classification of financial instruments and the measurement of impairment of short-term financial assets.

As part of the impact assessment, using the simplified approach allowed by the standard, we established an appropriate impairment model and accompanying processes to be applied to receivables by our companies and have asked them to recalculate their provision at 31 March 2018 using this new methodology. The impact is an immaterial release of provision of less than £500,000 arising where certain companies have historically held larger provisions. For most companies the revised methodology results in a similar level of provision to that held under current accounting standards.

In accordance with IFRS 9, this adjustment will be reflected as an opening retained earnings adjustment in the Annual Report for the year ended 31 March 2019.

Accounting Policies continued

New Standards and Interpretations not yet applied continued

IFRS 15 'Revenue from Contracts with Customers'

For the Group, transition to IFRS 15 is effective from 1 April 2018. The half year results for the period ended 30 September 2018 will be IFRS 15 compliant with the first Annual Report published in accordance with IFRS 15 being the 31 March 2019 report. The Group plans to adopt a fully retrospective transition approach and so comparatives for the year ended 31 March 2018 will be restated.

IFRS 15 replaces existing revenue guidance including:

- IAS 18 *Revenue*
- IAS 11 *Construction contracts*
- IFRIC 13 *Customer Loyalty Programmes*

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

The Group has successfully completed its transition exercise in quantifying the full impact of this standard. Having performed an impact assessment in 2016/17, during 2017/18 the Group has worked through a comprehensive transition exercise at each of its subsidiaries. The autonomous nature of the Group means that each subsidiary sets its own terms and conditions and operating procedures and as such this was the appropriate level for the transition exercise. The transition exercise has involved scoping the Group's revenues to identify revenue streams with like commercial terms and performing sample contract reviews to determine the appropriate revenue recognition under IFRS 15. To ensure a consistent approach to the exercise and consistent judgements, the exercise has been supported by Group through setting the approach to transition, and providing appropriate tools and guidance, including a revised Group Accounting Manual.

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

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

Based on our work, most of our companies are unaffected, but have implemented process changes to comply with IFRS 15 now and in the future. A small number of our companies have individually material adjustments to their balance sheets through acceleration or deferral of revenue on the opening balance sheet. However, at a Group level these do not represent a material change.

The net impact to the opening balance sheet and balance sheet as at 31 March 2018 is an immaterial credit of less than £500,000 with a corresponding debit to retained earnings. Accordingly, the net movement in the Consolidated Income Statement for the year ended 31 March 2018 is less than £100,000 and also immaterial.

IFRS 16 'Leases'

For the Group, transition to IFRS 16 will take effect from 1 April 2019. The half year results for the period ending 30 September 2019 will be IFRS 16 compliant with the first Annual Report published in accordance with IFRS 16 being for the year ending 31 March 2020.

IFRS 16 replaces existing lease guidance including:

- IAS 17 *Leases*
- IFRIC 4 *Determining whether an arrangement contains a lease*
- SIC 15 *Operating leases – Incentives*
- SIC 27 *Evaluating the substance of transactions involving the legal form of a lease*

IFRS 16 provides a single on-balance sheet accounting model for lessees which recognises a right of use asset, representing its right to use the underlying asset, and lease liability, representing its obligations to make payment in respect of the use of the underlying asset. The distinction between finance and operating leases for lessees is removed. Lessor accounting remains similar to the existing standard with no significant impact expected.

New Standards and Interpretations not yet applied continued

IFRS 16 'Leases' continued

The Group will likely opt to apply the exemptions available in respect of leases which are less than 12 months long and those which have been classified as leases of low-value items. In addition, the Group will likely apply the practical expedient allowing for IFRS 16 to be applied to all contracts previously assessed as containing a lease under IAS 17 and IFRIC 4 without reassessing whether such contracts meet the definition of a lease under IFRS 16. The Group is currently assessing whether a full retrospective approach will be applied upon transition or whether a modified approach will be taken with optional practical expedients.

The Group is currently assessing the financial impact of the new standard. The most significant impact currently identified will be that the Group's land and buildings leases will be brought on to the balance sheet. Further assessment of other leases is currently ongoing. The actual impact of applying IFRS 16 is dependent on future economic conditions including:

- movements in the Group's borrowing rate at 31 March 2019;
- the composition of the Group's lease portfolio at transition date;
- the Group's view on whether renewal options will be exercised; and
- the Group's final decisions regarding the use of recognition exemptions and practical expedients for transition.

The Group's future lease commitments for land and buildings at the balance sheet date, which provides an indicator of the value to be brought on to the balance sheet, is £43m.

In addition, the profile of expenses related to leasing arrangements will change. Straight line operating lease expenses will be replaced by the recognition of depreciation of the right-of-use asset and interest charges on lease liabilities.

No significant impacts are expected in relation to leases currently classified as finance leases in the Group financial statements.

New Standards and Interpretations applied for the first time

The following Standards with an effective date of 1 January 2017 have been adopted without any significant impact on the amounts reported in these financial statements.

- Amendments to IAS 7: Disclosure Initiative
- Amendments to IAS 12: Recognition of deferred tax assets for unrealised losses
- Annual Improvements 2014–2016 Cycle

Use of Alternative performance measures (APMs)

In the reporting of the financial information, the Group uses certain measures that are not required under IFRS, the Generally Accepted Accounting Principles (GAAP) under which the Group reports. The Directors believe that Return on Total Invested Capital (ROTIC), Return on Capital Employed (ROCE), Organic growth at constant currency, adjusted profit and earnings per share measures and adjusted operating cash flow provide additional and more consistent measures of underlying performance to shareholders by removing non-trading items that are not closely related to the Group's trading or operating cash flows. These and other alternative performance measures are used by the Directors for internal performance analysis and incentive compensation arrangements for employees. The terms ROTIC, ROCE, organic growth at constant currency and 'Adjusted' are not defined terms under IFRS and may therefore not be comparable with similarly titled measures reported by other companies. They are not intended to be a substitute for, or superior to, GAAP measures.

The principal items which are included in adjusting items are set out below in the Group's accounting policy and in note 1. The term 'adjusted' refers to the relevant measure being reported for continuing operations excluding adjusting items.

Definitions of the Group's material alternative performance measures along with reconciliation to their IFRS equivalent measure are included in note 3.

Key accounting policies

Below we set out our key accounting policies, with a list of all other accounting policies thereafter.

Going concern

The Directors believe, at the time of approving the financial statements, that the Group is well placed to manage its business risks successfully. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current committed facilities, which includes a £550m Revolving Credit Facility running until November 2022 of which £437m remains undrawn at the date of this report. With this in mind, the Directors have a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis in preparing these financial statements. Further detail is contained on page 80.

Accounting Policies continued

Key accounting policies continued

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) Acquired intangible assets

An intangible resource acquired with a subsidiary undertaking is recognised as an intangible asset if it is separable from the acquired business or arises from contractual or legal rights, is expected to generate future economic benefits and its fair value can be measured reliably. Acquired intangible assets, comprising trademarks, technology and know-how and customer relationships, are amortised through the Consolidated Income Statement on a straight-line basis over their estimated economic lives of between three and twenty years.

(b) 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.

Pensions

The Group makes contributions to various pension plans.

For defined benefit plans, the asset or liability recorded in the Consolidated Balance Sheet is the difference between the fair value of the plan's assets and the present value of the defined obligation at that date. The defined benefit obligation is calculated separately for each plan on an annual basis by independent actuaries using the projected unit credit method.

Actuarial gains and losses are recognised in full in the period in which they occur, and are taken to other comprehensive income.

Current and past service costs, along with the impact of any settlements or curtailments, are charged to the Consolidated Income Statement. The net interest expense on pension plans' liabilities and the expected return on the plans' assets is recognised within finance expense in the Consolidated Income Statement.

Contributions to defined contribution plans are charged to the Consolidated Income Statement 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 critical accounting judgement and key estimation uncertainty have been identified as having significant risk of causing a material adjustment to the carrying amounts of assets and liabilities 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 unit (CGU) groups to which goodwill has been allocated. Management allocates a new acquisition to a CGU group based on which one is expected to benefit most from that business combination. 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 estimate 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 identification of relevant assets, future growth rates, expected inflation rates and the discount rate used. Management also make judgements on the useful economic lives of the intangible assets.

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.

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 notes 19 and 24.

Accounting Policies continued

Other accounting policies

Basis of consolidation

The Group accounts include the accounts of Halma plc and all of its subsidiary companies made up to 31 March 2018, 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 associates

An associate is an entity over which the Group is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee. Significant influence is the power to participate in the financial and operating policy decisions of the investee but without control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Investments in associates are carried in the Consolidated Balance Sheet at cost as adjusted by post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the fair values of the identifiable net assets of the associate at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any deficiency of the cost of acquisition below the Group's share of the fair values of the identifiable net assets of the associate at the date of acquisition (i.e. discount on acquisition) is credited in profit or loss in the year of acquisition.

Where a Group company transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate. Losses may provide evidence of an impairment of the asset transferred in which case appropriate 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 Group Chief Executive) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Reportable segments are operating segments that either meet the thresholds and conditions set out in IFRS 8 or are considered by the Board to be appropriately designated as reportable segments. Segment result represents operating profits and includes an allocation of Head Office expenses. Segment result excludes tax and financing items. Segment assets comprise goodwill, other intangible assets, property, plant and equipment (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.

Other accounting policies continued

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 transfer of risks and rewards and 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 are 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, 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 substantively enacted at the balance sheet date, along with any adjustment to tax payable in respect of previous years. Taxable profit differs from net profit as reported in the Consolidated Income Statement because it excludes items that are never taxable or deductible.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes and is accounted for using the balance sheet liability method, apart from the following differences which are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and differences relating to investments in subsidiaries to the extent they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amounts of assets and liabilities, using tax rates and laws, which are expected to apply in the year when the liability is settled or the asset is realised. Deferred tax assets are only recognised to the extent that recovery is probable.

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 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 Translation reserve attributable to that subsidiary. As permitted by IFRS 1, the Group has elected to deem the Translation to be £nil at 4 April 2004. Accordingly, the profit or loss on disposal or closure of foreign subsidiaries will not include any currency translation differences which arose before 4 April 2004.

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.

Accounting Policies continued

Other accounting policies continued

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 and the changes in value of the borrowings are recognised in the Consolidated Statement of Comprehensive Income and accumulated in the Translation reserve. The ineffective part of any change in value caused by changes in exchange rates is recognised in the Consolidated Income Statement.

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 are 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.

Other accounting policies continued

Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of the cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Contingent liabilities are disclosed where a possible obligation dependent on uncertain future events exists as at the end of the reporting period or a present obligation for which payment either cannot be measured or is not considered to be probable is noted. Contingent liabilities are not accrued for and no contingent liability is disclosed where the possibility of payment is considered to be remote.

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 presented net of direct production costs, production overheads, selling costs, distribution costs and administrative expenditure (see note 6). Operating profit is stated after charging restructuring costs but before the share of results of associates, profit or loss on disposal of operations, finance income and finance costs.

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.

Finance income and expenses

The Group recognises Interest income or expense using the effective interest rate method. Finance income and finance costs include:

- Interest payable on loans and borrowings
- Net interest charge on pension plan liabilities
- Amortisation of finance costs
- Interest receivable in respect of cash and cash equivalents
- Unwinding of the discount on provisions
- Fair value movements on derivative financial instruments

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 reviewed each month by the Group Chief Executive.

Segment revenue and results

	Revenue (all continuing operations)	
	Year ended 31 March 2018 £000	52 weeks to 1 April 2017 £000
Process Safety	184,552	167,007
Infrastructure Safety	348,763	315,219
Medical	283,758	260,576
Environmental & Analysis	259,411	219,118
Inter-segmental sales	(273)	(258)
Revenue for the year	1,076,211	961,662

Inter-segmental sales are charged at prevailing market prices and have not been disclosed separately by segment as they are not considered material. Revenue derived from the rendering of services was £49,622,000 (2017: £39,011,000). All revenue was otherwise derived from the sale of products.

	Profit (all continuing operations)	
	Year ended 31 March 2018 £000	52 weeks to 1 April 2017 £000
Segment profit before allocation of adjustments*		
Process Safety	43,350	40,243
Infrastructure Safety	73,295	65,129
Medical	66,981	66,704
Environmental & Analysis	55,024	41,698
	238,650	213,774
Segment profit after allocation of adjustments*		
Process Safety	39,411	36,243
Infrastructure Safety	65,164	60,342
Medical	44,673	45,804
Environmental & Analysis	47,674	35,084
Segment profit	196,922	177,473
Central administration costs	(15,255)	(10,484)
Net finance expense	(9,718)	(9,286)
Group profit before taxation	171,949	157,703
Taxation	(17,721)	(28,014)
Profit for the year	154,228	129,689

* Adjustments include the amortisation and impairment of acquired intangible assets; acquisition items; restructuring costs; and profit or loss on disposal of operations. Note 3 provides more information on alternative performance measures.

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 Group Chief Executive for the purpose of allocation of resources and assessment of segment performance. These adjustments are analysed as follows:

	Year ended 31 March 2018							
	Amortisation and impairment of acquired intangible assets £000	Acquisition items				Total amortisation charge and acquisition items £000	Disposal of operations and restructuring (note 29) £000	Total £000
		Transaction costs £000	Adjustments to contingent consideration £000	Release of fair value adjustments to inventory £000				
Process Safety	(3,939)	-	-	-	(3,939)	-	(3,939)	
Infrastructure Safety	(5,178)	(814)	-	(2,139)	(8,131)	-	(8,131)	
Medical	(18,446)	(1,001)	(3,252)	(328)	(23,027)	719	(22,308)	
Environmental & Analysis	(7,105)	(805)	1,535	(975)	(7,350)	-	(7,350)	
Total Segment & Group	(34,668)	(2,620)	(1,717)	(3,442)	(42,447)	719	(41,728)	

The transaction costs arose mainly on the acquisitions during the period of Setco, S.A. (Setco) (£114,000) and Argus Security S.r.l. and Sterling Safety Systems Limited (together 'Argus') (£700,000) within Infrastructure Safety, Cas Medical Systems Inc's Non-Invasive Blood Pressure Monitoring product line (CasMed NIBP) (£374,000) and Cardios Sistemas Comercial e Industrial Ltda and Cardio Dinamica Ltda (together 'Cardios') (£538,000) within Medical, and Mini-Cam Enterprises Limited and subsidiaries (Mini-Cam) (£805,000) within Environmental & Analysis. See note 24 for further detail on the acquisitions.

The £1,717,000 adjustment to contingent consideration comprises: a debit of £2,564,000 in Medical arising from a change in estimate of the payable for CasMed NIBP (£725,000) and Visiometrics S.L (£1,839,000), offset by a credit of £1,535,000 in Environmental & Analysis arising from a change in estimate of the payable for FluxData. Exchange differences on the payable for Visiometrics S.L which is denominated in Euros, and for Cardios which is denominated in Brazilian Reals, contributes a further debit of £688,000 in Medical.

The £3,442,000 release of fair value adjustments to inventory relates to Firetrace (£1,370,000), Argus (£615,000) and Setco (£154,000) within Infrastructure Safety, Cardios (£328,000) within Medical, and Mini-Cam (£875,000) and FluxData (£100,000) within Environmental & Analysis. All amounts have now been released in relation to Argus, Setco, Cardios and FluxData.

52 weeks to 1 April 2017

	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 and restructuring (note 29) £000	Total £000
Process Safety	(4,000)	-	-	-	(4,000)	-	(4,000)
Infrastructure Safety	(4,784)	(3)	-	-	(4,787)	-	(4,787)
Medical	(30,702)	(95)	10,687	(790)	(20,900)	-	(20,900)
Environmental & Analysis	(4,412)	(265)	14	(41)	(4,704)	(1,910)	(6,614)
Total Segment & Group	(43,898)	(363)	10,701	(831)	(34,391)	(1,910)	(36,301)

Included within amortisation and impairment of acquired intangible assets in the Medical sector was £12,429,000 impairment to a customer relationship asset of Visiometrics and related to this impairment a credit arising from a revision to the estimate of the deferred contingent consideration payable of £10,087,000 (£12,002,000) payable on sales to the same customer.

The remaining credit to contingent consideration related to the changed estimate to the payable for Value Added Solutions LLC (VAS) by £356,000, and for ASL Holdings Limited (ASL) by £14,000 on final settlement of the payable, and a credit of £244,000 arising from exchange differences on the Visiometrics payable which is denominated in Euros. The transaction costs arose mainly on the acquisition of FluxData on 6 January 2017.

The £831,000 charge related to the release of the fair value adjustment on revaluing the inventories of CenTrak (£790,000) and FluxData (£41,000) on acquisition. The £1,910,000 charge related to inventory and fixed asset write downs and severance costs arising on the restructuring of non-core operations in one of the Group's subsidiaries, Pixelteq.

Notes to the Accounts continued

1 Segmental analysis continued

Segment assets and liabilities

	Assets		Liabilities	
	31 March 2018 £000	1 April 2017 £000	31 March 2018 £000	1 April 2017 £000
Before goodwill, interest in associate and acquired intangible assets are allocated to specific segment assets/liabilities				
Process Safety	79,674	75,319	22,074	16,831
Infrastructure Safety	144,701	134,258	53,576	49,127
Medical	115,567	110,050	39,599	40,433
Environmental & Analysis	107,744	94,199	37,313	35,037
Total segment assets/liabilities excluding goodwill, interest in associate and acquired intangible assets	447,686	413,826	152,562	141,428
Goodwill	632,162	603,553	-	-
Interest in associate	3,993	3,553	-	-
Acquired intangible assets	199,014	200,071	-	-
Total segment assets/liabilities including goodwill, interest in associate and acquired intangible assets	1,282,855	1,221,003	152,562	141,428

	Assets		Liabilities	
	31 March 2018 £000	1 April 2017 £000	31 March 2018 £000	1 April 2017 £000
After goodwill, interest in associate and acquired intangible assets are allocated to specific segment assets/liabilities				
Process Safety	163,157	172,521	22,074	16,831
Infrastructure Safety	336,973	304,502	53,576	49,127
Medical	473,703	500,406	39,599	40,433
Environmental & Analysis	309,022	243,574	37,313	35,037
Total segment assets/liabilities including goodwill, interest in associate and acquired intangible assets	1,282,855	1,221,003	152,562	141,428
Cash and bank balances/borrowings	70,721	66,827	291,055	263,269
Derivative financial instruments	705	598	223	315
Other unallocated assets/liabilities	92,575	114,555	174,619	219,334
Total Group	1,446,856	1,402,983	618,459	624,346

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 Group Chief Executive for the purpose of monitoring segment performance and allocating resources between segments. Other unallocated assets include land and buildings, tax assets and other central assets. Unallocated liabilities include contingent purchase consideration, retirement benefit obligations, tax liabilities and other central liabilities.

1 Segmental analysis continued
Other segment information

	Additions to non-current assets		Depreciation, amortisation and impairment	
	Year ended 31 March 2018 £000	52 weeks to 1 April 2017 £000	Year ended 31 March 2018 £000	52 weeks to 1 April 2017 £000
Process Safety	4,343	5,865	8,683	8,635
Infrastructure Safety	49,024	10,350	14,570	13,166
Medical	23,992	11,080	25,400	37,133
Environmental & Analysis	82,481	26,460	13,736	10,903
Total segment additions/depreciation, amortisation and impairment	159,840	53,755	62,389	69,837
Unallocated	708	616	655	670
Total Group	160,548	54,371	63,044	70,507

Non-current asset additions comprise acquired and purchased goodwill, other intangible assets and property, plant and equipment.

During the year an impairment loss on intangible assets of £707,000 was recognised in Infrastructure Safety (2017: £12,429,000 and £98,000 in Medical and Infrastructure Safety respectively).

An impairment loss on tangible assets of £24,000 was recognised during the year in Environmental & Analysis (2017: £334,000 in 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	
	Year ended 31 March 2018 £000	52 weeks to 1 April 2017 £000	31 March 2018 £000	1 April 2017 £000
United States of America	374,007	345,295	557,663	644,258
Mainland Europe	237,716	210,342	251,873	216,669
United Kingdom	173,277	154,920	119,965	51,057
Asia Pacific	174,918	151,626	32,605	35,494
Africa, Near and Middle East	69,715	60,765	33	49
Other countries	46,578	38,714	12,305	25
	1,076,211	961,662	974,444	947,552

Non-current assets comprise goodwill, intangible assets, interest in associate and property, plant and equipment.

Information about major customers

No single customer accounts for more than 2% (2017: 2%) of the Group's revenue.

Notes to the Accounts continued

2 Earnings per ordinary share

Basic and diluted earnings per ordinary share are calculated using the weighted average of 378,987,354 shares in issue during the year (net of shares purchased by the Company and held as Own shares) (2017: 378,685,730). There are no dilutive or potentially dilutive ordinary shares.

Adjusted earnings are calculated as earnings from continuing operations excluding the amortisation and impairment of acquired intangible assets; acquisition items; restructuring costs; profit or loss on disposal of operations; the associated taxation thereon; and the effect of the US tax reform measures. The Directors consider that adjusted earnings, which constitute an alternative performance measure, represent a more consistent measure of underlying performance. A reconciliation of earnings and the effect on basic and diluted earnings per share figures is as follows:

	Year ended 31 March 2018 £000	52 weeks to 1 April 2017 £000	Per ordinary share	
			Year ended 31 March 2018 pence	52 weeks to 1 April 2017 pence
Earnings from continuing operations	154,228	129,689	40.69	34.25
Amortisation of acquired intangible assets (after tax)	25,988	21,452	6.85	5.66
Impairment of acquired intangible assets (after tax)	-	9,322	-	2.46
Acquisition transaction costs (after tax)	2,452	240	0.65	0.06
Adjustments to contingent consideration (after tax)	1,919	(10,650)	0.51	(2.81)
Release of fair value adjustments to inventory (after tax)	2,613	569	0.69	0.15
Disposal of operations and restructuring (after tax)	(719)	1,648	(0.19)	0.44
Impact of US tax reform measures (note 21)	(14,947)	-	(3.94)	-
Adjusted earnings	171,534	152,270	45.26	40.21

3 Alternative performance measures

The Board uses certain alternative performance measures to help it effectively monitor the performance of the Group. The Directors consider that these represent a more consistent measure of underlying performance by removing non-trading items that are not closely related to the Group's trading or operating cash flows. These measures include Return on Total Invested Capital (ROTIC), Return on Capital Employed (ROCE), organic growth at constant currency, Adjusted operating profit and Adjusted operating cash flow.

Return on Total Invested Capital

	31 March 2018 £000	1 April 2017 £000
Profit after tax	154,228	129,689
Adjustments ¹	17,306	22,581
Adjusted profit after tax¹	171,534	152,270
Total shareholders' funds	828,397	778,637
Add back retirement benefit obligations	53,896	74,856
Less associated deferred tax assets	(9,765)	(13,947)
Cumulative amortisation of acquired intangible assets	191,013	168,031
Historical adjustments to goodwill ²	89,549	89,549
Total Invested Capital	1,153,090	1,097,126
Average Total Invested Capital³	1,125,108	994,099
Return on Total Invested Capital (ROTIC)⁴	15.2%	15.3%

3 Alternative performance measures continued

Return on Capital Employed

	31 March 2018 £000	1 April 2017 £000
Profit before tax	171,949	157,703
Adjustments ¹	41,728	36,301
Net finance costs	9,718	9,286
Adjusted operating profit¹ after share of results of associates	223,395	203,290
Computer software costs within intangible assets	4,680	4,466
Capitalised development costs within intangible assets	29,936	28,782
Other intangibles within intangible assets	932	1,111
Property, plant and equipment	103,727	106,016
Inventories	127,966	118,780
Trade and other receivables	235,184	212,236
Trade and other payables	(149,600)	(135,257)
Current provisions	(8,834)	(6,776)
Net tax liabilities	(11,316)	(15,931)
Non-current trade and other payables	(12,621)	(10,780)
Non-current provisions	(23,072)	(16,917)
Add back contingent purchase consideration	25,013	16,444
Capital Employed	321,995	302,174
Average Capital Employed³	312,085	280,411
Return on Capital Employed (ROCE)⁴	71.6%	72.5%

1 Adjustments include the amortisation and impairment of acquired intangible assets; acquisition items; restructuring costs; and profit or loss on disposal of operations. Where after-tax measures, these also include the associated taxation on adjusting items and the effect of the US tax reform measures.

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

3 The ROTIC and ROCE measures are expressed as a percentage of the average of the current and prior year's Total Invested Capital and Capital Employed respectively. Using an average as the denominator is considered to be more representative. The March 2016 Total Invested Capital and Capital Employed balances were £891,071,000 and £258,648,000 respectively.

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

Notes to the Accounts continued

3 Alternative performance measures continued

Organic growth at constant currency

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

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

The results of disposals are removed from the prior period reported revenue and profit before taxation.

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

Organic growth at constant currency has been calculated for the Group as follows:

Group	Revenue			Adjusted profit* before taxation		
	Year ended 31 March 2018 £000	52 weeks to 1 April 2017 £000	% growth	Year ended 31 March 2018 £000	52 weeks to 1 April 2017 £000	% growth
Continuing operations	1,076,211	961,662	11.9%	213,677	194,004	10.1%
Acquired revenue/profit	(19,306)			(2,930)		
Organic growth	1,056,905	961,662	9.9%	210,747	194,004	8.6%
Constant currency adjustment	249			(205)		
Organic growth at constant currency	1,057,154	961,662	9.9%	210,542	194,004	8.5%

Sector Organic growth at constant currency

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

Process Safety	Revenue			Adjusted* segment profit		
	Year ended 31 March 2018 £000	52 weeks to 1 April 2017 £000	% growth	Year ended 31 March 2018 £000	52 weeks to 1 April 2017 £000	% growth
Continuing operations	184,552	167,007	10.5%	43,350	40,243	7.7%
Acquisition and currency adjustments	34			159		
Organic growth at constant currency	184,586	167,007	10.5%	43,509	40,243	8.1%

Infrastructure Safety	Revenue			Adjusted* segment profit		
	Year ended 31 March 2018 £000	52 weeks to 1 April 2017 £000	% growth	Year ended 31 March 2018 £000	52 weeks to 1 April 2017 £000	% growth
Continuing operations	348,763	315,219	10.6%	73,295	65,129	12.5%
Acquisition and currency adjustments	(7,839)			(1,793)		
Organic growth at constant currency	340,924	315,219	8.2%	71,502	65,129	9.8%

3 Alternative performance measures continued

Sector Organic growth at constant currency continued

Medical	Revenue			Adjusted* segment profit		
	Year ended 31 March 2018 £000	52 weeks to 1 April 2017 £000	% growth	Year ended 31 March 2018 £000	52 weeks to 1 April 2017 £000	% growth
Continuing operations	283,758	260,576	8.9%	66,981	66,704	0.4%
Acquisition and currency adjustments	(4,443)			(554)		
Organic growth at constant currency	279,315	260,576	7.2%	66,427	66,704	(0.4%)

Environmental & Analysis	Revenue			Adjusted* segment profit		
	Year ended 31 March 2018 £000	52 weeks to 1 April 2017 £000	% growth	Year ended 31 March 2018 £000	52 weeks to 1 April 2017 £000	% growth
Continuing operations	259,411	219,118	18.4%	55,024	41,698	32.0%
Acquisition and currency adjustments	(6,809)			(1,860)		
Organic growth at constant currency	252,602	219,118	15.3%	53,164	41,698	27.5%

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

Adjusted operating profit

	Year ended 31 March 2018 £000	52 weeks to 1 April 2017 £000
Operating profit	181,258	167,070
Add back:		
Acquisition items (note 1)	7,779	(9,507)
Loss on restructuring	-	1,910
Amortisation of acquired intangible assets	34,668	31,469
Impairment of acquired intangible assets	-	12,429
Adjusted operating profit	223,705	203,371

Adjusted operating cash flow

	Year ended 31 March 2018 £000	52 weeks to 1 April 2017 £000
Net cash from operating activities (note 25)	173,250	172,493
Add back:		
Net acquisition costs	2,620	363
Taxes paid	41,104	33,188
Proceeds from sale of property, plant and equipment	1,750	1,495
Share awards vested not settled by Own shares*	3,346	3,309
Less:		
Purchase of property, plant and equipment	(20,202)	(21,875)
Purchase of computer software and other intangibles	(2,055)	(2,760)
Development costs capitalised	(9,403)	(10,731)
Adjusted operating cash flow	190,410	175,482
Cash conversion % (adjusted operating cash flow/adjusted operating profit)	85%	86%

* See Consolidated Statement of Changes in Equity

Notes to the Accounts continued

4 Finance income

	Year ended 31 March 2018 £000	52 weeks to 1 April 2017 £000
Interest receivable	255	211
Fair value movement on derivative financial instruments	40	283
	295	494

5 Finance expense

	Year ended 31 March 2018 £000	52 weeks to 1 April 2017 £000
Interest payable on borrowings	6,970	6,977
Amortisation of finance costs	970	1,040
Net interest charge on pension plan liabilities	1,708	1,553
Other interest payable	215	126
	9,863	9,696
Fair value movement on derivative financial instruments	64	53
Unwinding of discount on provisions	86	31
	10,013	9,780

6 Profit before taxation

Profit before taxation comprises:

	Year ended 31 March 2018 £000	52 weeks to 1 April 2017 £000
Revenue	1,076,211	961,662
Direct materials/direct labour	(392,890)	(342,514)
Production overhead	(116,557)	(108,838)
Selling costs	(140,181)	(133,896)
Distribution costs	(22,700)	(19,768)
Administrative expenses	(222,625)	(189,576)
Operating profit	181,258	167,070
Share of results of associate	(310)	(81)
Profit on disposal of operations	719	-
Net finance expense	(9,718)	(9,286)
Profit before taxation	171,949	157,703

Included within administrative expenses are the amortisation and impairment of acquired intangible assets, transaction costs, adjustments to contingent consideration and, in the prior year, the impairment of fixed assets on restructuring. Included within direct materials/direct labour are both the release of fair value adjustments to inventory and the impairment of inventory on restructuring in the prior year.

6 Profit before taxation continued

	Year ended 31 March 2018 £000	52 weeks to 1 April 2017 £000
Profit before taxation is stated after charging/(crediting):		
Depreciation	18,944	17,798
Amortisation	43,369	39,848
Impairment of intangible assets	707	12,527
Restructuring costs (note 29)	-	1,910
Research and development*	47,053	39,851
Foreign exchange loss	2,678	773
Profit on disposal of operations (note 29)	(719)	-
(Profit)/loss on sale of property, plant and equipment and computer software	(544)	138
Cost of inventories recognised as an expense	514,997	458,588
Staff costs (note 7)	303,625	272,758
Auditors' remuneration		
Audit services to the Company	260	211
Audit of the Company's subsidiaries	921	806
Total audit fees	1,181	1,017
Interim review	60	61
Tax compliance services	186	2
Tax advisory services	-	58
Other services	-	4
Total non-audit fees	246	125
Audit of Group pension plans	-	17
Total fees	1,427	1,159
Operating lease rentals:		
Property	13,396	12,671
Other	748	835

* A further £9,403,000 (2017: £10,731,000) 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:

	Year ended 31 March 2018 Number	52 weeks to 1 April 2017 Number
United States of America	1,940	1,917
Mainland Europe	933	848
United Kingdom	2,151	2,000
Asia Pacific	1,014	984
Other countries	75	22
	6,113	5,771

Notes to the Accounts continued

7 Employee information continued

The average number of persons employed by the Group (including Directors) by employee location was:

	Year ended 31 March 2018 Number	52 weeks to 1 April 2017 Number
United States of America	2,038	1,779
Mainland Europe	909	814
United Kingdom	2,041	2,135
Asia Pacific	1,038	984
Other countries	87	59
	6,113	5,771

Group employee costs comprise:

	Year ended 31 March 2018 £000	52 weeks to 1 April 2017 £000
Wages and salaries	249,562	224,852
Social security costs	35,111	31,304
Pension costs (note 28)	10,121	9,864
Share-based payment charge (note 23)	8,831	6,738
	303,625	272,758

8 Directors' remuneration

The remuneration of the Directors is set out on pages 97 to 106 within the Remuneration Report described as being audited and forms part of these financial statements.

Directors' remuneration comprises:

	Year ended 31 March 2018 £000	52 weeks to 1 April 2017 £000
Wages, salaries and fees	3,796	2,859
Pension costs	14	16
Share-based payment charge	2,593	1,781
	6,403	4,656

9 Taxation

	Year ended 31 March 2018 £000	52 weeks to 1 April 2017 £000
Current tax		
UK corporation tax at 19% (2017: 20%)	9,809	9,282
Overseas taxation	29,075	27,525
Adjustments in respect of prior years	(291)	(2,041)
Total current tax charge	38,593	34,766
Deferred tax		
Origination and reversal of timing differences	(6,230)	(7,365)
Changes in tax rate – US tax reform measures	(14,947)	–
Adjustments in respect of prior years	305	613
Total deferred tax credit	(20,872)	(6,752)
Total tax charge recognised in the Consolidated Income Statement	17,721	28,014
Reconciliation of the effective tax rate:		
Profit before tax	171,949	157,703
Tax at the UK corporation tax rate of 19% (2017: 20%)	32,670	31,541
Overseas tax rate differences	12,756	9,230
Effect of US tax reform measures	(14,947)	–
Effect of intra-group financing	(7,937)	(6,095)
Tax incentives, exemptions and credits (including patent box, R&D and High-Tech status)	(4,575)	(3,461)
Permanent differences	(260)	(1,773)
Adjustments in respect of prior years	14	(1,428)
	17,721	28,014
Effective tax rate	10.3%	17.8%

	Year ended 31 March 2018 £000	52 weeks to 1 April 2017 £000
Adjusted* profit before tax	213,677	194,004
Total tax charge on adjusted* profit	42,143	41,734
Effective tax rate	19.7%	21.5%

* Adjustments include the amortisation and impairment of acquired intangible assets; acquisition items; restructuring costs; and profit or loss on disposal of operations. Note 3 provides more information on alternative performance measures.

The Group's future Effective Tax Rate (ETR) will mainly depend on the geographic mix of profits and whether there are any changes to tax legislation in the Group's most significant countries of operations. Phased reductions in the UK corporation tax rate to 19% (from 1 April 2017) and 17% (from 1 April 2020) have been substantively enacted which have impacted the ETR in the current period.

A reduction in the US federal corporate income tax rate from 35% to 21%, effective from 1 January 2018, was enacted as part of the US Tax Cuts and Jobs Act on 22 December 2017. 'Effect of US tax reform measures', above, refers to the one-off deferred tax credit of £14,947,000 (see note 21 Deferred Tax) arising from the re-measurement of deferred tax balances at a lower blended federal and state tax rate, with a federal tax element of 21%. This has been recognised as a credit in adjusting items in the Consolidated Income Statement.

The Group does not expect the future ETR to be materially impacted by the changes to the international tax landscape resulting from the package of measures developed under the OECD Base Erosion and Profit Shifting project and the investigations and proposals of the European Commission.

Notes to the Accounts continued

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:

	Year ended 31 March 2018 £000	52 weeks to 1 April 2017 £000
Deferred tax (note 21)		
Retirement benefit obligations	2,453	(6,082)
Short-term timing differences	(15)	233
	2,438	(5,849)

In addition to the amounts charged to the Consolidated Income Statement and the Consolidated Statement of Comprehensive Income and Expenditure, the following amounts relating to tax have been recognised directly in equity:

	Year ended 31 March 2018 £000	52 weeks to 1 April 2017 £000
Current tax		
Excess tax deductions related to share-based payments on exercised awards	1,048	1,135
Deferred tax (note 21)		
Change in estimated excess tax deductions related to share-based payments	(449)	65
	599	1,200

10 Dividends

	Per ordinary share			
	Year ended 31 March 2018 pence	52 weeks to 1 April 2017 pence		
Amounts recognised as distributions to shareholders in the year				
Final dividend for the 52 weeks to 1 April 2017 (2 April 2016)	8.38	7.83	31,734	29,606
Interim dividend for the year ended 31 March 2018 (52 weeks to 1 April 2017)	5.71	5.33	21,641	20,182
	14.09	13.16	53,375	49,788
Dividends declared in respect of the year				
Interim dividend for the year ended 31 March 2018 (52 weeks to 1 April 2017)	5.71	5.33	21,641	20,182
Proposed final dividend for the year ended 31 March 2018 (52 weeks to 1 April 2017)	8.97	8.38	33,998	31,734
	14.68	13.71	55,639	51,916

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 19 July 2018 and has not been included as a liability in these financial statements.

11 Goodwill

	31 March 2018 £000	1 April 2017 £000
Cost		
At beginning of year	603,553	542,097
Additions (note 24)	72,667	5,273
Exchange adjustments	(44,058)	56,183
At end of year	632,162	603,553
Provision for impairment		
At beginning and end of year	-	-
Carrying amounts	632,162	603,553

The Group identifies cash generating units (CGUs) at the operating company level as this represents the lowest level at which cash inflows are largely independent of other cash inflows. 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:

	31 March 2018 £000	1 April 2017 £000
Process Safety		
Gas Detection	-	-
Bursting Discs	8,232	9,251
Safety Interlocks and Corrosion Monitoring	54,964	60,975
	63,196	70,226
Infrastructure Safety		
Fire	63,325	53,664
Doors, Security and Elevators	80,355	71,859
	143,680	125,523
Medical		
Health Optics	170,265	172,923
Fluid Technology	38,134	41,333
Sensor Technologies	65,720	73,857
	274,119	288,113
Environmental & Analysis		
Water	71,295	30,405
Photonics	66,652	74,430
Environmental Monitoring	13,220	14,856
	151,167	119,691
Total Group	632,162	603,553

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. Further details are overleaf.

Notes to the Accounts continued

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 2019;
- 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 2019 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 2019 budget to derive the cash flows arising in the years to March 2020 and March 2021. A long-term rate is applied to these values for the year to March 2022 and onwards.

Short-term growth rates for years 2020 and 2021 for all CGU groups, with the exception of Sensor Technologies, are based on sector strategic plans. Long-term growth rates are capped at the weighted average GDP growth rates of the markets that the CGU Group sells into.

Short-term growth rates for Sensor Technologies are applied out to 2023, based on CGU specific revenue growth rates and margins which reflect the acquisition case updated for latest expectations of performance. These CGU specific growth rates reflect the rapid growth potential of this early stage life-cycle, technology-based business through further penetration into the USA, internationally and, in the longer term, through new applications in other sectors. Long-term growth rates thereafter are capped at the weighted average GDP growth rates of the markets that the CGU sells into.

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 9.42% (2017: 9.04%). 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). 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 8.32% to 12.04% (2017: 8.75% to 12.50%) 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:

Significant CGU groups	Risk adjusted discount rate		Short-term growth rates		Long-term growth rates	
	31 March 2018	1 April 2017	31 March 2018	1 April 2017	31 March 2018	1 April 2017
Safety Interlocks and Corrosion Monitoring	11.34%	11.15%	5.00%	8.23%	2.71%	2.60%
Doors, Security and Elevators	12.04%	11.08%	8.10%	6.93%	1.95%	1.98%
Health Optics	11.63%	12.50%	7.50%	5.15%	2.29%	2.14%
Sensor Technologies	10.65%	12.46%	20.00%	20.00%	2.00%	2.00%
Photonics	9.55%	9.67%	7.50%	19.29%	1.77%	1.85%

Sensitivity to changes in assumptions

In Sensor Technologies, if future growth was not as currently forecast this could result in the value in use of goodwill falling below its carrying value. For this to happen, forecast revenue growth to 2023 would have to fall to 3% and to 2% thereafter. For all other CGU groups, management believes that no reasonably possible 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				Internally generated capitalised development costs ⁴	Computer software	Other intangibles ⁵	Total
	Customer and supplier relationship ¹	Technical know-how ²	Trademarks, brands and patents ³	Total				
	£000	£000	£000	£000	£000	£000	£000	£000
Cost								
At 3 April 2016	218,699	50,979	50,796	320,474	57,475	15,054	1,621	394,624
Transfer between category	-	-	-	-	(161)	18	-	(143)
Assets of businesses acquired	7,240	6,250	-	13,490	-	25	-	13,515
Additions at cost	-	-	-	-	10,731	2,479	281	13,491
Disposals and retirements	-	-	-	-	(122)	(662)	-	(784)
Exchange adjustments	23,409	5,158	5,571	34,138	2,940	1,007	179	38,264
At 1 April 2017	249,348	62,387	56,367	368,102	70,863	17,921	2,081	458,967
Transfer between category	-	-	-	-	(49)	31	-	(18)
Assets of businesses acquired (note 24)	28,626	18,366	6,032	53,024	490	65	-	53,579
Additions at cost	-	-	-	-	9,403	1,915	140	11,458
Disposals and retirements	-	-	-	-	(119)	(449)	-	(568)
Exchange adjustments	(20,605)	(5,964)	(4,530)	(31,099)	(2,161)	(801)	(182)	(34,243)
At 31 March 2018	257,369	74,789	57,869	390,027	78,427	18,682	2,039	489,175
Accumulated amortisation								
At 3 April 2016	75,496	13,019	23,963	112,478	33,935	11,839	718	158,970
Transfer between category	-	-	-	-	(38)	4	-	(34)
Charge for the year	21,851	5,224	4,394	31,469	6,768	1,432	179	39,848
Impairment	12,429	-	-	12,429	98	-	-	12,527
Disposals and retirements	-	-	-	-	(98)	(646)	-	(744)
Exchange adjustments	8,351	895	2,409	11,655	1,416	826	73	13,970
At 1 April 2017	118,127	19,138	30,766	168,031	42,081	13,455	970	224,537
Transfer between category	-	-	-	-	-	17	-	17
Charge for the year	22,617	7,772	4,279	34,668	6,852	1,633	216	43,369
Impairment	-	-	-	-	707	-	-	707
Disposals and retirements	-	-	-	-	-	(438)	-	(438)
Exchange adjustments	(8,546)	(1,391)	(1,749)	(11,686)	(1,149)	(665)	(79)	(13,579)
At 31 March 2018	132,198	25,519	33,296	191,013	48,491	14,002	1,107	254,613
Carrying amounts								
At 31 March 2018	125,171	49,270	24,573	199,014	29,936	4,680	932	234,562
At 1 April 2017	131,221	43,249	25,601	200,071	28,782	4,466	1,111	234,430

Notes to the Accounts continued

12 Other intangible assets continued

- 1 Customer and supplier relationship assets are amortised over their useful economic lives estimated to be between three and twenty years. Within this balance individually material balances relate to:

- a. RCS: £10,630,000 (2017: £13,910,000);
- b. Firetrace: £11,900,000 (2017: £14,637,000) and £11,881,000 (2017: £15,380,000);
- c. CenTrak: £17,163,000 (2017: £20,782,000); and
- d. Mini-Cam: £16,005,000 (2017: £nil).

The remaining amortisation periods for these assets are seven years, eleven years, seven years, thirteen years, and ten years respectively.

- 2 Technical know-how assets are amortised over their useful economic lives, estimated to be between three and fifteen years. Within this balance the only individually material item relates to CenTrak £13,978,000 (2017: £17,672,000). The remaining amortisation period for this asset is eight years.
- 3 Trademarks, brands and patents (which include protected intellectual property) are amortised over their useful economic lives estimated to be between eight and twenty 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 £000	Long leases £000	Short leases £000		
Cost					
At 3 April 2016	45,299	5,440	10,703	150,813	212,255
Transfer between category/from inventory	-	-	129	403	532
Assets of businesses acquired	-	-	31	186	217
Additions at cost	2,063	212	590	19,010	21,875
Disposals and retirements	-	(1)	(174)	(8,425)	(8,600)
Exchange adjustments	2,609	515	737	10,624	14,485
At 1 April 2017	49,971	6,166	12,016	172,611	240,764
Transfer between category	(40)	886	38	(937)	(53)
Assets of businesses acquired (note 24)	989	-	146	1,507	2,642
Additions at cost	395	890	676	18,241	20,202
Disposals and retirements	(372)	(20)	(97)	(9,290)	(9,779)
Exchange adjustments	(1,793)	(560)	(648)	(7,861)	(10,862)
At 31 March 2018	49,150	7,362	12,131	174,271	242,914
Accumulated depreciation					
At 3 April 2016	11,046	2,232	4,889	97,526	115,693
Transfer between category	-	-	15	137	152
Charge for the year	885	567	1,162	15,184	17,798
Impairment	-	-	-	334	334
Disposals and retirements	-	7	(169)	(6,899)	(7,061)
Exchange adjustments	709	219	293	6,611	7,832
At 1 April 2017	12,640	3,025	6,190	112,893	134,748
Transfer between category	(43)	641	28	(714)	(88)
Charge for the year	1,027	798	1,426	15,693	18,944
Impairment	-	-	-	24	24
Disposals and retirements	(218)	(16)	(97)	(8,335)	(8,666)
Exchange adjustments	(444)	(291)	(289)	(4,751)	(5,775)
At 31 March 2018	12,962	4,157	7,258	114,810	139,187
Carrying amounts					
At 31 March 2018	36,188	3,205	4,873	59,461	103,727
At 1 April 2017	37,331	3,141	5,826	59,718	106,016

During the year demonstration equipment with a net book value of £nil (2017: £271,000) was transferred from inventory to plant, equipment and vehicles.

Notes to the Accounts continued

14 Interest in associate

	31 March 2018 £000	1 April 2017 £000
Interest in associate		
At beginning of the year	3,553	3,722
Gain on deemed disposal (note 29)	719	–
Group's share of loss of associate before Group eliminations	(258)	(156)
Exchange adjustments	(21)	(13)
At end of year	3,993	3,553

	31 March 2018 £000	1 April 2017 £000
Aggregated amounts relating to associate		
Non-current assets	3,264	3,899
Current assets	5,162	4,248
Total assets	8,426	8,147
Non-current liabilities	(4,370)	(2,194)
Current liabilities	(2,203)	(2,369)
Total liabilities	(6,573)	(4,563)
Net assets	1,853	3,584
Group's share of net assets of associate	432	957
Total revenue	6,089	5,554
Loss	(969)	(584)
Loss after group eliminations*	(1,235)	(307)
Group's share of loss of associate	(258)	(156)
Group's share of loss of associate after Group eliminations*	(310)	(81)

* Group eliminations relate to profit on inventory held by the Group 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 share of the associate.

Details of the Group's associate held at 31 March 2018 are as follows:

Name of associate	Country of incorporation	Proportion of ownership interest	Principal activity
Optomed Oy	Finland	23.3%	Design, manufacture and selling

The Group owns 95,034 (2017: 95,034) Class A shares in Optomed out of a total of 407,385 (2017: 355,932) shares in issue (Class A and B shares). Each A and B share entitles the holder to one vote.

15 Inventories

	31 March 2018 £000	1 April 2017 £000
Raw materials and consumables	71,836	60,132
Work in progress	15,763	13,202
Finished goods and goods for resale	40,367	45,446
	127,966	118,780

The above is stated net of provision for slow-moving and obsolete stock, movements of which are shown below:

	31 March 2018 £000	1 April 2017 £000
At beginning of the year	17,386	15,447
Write downs of inventories recognised as an expense	3,304	3,602
Recognition of provisions for businesses acquired	1,166	185
Amounts reversed against inventories previously impaired and utilisation	(957)	(3,017)
Transfers between categories	-	(118)
Exchange adjustments	(1,141)	1,287
At end of the year	19,758	17,386

During the prior year, as described in note 29, inventory with a carrying value of £1,300,000 was written down and subsequently disposed of as part of the restructuring of non-core operations in Pixelteq.

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

	31 March 2018 £000	1 April 2017 £000
Trade receivables	213,608	192,066
Allowance for doubtful debts	(4,604)	(5,099)
	209,004	186,967
Other receivables	9,029	6,628
Prepayments	16,700	18,299
Accrued income	451	342
	235,184	212,236

Other receivables comprise various balances across the Group including acquisition consideration receivables (note 24), sales tax receivables and other non-trade balances.

Notes to the Accounts continued

16 Trade and other receivables continued

The movement in the allowance for doubtful debts in respect of trade receivables during the year was as follows:

	31 March 2018 £000	1 April 2017 £000
At beginning of the year	5,099	4,238
Net impairment loss recognised	580	1,045
Amounts recovered against trade receivables previously written down / amounts utilised	(1,198)	(371)
Recognition of provisions for businesses acquired	286	(46)
Exchange adjustments	(163)	233
At end of the year	4,604	5,099

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.

During the year, one large, previously provided for, debtor of £730,000 was written off.

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	
	31 March 2018 £000	1 April 2017 £000	31 March 2018 £000	1 April 2017 £000
Not yet due	158,333	139,447	157,761	138,899
Up to one month overdue	30,307	30,386	30,128	30,251
Up to two months overdue	8,047	8,025	7,879	7,709
Up to three months overdue	5,054	3,166	4,803	3,077
Over three months overdue	11,867	11,042	8,433	7,031
	213,608	192,066	209,004	186,967

17 Trade and other payables: falling due within one year

	31 March 2018 £000	1 April 2017 £000
Trade payables	77,497	73,422
Other taxation and social security	7,414	6,454
Other payables	3,875	4,468
Accruals	51,580	42,626
Deferred income	9,218	7,731
Deferred government grant income	16	115
	149,600	134,816

Other payables comprise various balances across the Group including share-based payments related amounts, deferred R&D expenditure tax credits and other non-trade payables.

18 Borrowings

	31 March 2018 £000	1 April 2017 £000
Loan notes falling due within one year	90	161
Overdrafts	1,052	1,190
Total borrowings falling due within one year	1,142	1,351
Unsecured loan notes falling due after more than one year	176,609	181,157
Unsecured bank loans falling due after more than one year	113,304	80,761
Total borrowings falling due after more than one year	289,913	261,918
	291,055	263,269

The loan notes falling due within one year, which relate to the previous acquisition of Advanced Electronics Limited ("Advanced"), were converted at par to cash on 19 May 2018. The remaining Advanced loan notes outstanding at the balance sheet date, totalling £86,000, are convertible at par to cash in May 2019 and are classified as due after more than one year.

The remainder of the loan notes falling due after more than one year relate to the United States Private Placement completed in November 2015.

Information concerning the security, currency, interest rates and maturity of the Group's borrowings is given in note 26.

19 Provisions

Provisions are presented as:

	31 March 2018 £000	1 April 2017 £000
Current	8,834	6,776
Non-current	23,072	16,917
	31,906	23,693

	Contingent purchase consideration £000	Dilapidations and vacant property £000	Product warranty £000	Legal, contractual and other £000	Total £000
At 2 April 2017	16,444	2,026	3,932	1,291	23,693
Unwinding of discount	86	-	-	-	86
Additional provision in the year	2,564	231	1,176	135	4,106
Arising on acquisition (note 24)	9,411	168	362	124	10,065
Utilised during the year	(989)	(104)	(262)	(829)	(2,184)
Released during the year	(1,535)	(124)	(680)	(149)	(2,488)
Exchange adjustments	(968)	(62)	(238)	(104)	(1,372)
At 31 March 2018	25,013	2,135	4,290	468	31,906

Notes to the Accounts continued

19 Provisions continued

Contingent purchase consideration

The provision at the beginning of the year comprised £1,048,000 falling due within one year relating to the previous acquisitions of VAS and FluxData and £15,396,000 falling due after one year, relating to the acquisitions of Visiometrics and FluxData.

The £9,411,000 addition arising on acquisition relates to the acquisitions during the year of CasMed NIBP, Cardios and Mini-Cam. See note 24.

The amount utilised during the year comprises £308,000 (US\$409,000) for the first earn out period for FluxData covering the three-month stub period to March 2017 and £278,000 (€336,000) representing the first year Royalty earn out on sales to a specific customer for Visiometrics. This was the only payment under the Royalty earn out arrangement. £403,000 was also paid as final settlement of the payable due for VAS.

The £2,564,000 additions relate to revisions to the estimates of the earn outs for CasMed NIBP (£725,000) and Visiometrics (£1,839,000). CasMed NIBP has exceeded expectations post-acquisition following a better than expected integration and return of buying patterns by a key customer. The remaining amount due for Visiometrics (£8,668,000) represents the final earn out period under the Core element which is payable on a multiple of EBITDA for each calendar year to December 2018. Due to the size of the multiple, this balance is sensitive to changes in business performance. Improvements in trading following a strategic review in the business under new management has led to an increase in the estimated provision. Any earn out amount will be released to the vendors subject to collection of all related outstanding debtors no later than 30 June 2019. Nothing was paid in relation to the second earn out period to December 2017.

The £1,535,000 release of provision relates to a revision to the estimate of the FluxData earn out to £6,384,000. This is as a result of a delay in a major project from a specific customer.

Of the closing total provision of £25,013,000, £3,697,000 is payable within one year. £3,160,000 payable for the second earn out period for FluxData is due for settlement, the remainder relates to the acquisition of Cardios. The balance due after more than one year comprises £1,327,000 payable for the year to March 2019 for the acquisition of CasMed NIBP, £3,224,000 payable for the final earn out period to March 2019 for FluxData, £8,097,000 payable over two earn out periods for the acquisition of Mini-Cam and £8,668,000 payable for the final earn out element of Visiometrics.

Dilapidations and vacant property

Dilapidations and vacant 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 2018 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.

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

	31 March 2018 £000	1 April 2017 £000
Other payables	1,539	516
Accruals	2,451	845
Deferred income	8,020	9,234
Deferred government grant income	611	626
	12,621	11,221

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 2 April 2017	13,947	(67,987)	(6,591)	1,418	3,123	12,835	(43,255)
(Charge)/credit to Consolidated Income Statement	(1,729)	29,028	1,969	(794)	440	(8,042)	20,872
(Charge)/credit to Consolidated Statement of Comprehensive Income	(2,453)	-	-	15	-	-	(2,438)
Charge to equity	-	-	-	-	(449)	-	(449)
Acquired (note 24)	-	(11,506)	(159)	156	-	-	(11,509)
Exchange adjustments	-	4,814	503	(700)	-	2,156	6,773
At 31 March 2018	9,765	(45,651)	(4,278)	95	3,114	6,949	(30,006)

	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 3 April 2016	9,619	(68,136)	(6,326)	1,219	2,639	12,043	(48,942)
(Charge)/credit to Consolidated Income Statement	(1,754)	13,111	426	(154)	419	(5,296)	6,752
(Charge)/credit to Consolidated Statement of Comprehensive Income	6,082	-	-	(233)	-	-	5,849
Credit to equity	-	-	-	-	65	-	65
Acquired	-	(5,126)	-	273	-	4,838	(15)
Exchange adjustments	-	(7,836)	(691)	313	-	1,250	(6,964)
At 1 April 2017	13,947	(67,987)	(6,591)	1,418	3,123	12,835	(43,255)

Notes to the Accounts continued

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:

	31 March 2018 £000	1 April 2017 £000
Deferred tax liability	(66,983)	(100,121)
Deferred tax asset	36,977	56,866
Net deferred tax liability	(30,006)	(43,255)

Movement in net deferred tax liability:

	31 March 2018 £000	1 April 2017 £000
At beginning of year	(43,255)	(48,942)
(Charge)/credit to Consolidated Income Statement:		
UK	(1,614)	(2,392)
Overseas	22,486	9,144
(Charge)/credit to Consolidated Statement of Comprehensive Income	(2,438)	5,849
(Charge)/credit to equity	(449)	65
Acquired (note 24)	(11,509)	(15)
Exchange adjustments	6,773	(6,964)
At end of year	(30,006)	(43,255)

Phased reductions in the UK corporation tax rate to 19% (effective from 1 April 2017) and 17% (effective from 1 April 2020) were substantively enacted in the UK Finance (No. 2) Act 2015 and UK Finance Act 2016, respectively.

A reduction in the US federal tax rate from 35% to 21%, effective from 1 January 2018, was enacted as part of the US Tax Cuts and Jobs Act on 22 December 2017. As a result, the US deferred tax assets and liabilities at 1 April 2017 have been re-measured based on the lower blended federal and state rate, with a federal tax element of 21%. This results in a reduction in the net deferred tax liability arising on the acquired intangible assets, accelerated tax depreciation, short-term timing difference and goodwill timing differences of £14,947,000, which has been recognised as a credit in the Consolidated Income Statement.

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, £36,197,000 (2017: £35,788,000) 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 £3,853,000 (2017: £3,595,000) of which only £732,000 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 31 March 2018 the Group had unused capital tax losses of £285,000 (2017: £318,000) for which no deferred tax asset has been recognised.

22 Share capital

	Issued and fully paid	
	31 March 2018 £000	1 April 2017 £000
Ordinary shares of 10p each	37,965	37,965

The number of ordinary shares in issue at 31 March 2018 was 379,645,332 (2017: 379,645,332), including treasury shares of 3,990 (2017: 462,188) and shares held by the Employee Benefit Trust of 631,991 (2017: 512,417).

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:

	Year ended 31 March 2018			52 weeks to 1 April 2017		
	Equity-settled £000	Cash-settled £000	Total £000	Equity-settled £000	Cash-settled £000	Total £000
Share incentive plan	716	-	716	691	-	691
Performance share plan	1,279	39	1,318	2,207	392	2,599
Executive share plan	6,596	201	6,797	3,211	237	3,448
	8,591	240	8,831	6,109	629	6,738

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 2016 fiscal 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 (ROTIC) 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:

	2018 Number of shares awarded	2017 Number of shares awarded
Outstanding at beginning of year	960,654	1,857,263
Converted to equity during the year	-	28,308
Vested during the year (pro-rated for 'good leavers')	(843,938)	(839,393)
Lapsed during the year	(116,716)	(85,524)
Outstanding at end of year	-	960,654
Exercisable at end of year	-	-

The weighted average share price at the date of awards vesting during the year was 1094.9p (2017: 1061.0p).

The performance shares outstanding at 1 April 2017 have fully vested during the current reporting period.

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.

Deferred share awards are made under this Plan as either performance awards or deferred awards. Performance awards vest after three years based on Earnings Per Share and Return on Total Invested Capital (ROTIC) targets, and after two or three years for deferred share awards based on continuing service of the employee only. Awards which do not vest, lapse on the second or third anniversary of their grant.

	2018 Number of shares awarded	2017 Number of shares awarded
Outstanding at beginning of year	1,694,812	772,947
Granted during the year	952,650	1,005,986
Lapsed during the year	(50,194)	(84,121)
Outstanding at end of year	2,597,268	1,694,812
Exercisable at end of year	-	-

The performance shares outstanding at 31 March 2018 had a weighted average remaining contractual life of 25 months (2017: 23 months).

Notes to the Accounts continued

23 Share-based payments continued

Executive share plan (ESP) continued

The fair value of the awards was calculated using an appropriate simulation method.

	2018	2017	2016
Expected life (years)	3	2	3
Share price on date of grant (p)	1,114.0	1,046.0	757.0
Option price (p)	Nil	Nil	Nil
Fair value per option (%)	100%	100%	100%
Fair value per option (p)	1,130.0	1,036.0	745.2

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.

During the year ended 31 March 2018, the Group made five acquisitions namely:

- Cas Medical Systems Inc's Non-Invasive Blood Pressure Monitoring product line (CasMed NIBP);
- Cardios Sistemas Comercial e Industrial Ltda and Cardio Dinamica Ltda (together 'Cardios');
- Mini-Cam Enterprises Limited and subsidiaries ('Mini-Cam');
- Setco S.A. (Setco); and
- Argus Security S.r.l. and Sterling Safety Systems Limited (together 'Argus').

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

- a) the total of acquisitions;
- b) CasMed NIBP, on a stand-alone basis;
- c) Cardios, on a stand-alone basis;
- d) Mini-Cam, on a stand-alone basis;
- e) Setco, on a stand-alone basis; and
- f) Argus, 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).

The combined fair value adjustments made for the acquisitions above under IFRS 3, excluding acquired intangible assets recognised and deferred taxation thereon, increased the goodwill recognised by £2,755,000 (2017: £541,000 reduction).

As at the date of approval of the financial statements, the acquisition accounting for FluxData (prior year acquisition) is complete. The accounting for all current year acquisitions is provisional; relating to finalisation of the valuation of acquired intangible assets, the initial consideration, which is subject to agreement of certain contractual adjustments, and certain other provisional balances.

24 Acquisitions continued

a) Total of acquisitions

	Total £000
Non-current assets	
Intangible assets	53,579
Property, plant and equipment	2,642
Deferred tax	413
Current assets	
Inventories	7,082
Trade and other receivables	8,673
Cash and cash equivalents	3,893
Total assets	76,282
Current liabilities	
Trade and other payables	(8,153)
Bank loans	(3,109)
Provisions	(654)
Corporation tax liabilities	(1,321)
Non-current liabilities	
Trade and other payables	(816)
Deferred tax	(11,922)
Total liabilities	(25,975)
Net assets of businesses acquired	50,307
Initial cash consideration paid	114,216
Additional amounts payable*	523
Amounts owed by vendors*	(1,176)
Contingent purchase consideration estimated to be paid (CasMed NIBP, Cardios, Mini-Cam)	9,411
Total consideration	122,974
Goodwill arising on acquisitions (current year)	72,667
Total goodwill	72,667

* Estimate in respect of net tangible asset adjustments payable/receivable, indemnity asset and adviser fees payable.

Analysis of cash outflow in the Consolidated Cash Flow Statement

	Year ended 31 March 2018 £000	52 weeks to 1 April 2017 £000
Initial cash consideration paid	114,216	9,878
Cash acquired on acquisitions	(3,893)	-
Initial cash consideration adjustment on current year acquisitions	55	-
Initial cash consideration adjustment on prior year acquisitions	183	(496)
Contingent consideration paid and loan notes repaid in cash in relation to prior year acquisitions*	1,150	590
Net cash outflow relating to acquisitions (per Consolidated Cash Flow Statement)	111,711	9,972

* The £1,150,000 comprises £161,000 loan notes and £989,000 contingent consideration paid in respect of prior period acquisitions all of which had been provided in the prior period's financial statements.

Notes to the Accounts continued

24 Acquisitions continued

b) CasMed NIBP, on a stand-alone basis

	Total £000
Non-current assets	
Intangible assets	2,866
Net assets of businesses acquired	2,866
Initial cash consideration paid	3,449
Contingent purchase consideration estimated to be paid	693
Total consideration	4,142
Goodwill arising on acquisition	1,276

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

The provision on acquisition of US\$905,000 (£693,000) represented the fair value of the estimated payable based on performance to date and the expectation of future cash flows subsequently. As a result of post-acquisition changes, this estimate has been increased by US\$962,000 (£725,000). See note 19. The earn-out is payable on the achievement of product net sales above a target threshold for the 24-month period to June 2019.

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

The excess of the fair value of the consideration paid over the fair value of the assets acquired is represented by customer related intangibles of £1,206,000; and technology related intangibles of £1,660,000; with residual goodwill arising of £1,276,000. The goodwill represents:

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

The CasMed NIBP acquisition contributed £1,911,000 of revenue and £415,000 of profit after tax for the year ended 31 March 2018.

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 £678,000 and £185,000 higher respectively.

Acquisition costs totalling £374,000 were recorded in the Consolidated Income Statement.

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

24 Acquisitions continued
c) Cardios, on a stand-alone basis

	Total £000
Non-current assets	
Intangible assets	6,817
Property, plant and equipment	145
Current assets	
Inventories	1,089
Trade and other receivables	1,756
Cash and cash equivalents	155
Total assets	9,962
Current liabilities	
Trade and other payables	(977)
Provisions	(195)
Non-current liabilities	
Deferred tax	(2,420)
Total liabilities	(3,592)
Net assets of businesses acquired	6,370
Initial cash consideration paid	12,423
Additional amounts payable*	23
Contingent purchase consideration estimated to be paid	621
Total consideration	13,067
Goodwill arising on acquisition	6,697

* Estimate in respect of net tangible asset adjustment payable.

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

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

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

The excess of the fair value of the consideration paid over the fair value of the assets acquired is represented by customer related intangibles of £927,000; trade name of £2,289,000 and technology related intangibles of £3,574,000; with residual goodwill arising of £6,697,000. The goodwill represents:

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

The Cardios acquisition contributed £4,117,000 of revenue and £184,000 of loss after tax for the year ended 31 March 2018.

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 £2,598,000 higher and £226,000 lower respectively.

Acquisition costs totalling £538,000 were recorded in the Consolidated Income Statement.

None of the goodwill arising on the Cardios acquisition is expected to be deductible for tax purposes.

Notes to the Accounts continued

24 Acquisitions continued

d) Mini-Cam, on a stand-alone basis

	Total £000
Non-current assets	
Intangible assets	30,107
Property, plant and equipment	660
Current assets	
Inventories	3,297
Trade and other receivables	1,984
Cash and cash equivalents	2,653
Total assets	38,701
Current liabilities	
Trade and other payables	(1,405)
Provisions	(100)
Corporation tax liabilities	(433)
Non-current liabilities	
Deferred tax	(5,960)
Total liabilities	(7,898)
Net assets of businesses acquired	30,803
Initial cash consideration paid	64,901
Contingent purchase consideration estimated to be paid	8,097
Total consideration	72,998
Goodwill arising on acquisition	42,195

On 31 October 2017, the Group acquired the entire share capital of Mini-Cam Enterprises Limited and its subsidiary companies for cash consideration of £64,901,000. Maximum deferred contingent consideration is payable of £23,100,000 based on a multiple of profit growth above a target annualised for the post-acquisition period to 31 March 2019 and then for the year to 31 March 2020. The provisional estimated value of contingent consideration payable is £8,097,000.

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

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 £16,701,000; trade name of £2,520,000, non-compete agreements of £4,979,000 and technology related intangibles of £5,895,000; with residual goodwill arising of £42,195,000. The goodwill represents:

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

The Mini-Cam acquisition contributed £5,234,000 of revenue and £1,998,000 of profit after tax for the year ended 31 March 2018.

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 £8,485,000 and £3,745,000 higher respectively.

Acquisition costs totalling £805,000 were recorded in the Consolidated Income Statement.

None of the goodwill arising on the Mini-Cam acquisition is expected to be deductible for tax purposes.

24 Acquisitions continued
e) Setco, on a stand-alone basis

	Total £000
Non-current assets	
Intangible assets	6,803
Property, plant and equipment	313
Deferred tax	117
Current assets	
Inventories	738
Trade and other receivables	1,462
Cash and cash equivalents	55
Total assets	9,488
Current liabilities	
Trade and other payables	(1,024)
Provisions	(125)
Corporation tax liabilities	(126)
Non-current liabilities	
Deferred tax	(1,697)
Total liabilities	(2,972)
Net assets of businesses acquired	6,516
Initial cash consideration paid	15,087
Additional amounts payable*	55
Total consideration	15,142
Goodwill arising on acquisition	8,626

* Estimate in respect of net tangible asset and cash adjustment.

On 9 November 2017, the Group acquired the entire share capital of Setco S.A. for €17,000,000 (£15,087,000), adjustable based on closing date net assets and cash.

Setco, based in Barcelona, Spain, will be a bolt-on for the Group's global Elevator Safety business, Avire, in the Infrastructure Safety sector, and adds new wireless communications technology which is highly complementary to its existing product range and new product development roadmap.

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 £3,231,000; trade name of £291,000 and technology related intangibles of £3,265,000; with residual goodwill arising of £8,626,000. The goodwill represents:

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

The Setco acquisition contributed £2,240,000 of revenue and £569,000 of profit after tax for the year ended 31 March 2018.

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 £3,494,000 and £779,000 higher respectively.

Acquisition costs totalling £114,000 were recorded in the Consolidated Income Statement.

None of the goodwill arising on the Setco acquisition is expected to be deductible for tax purposes.

Notes to the Accounts continued

24 Acquisitions continued

f) Argus, on a stand-alone basis

	Total £000
Non-current assets	
Intangible assets	6,986
Property, plant and equipment	1,524
Deferred tax	296
Current assets	
Inventories	1,958
Trade and other receivables	3,471
Cash and cash equivalents	1,030
Total assets	15,265
Current liabilities	
Trade and other payables	(4,747)
Provisions	(234)
Bank loans	(3,109)
Corporation tax liabilities	(762)
Non-current liabilities	
Trade and other payables	(816)
Deferred tax	(1,845)
Total liabilities	(11,513)
Net assets of businesses acquired	3,752
Initial cash consideration paid	18,356
Additional amounts payable*	445
Amounts owed by vendors*	(1,176)
Total consideration	17,625
Goodwill arising on acquisition	13,873

* Estimate in respect of net tangible asset receivable and indemnity asset, and adviser fees payable.

The Group acquired the entire share capital of Argus Security S.R.L. and Sterling Safety Systems Ltd. on 22 December 2017 for an initial consideration of €20,760,000 (£18,356,000).

Argus Security, based in Trieste, is a leading Italian manufacturer of products such as fire detectors, call points, sounders and beacons. Sterling Safety Systems is Argus' exclusive distributor in the UK, operating under the Hyfire brand. Argus joined the Infrastructure Safety sector.

The excess of the fair value of the consideration paid over the fair value of the assets acquired is represented by customer related intangibles of £1,584,000; trade name of £932,000 and technology related intangibles of £3,973,000; with residual goodwill arising of £13,873,000. The goodwill represents:

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

The Argus acquisition contributed £3,342,000 of revenue and £236,000 of profit after tax for the year ended 31 March 2018.

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 £10,515,000 and £933,000 higher respectively.

Acquisition costs totalling £700,000 were recorded in the Consolidated Income Statement.

None of the goodwill arising on the Argus acquisition is expected to be deductible for tax purposes.

25 Notes to the Consolidated Cash Flow Statement

	Year ended 31 March 2018 £000	52 weeks to 1 April 2017 £000
Reconciliation of profit from operations to net cash inflow from operating activities:		
Profit on continuing operations before finance income and expense, share of results of associate and profit on disposal of operations	181,258	167,070
Non-cash movement on hedging instruments	(284)	-
Depreciation of property, plant and equipment	18,944	17,798
Impairment of property, plant and equipment	24	-
Amortisation of computer software	1,633	1,432
Amortisation of capitalised development costs and other intangibles	7,068	6,947
Impairment of intangibles	707	98
Amortisation of acquired intangible assets	34,668	31,469
Impairment of acquired intangible assets	-	12,429
Share-based payment expense in excess of amounts paid	4,355	1,880
Additional payments to pension plans	(10,750)	(10,213)
Loss on restructuring of operations	-	1,252
(Profit)/loss on sale of property, plant and equipment and computer software	(544)	138
Operating cash flows before movement in working capital	237,079	230,300
Increase in inventories	(9,112)	(5,406)
Increase in receivables	(24,630)	(14,262)
Increase in payables and provisions	9,300	5,750
Revision to estimate of, and exchange differences arising on, contingent consideration payable	1,717	(10,701)
Cash generated from operations	214,354	205,681
Taxation paid	(41,104)	(33,188)
Net cash inflow from operating activities	173,250	172,493
	Year ended 31 March 2018 £000	52 weeks to 1 April 2017 £000
Analysis of cash and cash equivalents		
Cash and bank balances	70,721	66,827
Overdrafts (included in current borrowings)	(1,052)	(1,190)
Cash and cash equivalents	69,669	65,637

Notes to the Accounts continued

25 Notes to the Consolidated Cash Flow Statement continued

	1 April 2017 £000	Cash flow £000	Net cash/(debt) acquired £000	Loan notes repaid £000	Exchange adjustments £000	31 March 2018 £000
Analysis of net debt						
Cash and bank balances	66,827	2,035	3,893	-	(2,034)	70,721
Overdrafts	(1,190)	138	-	-	-	(1,052)
Cash and cash equivalents	65,637	2,173	3,893	-	(2,034)	69,669
Loan notes falling due within one year	(161)	-	-	71	-	(90)
Loan notes falling due after more than one year	(181,157)	-	-	90	4,458	(176,609)
Bank loans falling due after more than one year	(80,761)	(37,776)	(3,109)	-	8,342	(113,304)
Total net debt	(196,442)	(35,603)	784	161	10,766	(220,334)

The net increase in cash and cash equivalents of £6,066,000 comprised cash inflow of £2,173,000 and cash acquired of £3,893,000.

The net cash inflow from bank loans of £37,776,000 comprised repayments of £81,409,000 offset by drawdowns of £119,185,000.

The net cash outflow from loan notes relates to £161,000 repayment of existing loan notes issued in relation to the previous acquisition of Advanced Electronics Limited ("Advanced").

Reconciliation of movements of the Group's liabilities from financing activities

Liabilities from financing activities are those for which cash flows were, or will be, classified as cashflows from financing activities in the Consolidated Cash Flow Statement.

	1 April 2017 £000	Changes from financing cash flows £000	Acquisition of subsidiary £000	Other changes ¹ £000	Effects of foreign exchange £000	31 March 2018 £000
Loan notes falling due within one year	161	-	(161)	90	-	90
Overdraft	1,190	-	-	(138)	-	1,052
Borrowings (current)	1,351	-	(161)	(48)	-	1,142
Loan notes falling due after more than one year	181,157	-	-	(90)	(4,458)	176,609
Bank loans falling due after more than one year	80,761	37,776	3,109	-	(8,342)	113,304
Borrowings (non-current)	261,918	37,776	3,109	(90)	(12,800)	289,913
Total liabilities from financing activities	263,269	37,776	2,948	(138)	(12,800)	291,055
Trade and other payables: falling due within one year	134,816	(7,185)	8,558	16,732	(3,321)	149,600

1 Other changes include movements in overdraft which is treated as cash, interest accruals and other movements in working capital balances.

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.

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, Brazil, 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 £290,769,000 (2017: £261,486,000) 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.

Notes to the Accounts continued

26 Financial instruments continued

Liquidity risk

The Group has a syndicated multi-currency revolving credit facility which was refinanced in November 2016 and remains at £550,000,000. The facility, in Sterling, US Dollar, Euro, and Swiss Franc, currently runs to November 2022 subsequent to a one-year extension option exercised during the current year.

In addition, in November 2015 the Group completed a United States Private Placement and issued US\$250,000,000 of loan notes in 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.

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 £933,000 (2017: £823,000) 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 £290,000 (2017: £286,000) impact on the Group's profit before tax for the year ended 31 March 2018.

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 £4,547,000 at 31 March 2018 (2017: £2,974,000). These comprised Sterling denominated deposits of £1,000,000 (2017: £187,000), and Euro, US Dollar and Renminbi deposits of £3,547,000 (2017: £2,787,000) which are placed on local money markets and earn interest at market rates. Cash balances of £66,174,000 (2017: £63,853,000) 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 £114,356,000 at 31 March 2018 (2017: £81,951,000). 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 31 March 2018 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 2.83% (2017: 2.49%).

	31 March 2018 £000	2 April 2017 £000
Analysis of interest bearing financial liabilities		
Sterling denominated bank loans	20,000	6,000
US Dollar denominated bank loans	61,834	65,895
Euro denominated bank loans	23,205	-
Swiss Franc denominated bank loans	8,265	8,866
Total bank loans	113,304	80,761
Overdrafts (principally Sterling and US Dollar denominated)	1,052	1,190
Sterling denominated loan notes	82,175	82,337
US Dollar denominated loan notes	45,487	51,118
Euro denominated loan notes	49,037	47,863
Total interest bearing financial liabilities	291,055	263,269

For the year ended 31 March 2018 it is estimated that a general increase of one percentage point in interest rates would reduce the Group's profit before tax by £1,123,000 (2017: £1,233,000).

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 31 March 2018						
Accruals	940	1,109	402	2,451	-	2,451
Deferred income	2,522	3,442	2,056	8,020	-	8,020
Deferred government grant income	16	16	579	611	-	611
Other creditors	712	48	779	1,539	-	1,539
Contingent purchase consideration	16,667	4,735	-	21,402	(86)	21,316
Other provisions	454	710	592	1,756	-	1,756
Bank loans	-	113,304	-	113,304	-	113,304
Loan notes	4,222	155,580	38,203	198,005	(21,396)	176,609
	25,533	278,944	42,611	347,088	(21,482)	325,606

	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 1 April 2017						
Accruals	150	505	190	845	-	845
Deferred income	3,307	3,612	2,315	9,234	-	9,234
Deferred government grant income	16	47	563	626	-	626
Other creditors	461	51	4	516	-	516
Contingent purchase consideration	4,703	10,805	-	15,508	(111)	15,397
Other provisions	346	739	435	1,520	-	1,520
Bank loans	-	80,761	-	80,761	-	80,761
Loan notes	4,537	86,370	116,567	207,474	(26,317)	181,157
	13,520	182,890	120,074	316,484	(26,428)	290,056

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.

Notes to the Accounts continued

26 Financial instruments continued

Borrowing facilities

The Group's principal sources of long-term funding are its unsecured five-year £550,000,000 Revolving Credit Facility. The Revolving Credit Facility was refinanced in November 2016 and initially ran to November 2021. Effective November 2017, the Group extended this facility for a further year to November 2022.

A United States Private Placement of US\$250,000,000 completed in November 2015. The unsecured loan notes under the United States Private Placement 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 £17,768,000 which mature in November 2018 and were undrawn at 31 March 2018.

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 31 March 2018 were £436,696,000 (2017: £469,239,000) of which £nil (2017: £nil) matures within one year and £436,696,000 (2017: £469,239,000) between two and five years.

UK companies have cross-guaranteed £15,305,000 (2017: £15,305,000) of overdraft facilities of which £1,052,000 (2017: £1,190,000) was drawn.

Fair values of financial assets and financial liabilities

With the exception of the Group's fixed rate loan notes, there were no significant differences between the book value and fair value (as determined by market value) of the Group's financial assets and liabilities.

The fair value of floating borrowings approximates to the carrying value because interest rates are reset to market rates at intervals of less than one year.

The fair value of the Group's fixed rate loan notes arising from the United States Private Placement completed in January 2016 is estimated to be £175,787,000 (2017: £181,525,000). The fair value is estimated by discounting the future contracted cash flow using readily available market data and represents a level 2 measurement in the fair value hierarchy under IFRS 7.

The fair value of derivative financial instruments is estimated by discounting the future contracted cash flow, using readily available market data, and represents a level 2 measurement in the fair value hierarchy under IFRS 7.

The fair value of deferred 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 would result in a change in the undiscounted estimate of future cash flows of:

	Current expected cash flow £000	10 pp shift in weighting towards upside expectation £000
Visiometrics	8,670	534
FluxData	6,384	143
Cardios	535	80
CasMed	1,327	42
Mini-Cam	8,097	1,724

26 Financial instruments continued

Hedging

The Group's policy is to hedge significant sales and purchases denominated in foreign currency using forward currency contracts. These instruments are initially recognised at fair value, which is typically £nil, and subsequent changes in fair value are taken to the Consolidated Income Statement, unless hedge accounted.

The following table details the 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	
	31 March 2018	1 April 2017	31 March 2018 £000	1 April 2017 £000	31 March 2018 £000	1 April 2017 £000	31 March 2018 £000	1 April 2017 £000
Forward contracts not in a designated cash flow hedge								
US Dollars	1.41	1.24	475	600	337	484	(1)	4
Euros	1.13	1.17	90	3,040	80	2,608	(1)	(10)
Other currencies					10,527	13,413	(78)	(123)
					10,944	16,505	(80)	(129)
Forward contracts in a designated cash flow hedge								
US Dollars	1.35	1.26	9,629	11,869	7,137	9,433	318	(20)
Euros	1.12	1.14	25,913	25,244	23,025	22,078	249	424
Other currencies					5,289	420	(5)	8
					35,451	31,931	562	412
Total forward contracts								
US Dollars	1.35	1.26	10,104	12,469	7,474	9,917	317	(16)
Euros	1.12	1.15	25,913	28,284	23,105	24,686	248	414
Other currencies					15,816	13,833	(83)	(115)
					46,395	48,436	482	283
Amounts recognised in the Consolidated Income Statement							84	(177)
Amounts recognised in the Consolidated Statement of Comprehensive Income and Expenditure							398	460
							482	283

The fair values of the forward contracts are disclosed as a £705,000 (2017: £598,000) asset and £223,000 (2017: £315,000) liability in the Consolidated Balance Sheet. Of the £10,527,000 (2017: £13,413,000) of open contracts not in a designated cash flow hedge £8,952,000 (2017: £12,894,000) relates to a Swiss Franc contract for expected cash flows between two subsidiaries within the Group.

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

	31 March 2018 £000	1 April 2017 £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	(460)	737
Amounts recognised in the Consolidated Statement of Comprehensive Income and Expenditure	398	460
Net movement in the Hedging reserve in the year in relation to the effective portion of changes in fair value of cash flow hedges	(62)	1,197

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.

Notes to the Accounts continued

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) and the currency of Mainland Europe (Euro).

The carrying amount of the Group's US Dollar and Euro denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets		Liabilities	
	31 March 2018 £000	1 April 2017 £000	31 March 2018 £000	1 April 2017 £000
US Dollar	678,135	750,301	202,519	263,247
Euro	232,323	183,415	89,893	72,956

If Sterling increased by 10% against the US Dollar and the Euro, profits before taxation and other equity would decrease as follows:

	US Dollar		Euro	
	31 March 2018 £000	1 April 2017 £000	31 March 2018 £000	1 April 2017 £000
Profit	8,568	7,557	2,666	2,622
Other equity	43,238	44,278	12,948	10,042

The profit sensitivity arises mainly from the translation of overseas profits earned during the year. 10% is the sensitivity rate which management assesses to be a reasonably possible change in foreign exchange rates. The Group's profit sensitivity has increased against the US Dollar because more of the Group's profits is earned in this currency.

27 Commitments

Capital commitments

Capital expenditure relating to the purchase of equipment authorised and contracted at 31 March 2018 but not recognised in these accounts amounts to £581,000 (2017: £998,000).

Commitments under operating leases

The Group has entered into commercial leases on properties and other equipment. The former expire between April 2018 and November 2028 and the latter between April 2018 and July 2022. Only certain property agreements contain an option for renewal at rental prices based on market prices at the time of exercise. Refer to note 6 for the value of operating lease expenditure recognised during the current period.

Total payments under non-cancellable operating leases will be made as follows:

	Land and buildings		Other	
	31 March 2018 £000	1 April 2017 £000	31 March 2018 £000	1 April 2017 £000
Within one year	10,428	11,590	760	409
Within two to five years	23,347	21,875	1,389	762
After five years	9,071	11,422	30	–
	42,846	44,887	2,179	1,171

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 two small defined benefit plans in the Swiss entities of Medice AG, and Robutech AG.

Total pension costs of £10,121,000 (2017: £9,864,000) recognised in employee costs (note 7), comprise £9,803,000 (2017: £9,463,000) related to defined contribution plans and £318,000 (2017: £401,000) related to defined benefit plans.

Defined contribution plans

The amount charged to the Consolidated Income Statement in respect of defined contribution plans was £9,803,000 (2017: £9,463,000) 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, was 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. The current triennial valuations for both schemes, are underway as at 1 December 2017 and 1 April 2018 respectively.

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 £482,000,000 at 31 March 2018 (2017: £508,000,000).

	31 March 2018	1 April 2017	2 April 2016
Key assumptions used (UK plans):			
Discount rate	2.50%	2.50%	3.40%
Expected return on plan assets	2.50%	2.50%	3.40%
Expected rate of salary increases	3.10%	3.10%	2.80%
Pension increases LPI 2.5%	2.10%	2.10%	2.00%
Pension increases LPI 3.0%	2.30%	2.30%	2.20%
Inflation – RPI	3.10%	3.10%	2.80%
Inflation – CPI	2.10%	2.10%	1.80%

Notes to the Accounts continued

28 Retirement benefits continued**Mortality assumptions:**

Following a review of mortality experience, mortality assumptions have been updated at the year end to the CMI 2016 tables. These tables are consistent with those being used in the currently ongoing triennial valuation. The impact of this update in assumptions is a reduction in the present value of the defined benefit obligations for the UK schemes of £10,901,000. The assumed life expectations on retirement at age 65 are:

	31 March 2018 Years	1 April 2017 Years	2 April 2016 Years
Retiring today:			
Males	22.1	22.5	22.5
Females	24.0	24.5	24.5
Retiring in 20 years:			
Males	23.5	24.4	24.3
Females	25.5	26.5	26.4

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 8.9%
Rate of inflation	Increase/decrease by 0.5%	Increase/decrease by 5.7%
Rate of salary growth	Increase/decrease by 0.5%	Increase/decrease by 0%
Rate of mortality	Increase by one year	Increase by 2.8%

Amounts recognised in the Consolidated Income Statement in respect of the UK and Swiss defined benefit plans are as follows:

	Year ended 31 March 2018 £000	52 weeks to 1 April 2017 £000
Current service cost	318	401
Net interest charge on pension plan liabilities	1,708	1,553
	2,026	1,954

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 £6,732,000 (2017: gain of £40,071,000).

The cumulative amount of actuarial losses recognised in the Consolidated Statement of Comprehensive Income and Expenditure since the date of transition to IFRS is £88,220,000 (2017: £100,059,000).

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:

	31 March 2018* £000	1 April 2017 £000	2 April 2016 £000
Present value of defined benefit obligations	(325,628)	(339,889)	(274,186)
Fair value of plan assets	271,732	265,033	221,863
Liability recognised in the Consolidated Balance Sheet	(53,896)	(74,856)	(52,323)

* At 31 March 2018, the fair value of the obligations and assets of the UK plans were £320,632,000 (2017: £334,499,000) and £267,689,000 (2017: £261,083,000) respectively and of the Swiss plans were £4,996,000 (2017: £5,390,000) and £4,043,000 (2017: £3,950,000) respectively.

Under the current arrangements, cash contributions in the region of £11,700,000 per year will be made for the immediate future with the objective of eliminating the pension deficit.

28 Retirement benefits continued

Movements in the present value of the UK and Swiss defined benefit obligations were as follows:

	Year ended 31 March 2018 £000	52 weeks to 1 April 2017 £000
At beginning of year	(339,889)	(274,186)
Service cost	(318)	(401)
Interest cost	(8,231)	(9,014)
Remeasurement gains/(losses):		
Actuarial gains and losses arising from changes in demographic assumptions	10,901	141
Actuarial gains and losses arising from changes in financial assumptions	1,733	(63,547)
Actuarial gains and losses arising from experience adjustments	(1,004)	(263)
Contributions from plan members	(371)	(387)
Benefits paid	11,192	8,207
Foreign exchange	359	(439)
At end of year	(325,628)	(339,889)

Movements in the fair value of the UK and Swiss plan assets were as follows:

	Year ended 31 March 2018 £000	52 weeks to 1 April 2017 £000
At beginning of year	265,033	221,863
Interest income	6,523	7,461
Actuarial gains excluding interest income	209	32,610
Contributions from the sponsoring companies	11,071	10,827
Contributions from plan members	371	172
Benefits paid	(11,192)	(8,207)
Foreign exchange	(283)	307
At end of year	271,732	265,033

The net movement on actuarial gains and losses of the UK and Swiss plans was as follows:

	Year ended 31 March 2018 £000	52 weeks to 1 April 2017 £000
Defined benefit obligations	11,630	(63,669)
Fair value of plan assets	209	32,610
Net actuarial gains/(losses)	11,839	(31,059)

Notes to the Accounts continued

28 Retirement benefits continued

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		
	31 March 2018 %	1 April 2017 %	2 April 2016 %	31 March 2018 £000	1 April 2017 £000	2 April 2016 £000
Equity instruments	2.50	2.50	3.40	138,436	131,244	111,112
Debt instruments	2.50	2.50	3.40	110,473	112,453	90,829
Property/cash	2.50	2.50	3.40	18,780	17,386	16,469
	2.50	2.50	3.40	267,689	261,083	218,410

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.

The five-year history of experience adjustments was as follows:

	31 March 2018 £000	1 April 2017 £000	2 April 2016 £000	28 March 2015 £000	29 March 2014 £000
Present value of defined benefit obligations	(325,628)	(339,889)	(274,186)	(291,596)	(227,358)
Fair value of plan assets	271,732	265,033	221,863	224,806	190,509
Deficit in the plan	(53,896)	(74,856)	(52,323)	(66,790)	(36,849)
Experience adjustments on plan liabilities					
Amount	(1,004)	(263)	2,709	(4,271)	–
Percentage of plan liabilities	0%	0%	(1)%	1%	–
Experience adjustments on plan assets					
Amount	209	32,610	(10,128)	22,031	(30)
Percentage of plan assets	0%	12%	(5)%	10%	–

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 ended 31 March 2018 is £11,700,000.

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 25 years, respectively, for the Halma and Apollo plans.

The Group has considered the requirements of IFRIC 14 with respect to the UK plans and in particular the need to recognise an additional liability in respect of any minimum funding requirements. The Group has determined that it has an unconditional right to a refund under the plans and hence no additional liabilities are required.

29 Disposal of operations and restructuring

The profit on disposal of operations shown in the year of £719,000 relates to a deemed disposal in the Group's associate, Optomed.

On 27 March 2018, Optomed completed a new share offering for €5,500,000 in which the Group did not participate. This diluted our ownership interest to 23.3% from 26.7% realising a gain for the Group which is included as an adjusting item in the Consolidated Income Statement. The share issue was used to fund the acquisition of a digital software company, Commit Oy. Optomed continues to meet the tests for an associate.

During the prior year the Group restructured non-core operations in its subsidiary, Pixelteq. The £1,910,000 loss on restructuring included in operating profit comprised fixed asset and inventory write downs and severance costs.

30 Contingent liabilities

Group Financing Exemptions applicable to UK controlled foreign companies

On 24 November 2017 the European Commission published an opening decision that the United Kingdom controlled foreign company group financing partial exemption (FCPE) constitutes State Aid. No final decision has yet been published, and may anyway be challenged by the UK tax authorities. The Group has benefited from the FCPE in 2018 and prior periods by approximately £12m in respect of tax and approximately £300,000 in respect of interest. At present the group believes no provision is required in respect of this issue.

Other contingent liabilities

The Group has widespread global operations and is consequently a defendant in many legal, tax and customs proceedings incidental to those operations. In addition, there are contingent liabilities arising in the normal course of business in respect of indemnities, warranties and guarantees. These contingent liabilities are not considered to be unusual in the context of the normal operating activities of the Group. Provisions have been recognised in accordance with the Group accounting policies where required. None of these claims are expected to result in a material gain or loss to the Group.

31 Events subsequent to end of reporting period

There were no known material non-adjusting events which occurred between the end of the reporting period and prior to the authorisation of these financial statements on 12 June 2018.

32 Related party transactions

Trading transactions

	31 March 2018 £000	1 April 2017 £000
Associated companies		
Transactions with associated companies		
Purchases from associated companies	1,581	384
Balances with associated companies		
Amounts due to associated companies	282	51
Other related parties		
Transactions with other related parties		
Rent charged by other related parties	19	-
Balances with other related parties		
Amounts due to other related parties	-	-

Other related parties comprised one company that rents its premises from a pension scheme of which one of the directors is a member. 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 97 to 106.

	Year ended 31 March 2018 £000	52 weeks to 1 April 2017 £000
Wages and salaries	6,027	4,886
Pension costs	43	112
Share-based payment charge	3,245	2,470
	9,315	7,468

Company Balance Sheet

	Notes	31 March 2018 £000	1 April 2017* £000
Fixed assets			
Intangible assets	C3	295	82
Tangible assets	C4	3,166	3,265
Investments	C5	249,557	173,185
Deferred tax asset	C10	7,450	11,280
		260,468	187,812
Current assets			
Debtors (amounts falling due within one year)	C6	660,999	633,735
Short-term deposits		92	92
Cash at bank and in hand		1,235	2,035
		662,326	635,862
Creditors: amounts falling due within one year			
Borrowings	C7	17,680	10,524
Creditors	C8	47,275	40,197
Current tax payable		4,042	3,556
		68,997	54,277
Net current assets			
		593,329	581,585
Total assets less current liabilities			
		853,797	769,397
Creditors: amounts falling due after more than one year			
Borrowings	C7	289,913	261,918
Retirement benefit obligations	C13	36,157	51,314
Creditors	C9	20,205	12,319
		507,522	443,846
Net assets			
		507,522	443,846
Capital and reserves			
Share capital	C11	37,965	37,965
Share premium account		23,608	23,608
Own shares		(6,285)	(7,263)
Capital redemption reserve		185	185
Other reserves		(17,482)	(15,181)
Profit and loss account		469,531	404,532
		507,522	443,846
Shareholders' funds			
		507,522	443,846

* Debtors (amounts falling due after one year) as previously reported in the prior year has been restated as debtors (amounts falling due within one year). See note C14 for further details.

The Company reported a profit for the financial year ended 31 March 2018 of £110,888,000 (2017: £89,299,000).

The financial statements of Halma plc, company number 00040932, were approved by the Board of Directors on 12 June 2018.

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 2 April 2017	37,965	23,608	(7,263)	185	(15,181)	404,532	443,846
Profit for the year	-	-	-	-	-	110,888	110,888
Other comprehensive income and expense:							
Actuarial gains on defined benefit pension plan	-	-	-	-	-	8,782	8,782
Tax relating to components of other comprehensive income and expense	-	-	-	-	-	(1,849)	(1,849)
Total comprehensive income for the year	-	-	-	-	-	6,933	6,933
Dividends paid	-	-	-	-	-	(53,375)	(53,375)
Share-based payment charge	-	-	-	-	5,034	-	5,034
Deferred tax on share-based payment transactions	-	-	-	-	(396)	-	(396)
Excess tax deductions related to exercised share awards	-	-	-	-	-	553	553
Purchase of Own shares	-	-	(2,615)	-	-	-	(2,615)
Performance share plan awards vested	-	-	3,593	-	(6,939)	-	(3,346)
At 31 March 2018	37,965	23,608	(6,285)	185	(17,482)	469,531	507,522
At 3 April 2016	37,965	23,608	(8,219)	185	(12,673)	382,081	422,947
Profit for the year	-	-	-	-	-	89,299	89,299
Other comprehensive income and expense:							
Actuarial losses on defined benefit pension plan	-	-	-	-	-	(21,681)	(21,681)
Tax relating to components of other comprehensive income	-	-	-	-	-	4,179	4,179
Total comprehensive expense for the year	-	-	-	-	-	(17,502)	(17,502)
Dividends paid	-	-	-	-	-	(49,788)	(49,788)
Share-based payment charge	-	-	-	-	4,122	-	4,122
Deferred tax on share-based payment transactions	-	-	-	-	3	-	3
Excess tax deductions related to exercised share awards	-	-	-	-	-	442	442
Purchase of Own shares	-	-	(2,368)	-	-	-	(2,368)
Performance share plan awards vested	-	-	3,324	-	(6,633)	-	(3,309)
At 1 April 2017	37,965	23,608	(7,263)	185	(15,181)	404,532	443,846

Notes to the Company Accounts

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.

Effective this financial year, the Company changed its reporting basis from weeks to calendar months. The accounting reference date is therefore 31 March, and the Company financial statements have been prepared for the year ended 31 March 2018. For the current financial year, 52 weeks is equivalent to one year, so the comparative period presented in the financial statements and related notes remains consistent.

The principal accounting policies have been applied consistently in both the current and prior year.

Financial reporting standard 101 – reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 45(b) and 46–52 of IFRS 2 Share based-payment;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- paragraph 79(a)(iv) of IAS 1;
- paragraph 73(e) of IAS 16 Property, Plant and Equipment;
- paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134–136 of IAS 1 Presentation of Financial Statements;
- the requirements of 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' value 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

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:

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.

C1 Accounting policies continued

Financial assets continued

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.

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 159.

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.

Pensions

The Company makes contributions to defined contribution pension plans, which are charged against profits when they become payable. The Company also operates a UK defined benefit pension plan. For defined benefit plans, the asset or liability recorded in the Company Balance Sheet is the difference between the fair value of the plan's assets and the present value of the defined obligation at that date. The defined benefit obligation is calculated separately for the plan on an annual basis by an independent actuary using the projected unit credit method.

Actuarial gains and losses are recognised in full in the year in which they occur, and are taken to other comprehensive income.

Current and past service costs, along with the impact of settlements or curtailments, are charged to profit and loss. The unwinding of the discounting on the net liability is recognised within finance income or expense as appropriate.

Taxation

Tax on the profit or loss for the year comprises both current and deferred tax. Tax is recognised in the Profit and Loss Account except to the extent that it relates to items recognised either in other comprehensive income or directly in equity.

Current tax is the expected tax payable, on the taxable income for the year, using tax rates enacted, or substantively enacted, at the balance sheet date, and any adjustments to tax payable in respect of previous years.

Deferred taxation is provided on taxable temporary differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax bases. Deferred tax is measured at the tax rates that are expected to apply in the periods in which the temporary differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are only recognised if recovery is considered more likely than not on the basis of all available evidence.

The recognition of deferred tax assets is dependent on assessments of future taxable income.

Notes to the Company Accounts continued

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 £110,888,000 (2017: £89,299,000).

Auditors' remuneration for audit services to the Company was £260,000 (2017: £211,000).

Total employee costs (including Directors) were:

	Year ended 31 March 2018 £000	52 weeks to 1 April 2017 £000
Wages and salaries	13,278	11,004
Social security costs	1,589	827
Pension costs	908	386
	15,775	12,217

Included within wages and salaries are share-based payment charges under IFRS 2 of £3,485,000 (2017: £2,560,000).

	Year ended 31 March 2018 Number	52 weeks to 1 April 2017 £000
Number of employees (all in the UK)	59	55

Details of Directors' remuneration are set out on pages 97 to 106 within the Remuneration Report and form part of these financial statements.

C3 Fixed assets – intangible assets

	Computer Software £000
Cost	
At 1 April 2017	834
Additions at cost	289
At 31 March 2018	1,123
Accumulated depreciation	
At 1 April 2017	752
Charge for the year	76
At 31 March 2018	828
Carrying amounts at 31 March 2018	295
At 1 April 2017	82

C4 Fixed assets – tangible assets

	Freehold properties £000	Plant equipment and vehicles £000	Total £000
Cost			
At 2 April 2017	3,043	1,842	4,885
Additions at cost	-	221	221
Disposals	-	(645)	(645)
At 31 March 2018	3,043	1,418	4,461
Accumulated depreciation			
At 2 April 2017	573	1,047	1,620
Charge for the year	47	215	262
Disposals	-	(587)	(587)
At 31 March 2018	620	675	1,295
Carrying amounts at 31 March 2018	2,423	743	3,166
At 1 April 2017	2,470	795	3,265

C5 Investments

Shares in Group companies

	31 March 2018 £000	1 April 2017 £000
At cost less amounts written off at beginning of year	173,185	166,502
Increase in investments	77,363	6,692
Decrease in investments	(991)	(9)
At cost less amounts written off at end of year	249,557	173,185

The increase of £77,363,000 in the year comprises additions from acquisitions in the period: £72,998,000 for the 100% acquisition of Mini-Cam Enterprises Limited including estimated deferred contingent consideration of £8,097,000; and £3,770,000 for the 100% acquisition of Sterling Safety Systems Limited. There was also an additional investment of £595,000 in the year in an existing subsidiary, Halma Euro Trading Limited. The decrease of £991,000 in the year relates to the closure of a UK business subsequent to the year end arising due to the transfer of its operations to its sister company in the USA.

The increase of £6,692,000 in the prior year comprised £2,120,000 for the 100% acquisition of Rohrback Cosasco Systems UK Limited, £3,894,000 for the 100% acquisition of Avire Trading Limited, and £692,000 increase in investment in Halma Euro Trading Limited. Offsetting this was £14,000 reduction in investment in ASL, a previous acquisition, on full and final settlement of the related contingent consideration.

Subsidiaries

Details of the company's subsidiaries at 31 March 2018 are below.

Name	Registered Address	Country	Class	Group %
A & G Security Electronics Limited	(1)	United Kingdom	Ordinary Shares	100*
Accudynamics, LLC	240 Kenneth Welch Drive, Lakeville MA 02347	United States	Common Stock	100
Accutome, Inc.	3222 Phoenixville Pike, Malvern PA 19355	United States	Ordinary Shares	100
Adler Diamant BV	Simon Homburgstraat 21, 5431 NN Cuijk	Netherlands	Ordinary Shares	100
Advanced Electronics Limited	34 Moorland Way, Nelson Park, Cramlington, Northumberland NE23 1WE	United Kingdom	Ordinary Shares	100*
Advanced Fire Systems Inc.	100 South Street, Hopkinton MA 01748	United States	Common Stock	100*
Alicat Scientific, Inc.	7641 N Business Park Drive, Tucson AZ 85743	United States	Common Stock	100
Analytical Development Company Limited	(1)	United Kingdom	Ordinary Shares	100*
Apollo (Beijing) Fire Products Co. Ltd	Block A5, Jinghai Industrial Park, No. 156 Jinghai Fourth Road, BDA Beijing	China	Ordinary Shares	100

Notes to the Company Accounts continued

Name	Registered Address	Country	Class	Group %
Apollo America, Inc.	25 Corporate Drive, Auburn Hills MI 48326	United States	Common Stock	100
Apollo Fire Detectors Limited	36 Brookside Road, Havant, Hampshire PO9 1JR	United Kingdom	Ordinary & Deferred Shares	100*
Apollo GmbH	Am Anger 31, D-33332 Gütersloh	Germany	Ordinary Shares	100
Aquionics, Inc.	1455 Jamike Avenue, Suite 100, Erlanger Kentucky 41018	United States	Ordinary Shares	100
Argus Security S.R.L.	Via Maurizio Gonzaga no. 7, Milan, 20123, Italy	Italy	Quotas	100
ASL Holdings Limited	Ty Coch House, Llantarnam Park Way, Cwmbran, Gwent NP44 3AW	United Kingdom	Ordinary Shares	100*
Avire Elevator Technology India Pte. Ltd	Plot A/147, Road No. 24, Wagle Industrial Estate, Thane West, 400604	India	Ordinary & Preference Shares	100
Avire Elevator Technology Shanghai Ltd	4 Floor, Buling 75, No.1066, Qinzhou Road, Shanghai, 200233	China	Ordinary Shares	100
Avire Global Pte. Ltd	80 Raffles Place, #32-01 UOB Plaza, 048624	Singapore	Ordinary Shares	100
Avire Inc.	415 Oser Avenue, Suite Q, Hauppauge NY 11788	United States	Ordinary Shares	100
Avire Limited	Unit 1 The Switchback Gardner Road, Maidenhead, Berkshire SL6 7RJ	United Kingdom	Ordinary Shares	100
Avire Trading Limited	Unit 1 The Switchback Gardner Road, Maidenhead, Berkshire SL6 7RJ	United Kingdom	Ordinary Shares	100*
Avire s.r.o.	Okružní 2615, České Budějovice, 370 01	Czech Republic	Ordinary Shares	100
Avo Photonics (Canada) Inc.	20 Mural Street, Unit 7, Richmond Hill, Ontario L4B 1K3	Canada	A & B Shares	100
Avo Photonics, Inc.	700 Business Center Drive, Suite 125, Horsham PA 19044	United States	A & B Preferred Stock & Common Stock	100
B.E.A. Holdings, Inc.	100 Enterprise Drive, RIDC West, Pittsburgh PA 15275	United States	Ordinary Shares	100
B.E.A. Inc.	100 Enterprise Drive, RIDC West, Pittsburgh PA 15275	United States	Ordinary Shares	100
B.E.A. Investments, Inc.	100 Enterprise Drive, RIDC West, Pittsburgh PA 15275	United States	Ordinary Shares	100
Baoding Longer Precision Pump Co., Ltd	Building A, Chuangye Center, Baoding National High-Tech Development Zone, Baoding, Hebei, 071051	China	Ordinary Shares	100
BEA Electronics (Beijing) Co Ltd	Room 5959, Shenchang Building, No.51, Zhichun Road, Haidian District, Beijing	China	Ordinary Shares	100
BEA Japan KK	154-0012 Komazawa, Setagaya-ku 3-28-11, Tokyo	Japan	Ordinary Shares	100
Beijing Ker'Kang Instrument Limited Company	Unit 316, Area 1 Tower B, Chuangxin Building, 12 Hongda North Rd, Beijing, 100176	China	Ordinary Shares	100
Berson Milieutechniek BV	PO Box 90, 5670 AB Nuenen	Netherlands	Ordinary Shares	100
Bio-Chem Fluidics, Inc.	85 Fulton Street, Boonton New Jersey 07005	United States	Ordinary Shares	100
Bureau d'Electronique appliquée S.A.	Allée des Noisetiers 5, Liege Science Park B-4031 LIEGE-Angleur	Belgium	Ordinary Shares	100

Name	Registered Address	Country	Class	Group %
Cardios Sistemas Comercial e Industrial Ltda	Avenida Paulista, 509, 1º e 2º andares, conjuntos 201, 212, 213 e 214, Bela Vista, São Paulo, Estado de São Paulo, CEP 01311-910, Brazil	Brazil	Quotas	100
Cardio Dinâmica Ltda	Avenida Paulista nº 509, 16º andar, conjuntos 1601 e 1602, São Paulo, Estado de São Paulo, CEP 01311-910-0, Brazil	Brazil	Quotas	100
Castell Interlocks, Inc.	Suite 865, 150 N Michigan Avenue, Chicago Illinois 60601	United States	Ordinary Shares	100
Castell Locks Limited	(1)	United Kingdom	Ordinary Shares	100*
Castell Safety China Ltd	Section A, Floor 2, Block 23, No. 1 Factory Building, No. 123, Lane 1165, Jindu Road, Minhang District, Shanghai, 201108	China	Ordinary Shares	100
Castell Safety International Limited	The Castell Building, 217 Kingsbury Road, London NW9 9PQ	United Kingdom	Ordinary Shares	100*
Castell Safety Technology Limited	(1)	United Kingdom	Ordinary Shares	100*
CEF Safety Systems BV	Delftweg 69, 2289 BA Rijswijk	Netherlands	Ordinary Shares	100
CenTrak, Inc.	125 Pheasant Run, Newton PA 18940	United States	Common Stock	100
Cosasco Canada Ltd	Olser, Hoskin & Harcourt LLP 2500, 450 - 1st St. S.W., Calgary AB T2P 5Z1	Canada	Ordinary Shares	100
Cosasco Middle East (FZE)	PO Box 8186, SAIF Zone, Sharjah	UAE	Common Stock	100
Crowcon Detection Instruments Limited	172 Brook Drive, Milton Park, Milton, Abingdon, Oxfordshire OX14 4SD	United Kingdom	A & Ordinary Shares	100*
Diba Industries Limited	2 College Park, Coldhams Lane, Cambridge CB1 3HD	United Kingdom	Ordinary Shares	100*
Diba Industries, Inc.	4 Precision Road, Danbury CT 06810	United States	Common Stock	100
Diba Japan K.K.	Urban Komazawa, 3-28-11 Komazawa, Setagaya-ku, Tokyo	Japan	Ordinary Shares	100
Eco Rupture Disc Limited	(1)	United Kingdom	Ordinary Shares	100*
Eiffel Investments Ltd	2 Grand Canal Square, Grand Canal Harbour, Dublin 2	Ireland	Ordinary Shares	100
Eiffel Lux S.a.r.l.	20 Rue des Peupliers, L-2328	Luxembourg	Ordinary Shares	100
Elfab Hughes Limited	(1)	United Kingdom	Ordinary Shares	100*
Elfab Limited	Alder Road, West Chirton Industrial Estate, North Shields, Tyne & Wear NE29 8SD	United Kingdom	Ordinary Shares	100*
F.I.R.E. Panel, LLC	8435 N. 90th St., Suite 2, Scottsdale AZ 85258, United States	United States	Common Stock	100
Fabrication de Produits de Sécurité SaRL	21 Rue du Cuir, ZI Sidi Rezig, Mégrine, 2033	Tunisia	Ordinary Shares	100
FFE Holdings Limited	(1)	United Kingdom	Deferred, A & Ordinary Shares	100*
FFE Limited	9 Hunting Gate, Hitchin, Hertfordshire SG4 0TJ	United Kingdom	Ordinary Shares	100*
Fiberguide Industries, Inc.	1 Bay Street, Stirling NJ 07980	United States	Ordinary Shares	100
Fire Fighting Enterprises Limited	(1)	United Kingdom	Ordinary Shares	100*
Firetrace Aerospace, LLC	8435 N. 90th St., Suite 7 Scottsdale, AZ 85258	United States	Ordinary Shares	100

Notes to the Company Accounts continued

Name	Registered Address	Country	Class	Group %
Firetrace International Asia Pte. Ltd	16 Collyer Quay, #11-01, Hitachi Tower, Singapore, 049318	Singapore	Ordinary Shares	100
Firetrace International Limited	(1)	United Kingdom	Ordinary Shares	100*
Firetrace USA, LLC	8435 N. 90th St., Suite 2 Scottsdale, AZ, 85258	United States	Ordinary Shares	100
Fluid Conservation Systems, Inc.	502 Technecenter Drive, Suite B, Milford OH 45150	United States	Ordinary Shares	100
FluxData Inc.	176 Anderson Ave, STE F304, Rochester, NY 14607	United States	Ordinary Shares	100
Fortress Interlocks Limited	2 Inverclyde Drive, Wolverhampton, West Midlands WV4 6FB	United Kingdom	Ordinary & Preferred Shares	100*
Fortress Interlocks Pty Ltd	Ross Wadeson Accountants, Unit 13, 20-30 Malcolm Road, Braeside VIC 3195	Australia	Ordinary Shares	100
Halma (China) Group	Block 1, 3rd Floor, No. 123, Lane 1165, Jindu Road, Minghang District, Shanghai, 201108	China	Ordinary Shares	100
Halma Do Brasil – Equipamentos De Segurança Ltda	Av. Tancredo Neves 620, Salas 1003/1004, Caminho das Árvores, Salvador, Bahia, 41.820-020	Brazil	Ordinary Shares	100
Halma Euro Trading Limited	(1)	United Kingdom	Ordinary Shares	100*
Halma Financing Limited	(1)	United Kingdom	Ordinary Shares	100
Halma Holding GmbH	PO Box 35, Bruckstrasse 31, D-72417 Jungingen	Germany	Ordinary Shares	100
Halma Holdings, Inc.	502 Techne Center Dr Suite B, Milford, OH 45150	United States	Ordinary Shares	100
Halma India Private Ltd	'Prestige Shantiniketan', Gate 2, Tower C, 7th Floor, Whitefield Main Road, Mahadevapura, Bengaluru, Bangalore, Karnataka, 560048	India	Ordinary Shares	100
Halma International BV	De Huufkes 23, 5674TL Nuenen	Netherlands	Ordinary Shares	100
Halma International Limited	(1)	United Kingdom	A & Ordinary Shares	100*
Halma Investment Holdings Limited	(1)	United Kingdom	Ordinary Shares	100
Halma IT Services Limited	(1)	United Kingdom	Ordinary Shares	100*
Halma Overseas Funding Limited	(1)	United Kingdom	Ordinary Shares	100
Halma PR Services Limited	(1)	United Kingdom	Ordinary Shares	100*
Halma Resistors Unlimited	(1)	United Kingdom	Ordinary Shares	100
Halma Safety Limited	(1)	United Kingdom	Ordinary Shares	100*
Halma Saúde e Ótica do Brasil – Importação, Exportação e Distribuição Ltda	Avenida Marcos Penteado de Ulhoa Rodrigues, n. 1119, 11th Floor, Suite 1102, Tambore, Barueri/São Paulo, 06.460-040	Brazil	Ordinary Shares	100
Halma Services Limited	(1)	United Kingdom	Ordinary Shares	100*
Hanovia Limited	780/781 Buckingham Avenue, Slough, Berkshire SL1 4LA	United Kingdom	Ordinary Shares	100*
HFT Shanghai Co., Ltd	Floor 2, No. 1 Factory Building, No. 123, Lane 1165, Jindu Road, Minghang District, Shanghai, 201108	China	Ordinary Shares	100
HWM-Water Limited	Ty Coch House, Llantarnam Park Way, Cwmbran, Gwent NP44 3AW	United Kingdom	Ordinary Shares	100*
Hydreka SAS	1 Chemin des Vergers, Batiment 2A, 69760, Limonest	France	Ordinary Shares	100
InPipe GmbH	Walsersstraße 92a, 6991 Riezlern im Kleinwalsertal, Austria	Austria	Ordinary Shares	100

Name	Registered Address	Country	Class	Group %
Instituto Cardios de Ensino e Pesquisa em Eletrocardiologia Não Invasiva e M.A.P.A.	Avenida Paulista, 509, conjuntos 107, Bela Vista, São Paulo, Estado de São Paulo, CEP 01311-910, Brazil	Brazil	N/A	100
Iso-Lok Limited	(1)	United Kingdom	Ordinary Shares	100*
Keeler Instruments, Inc.	456 Parkway, Lawrence Park Ind. Estate, Broomall PA 19008	United States	Ordinary Shares	100
Keeler Limited	Clewer Hill Road, Windsor, Berkshire SL4 4AA	United Kingdom	Ordinary Shares	100*
Kerry Ultrasonics Sdn Bhd	10th Floor, Wisma Havela Thakardas, No. 1, Jalan Tiong Nam, Off Jalan Raja Laut, 50350 Kuala Lumpur, Wilayah Persekutuan	Malaysia	Ordinary Shares	100
Kirk Key Interlock Company, LLC	9048 Meridian Circle NW, North Canton OH 44720	United States	Ordinary Shares	100
Klaxon Signals Limited	(1)	United Kingdom	Ordinary Shares	100*
Labsphere, Inc.	231 Shaker Street, North Sutton NH 03260	United States	Ordinary Shares	100
Langer Instruments Corporation	85 Fulton Street, Unit 12, Boonton NJ 07005	United States	Ordinary Shares	100
Meadowbridge Holdings Limited	(1)	United Kingdom	Ordinary Shares	100*
Medicel AG	Dornierstrasse 11, CH – 9423 Altenrhein	Switzerland	A & B Preference & C Ordinary Shares	100
MicroSurgical Technology, Inc.	8415 154th Avenue NE, Redmond WA 98052	United States	Common Stock	100
Mini-Cam Limited	Unit 4 Yew Tree Way, Golborne, Warrington, WA3 3FN	United Kingdom	Ordinary Shares	100*
Mini-Cam Enterprises Limited	Unit 4 Yew Tree Way, Golborne, Warrington WA3 3FN	United Kingdom	Ordinary Shares	100*
Mini-Cam Holdings Limited	Unit 4 Yew Tree Way, Golborne, Warrington, WA3 3FN	United Kingdom	Ordinary Shares	100*
Mistura Systems Limited	(1)	United Kingdom	Ordinary Shares	100*
Morley Electronics Limited	Unit 34 Moorland Way, Nelson Park, Cramlington, Northumberland NE23 1WE	United Kingdom	Ordinary Shares	100*
Ocean Optics (Shanghai) Co., Ltd	Block B, 3rd Floor, No. 123, Lane 1165, Jindu Road, Minghang District, Shanghai	China	Ordinary Shares	100
Ocean Optics Asia LLC	Suite 601, Kirin Tower, 666 Gubei Road, Shanghai, 200336	United States	Common Stock	100
Ocean Optics BV	Geograaf 24, 6921EW Duiven	Netherlands	Ordinary Shares	100
Ocean Optics Germany GmbH	Maybachstrasse 11, D-73760 Ostfildern-Stuttgart	Germany	Ordinary Shares	100
Ocean Optics, Inc.	830 Douglas Avenue, Dunedin Florida 34698	United States	Ordinary Shares	100
Oklahoma Safety Equipment Co, Inc.	PO Box 1327, 1701 West Tacoma, Broken Arrow OK 74013	United States	Ordinary Shares	100
Palintest Limited	Palintest House, Kingsway, Team Valley Trading Estate, Gateshead Tyne & Wear NE11 ONS	United Kingdom	Ordinary & Deferred Shares	100*
Palmer Environmental Limited	(1)	United Kingdom	Ordinary Shares	100*
Palmer Environmental Services Limited	(1)	United Kingdom	A & Ordinary Shares	100*
Perma Pure India Pte Ltd	Plot No. A/147, Road No. 24, Wagle Industrial Estate, Thane West, Maharashtra, THANE 400064	India	Ordinary Shares	100

Notes to the Company Accounts continued

Name	Registered Address	Country	Class	Group %
Perma Pure, LLC	1001 New Hampshire Ave., Lakewood NJ 08701	United States	Ordinary Shares	100
Pixelteq, Inc.	8060A Bryan Dairy Road, Largo Florida 33777	United States	Ordinary Shares	100
Power Equipment Limited	(1)	United Kingdom	Preference & Ordinary Shares	100*
Radcom (Technologies) Limited	Ty Coch House, Llantarnam Park Way, Cwmbran, Gwent NP44 3AW	United Kingdom	Ordinary Shares	100*
Radio-Tech Limited	(1)	United Kingdom	Ordinary Shares	100*
RCS Corrosion Services Sdn. Bhd	Level 21, Suite 21.01, The Garden South Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Wilayah Persekutuan	Malaysia	Ordinary Shares	100
RCS International Limited	(1)	United Kingdom	Ordinary Shares	100
Research Engineers Limited	(1)	United Kingdom	Ordinary Shares	100*
Reten Acoustics Limited	(1)	United Kingdom	Ordinary Shares	100*
Riester USA, LLC	507 Airport Blvd Ste 113, Morrisville NC 27560-8200	United States	Ordinary Shares	100
Robutec AG	Dornierstrasse 11, CH - 9423 Altenrhein	Switzerland	Ordinary Shares	100
Rohrback Cosasco International Limited	OIL (Offshore Inc Limited) PO Box 957, Offshore Incorporations Centre, Road Town, Tortola	British Virgin Islands	Ordinary Shares	100
Rohrback Cosasco System China Corporation	No. A, Apartment 15F, Building 1, Tianchen Plaza, Yi-12 Chaoyangmen North Street, Chaoyang District, Beijing, 100020	China	Common Stock	100
Rohrback Cosasco Systems LLC	Gulf Consulting House Al-Shablan Tower - 5th Floor King Fahd Rd, Al Hizam Al Thahabi P.O.Box 3140 AL Khobar, 31952 Saudi Arabia	Saudi Arabia	Common Stock	100
Rohrback Cosasco Systems Pte Ltd	Ardent Business Advisory, 146, Robinson Road, #12-01, Singapore, 068909	Singapore	Ordinary Shares	100
Rohrback Cosasco Systems Pty Ltd	Unit 5, 17 Caloundra Road, Clarkson WA	Australia	Ordinary Shares	100
Rohrback Cosasco Systems UK Limited	(1)	United Kingdom	Ordinary Shares	100*
Rohrback Cosasco Systems, Inc	11841 Smith Ave, Santa Fe Springs CA 90670	United States	Common Stock	100
Rudolf Riester GmbH	Bruckstrasse 31, D-72417 Jungingen	Germany	Ordinary Shares	100
S.E.R.V. Trayvou Interferrouillage SA	1 Ter, Rue du Marais Bat B, 93106 Montreuil, Cedex	France	Ordinary Shares	100
Sensorex s.r.o	Okružní 2615, České Budějovice, 370 01	Czech Republic	Ordinary Shares	100
Sensorex Corporation	11751 Markon Drive, Garden Grove CA 92841	United States	Common Stock	100
Setco S.A.	c / Miquel Romeu 56, L'Hospitalet de Llobregat, Barcelona, 08907, Spain	Spain	Ordinary Shares	100
Shanghai Labsphere Optical Equipments Co., Ltd	Block 1, No. 123, Lane 1165, Jindu Road, Minhang District, Shanghai, 201108	China	Ordinary Shares	100
Smith Flow Control (Australia) Pty Ltd	Ross Wadeson Accountants, 20-30 Malcolm Road, Braeside VIC 3195	Australia	Ordinary Shares	100
Smith Flow Control Limited (previously Swift 943 Ltd)	(1)	United Kingdom	Ordinary Shares	100*
Smith Flow Control, Inc.	1390 Donaldson Rd, Suite B, Erlanger Kentucky 41018	United States	Ordinary Shares	100

Name	Registered Address	Country	Class	Group %
Sofis BV (previously Netherlocks Safety Systems BV)	J Keplerweg 14, 2408 AC Alphen aan den Rijn	Netherlands	Ordinary Shares	100
Sofis GmbH (previously Netherlocks Safety Systems GmbH)	Hahnenkammstrasse 12, 63811 Stockstadt	Germany	Ordinary Shares	100
Sofis Limited (previously Smith Flow Control Ltd)	6 Waterside Business Park, Eastways Industrial Estate, Witham, Essex CM8 3YQ	United Kingdom	Ordinary Shares	100*
Solo Pro Limited	Unit 4 Yew Tree Way, Golborne, Warrington, WA3 3FN	United Kingdom	Ordinary Shares	100
Sonar Research & Development Limited	(1)	United Kingdom	Ordinary Shares	100*
Sterling Safety Systems Limited	B12a Holly Farm Business Park, Honiley, Kenilworth, Warwickshire, CV8 1NP	United Kingdom	Ordinary Shares	100*
SunTech Group EB Trustee Limited	(1)	United Kingdom	Ordinary Shares	100
SunTech Medical (USA), LLC	507 Airport Boulevard, Suite 117, Morrisville NC 27560-8200	United States	Common Stock	100
SunTech Medical Devices (Shenzhen) Co. Ltd	2-3/F, Block A, Jinxiongda Technology Park, Guanlan, Bao'an District, Shenzhen, Guangdong, 518110	China	Ordinary Shares	100
SunTech Medical Group Limited	Oakfield Industrial Estate, Eynsham, Witney, Oxfordshire OX29 4TS	United Kingdom	Ordinary Shares	100
SunTech Medical Limited	Oakfield Industrial Estate, Eynsham, Witney, Oxfordshire OX29 4TS	United Kingdom	Ordinary Shares	100
SunTech Medical Ltd (Hong Kong)	8th Floor, Gloucester Tower, The Landmark, 15 Queen's Road Central	Hong Kong	Ordinary Shares	100
SunTech Medical, Inc.	507 Airport Boulevard, Suite 117, Morrisville NC 27560-8200	United States	Common Stock	100
T.L. Jones Ltd	50 Hazeldean Road, Addington, Christchurch, 8024	New Zealand	Ordinary Shares	100
Talentum Developments Limited	9 Hunting Gate, Hitchin, Hertfordshire SG4 0TJ	United Kingdom	Ordinary Shares	100*
Telegan Gas Monitoring Limited	(1)	United Kingdom	Ordinary Shares	100*
Texecom Limited	Bradwood Court, St. Crispin Way, Haslingden, Rossendale, Lancashire BB4 4PW	United Kingdom	Ordinary Shares	100*
Thinketron Precision Equipment Company Ltd	Room 813 8/F Tai Yau Building, 181 Johnston Road, Wan Chai	Hong Kong	Ordinary Shares	100
Value Added Solutions LLC	26 Duane Lane, Burlington CT 06013	United States	Common Stock	100
Visiometrics S.L.	Argenters, 8. Edifici 3, Parc Tecnològic del Vallès, 08290 Cerdanyola	Spain	Ordinary Shares	100
Visual Performance Diagnostics, Inc.	26895 Aliso Creek Rd, Suite B223, Aliso Viejo CA 92656	United States	Common Stock	100
Volk Optical Inc.	7893 Enterprise Drive, Mentor Ohio 44060	United States	Common Stock	100
Wilkinson & Simpson Limited	(1)	United Kingdom	Deferred & Ordinary Shares	100*

* Directly held by the Company

(1) Misbourne Court, Rectory Way, Amersham, Buckinghamshire HP7 0DE

Notes to the Company Accounts continued

C6 Debtors

	31 March 2018 £000	1 April 2017* £000
Amounts falling due within one year:		
Amounts due from Group companies	651,353	623,172
Other debtors	89	48
Prepayments and accrued income	9,557	10,515
	660,999	633,735

* Debtors (amounts falling due after one year) as previously reported in the prior year has been restated as debtors (amounts falling due within one year). See note C14 for further details.

C7 Borrowings

	31 March 2018 £000	1 April 2017 £000
Falling due within one year:		
Overdrafts	17,590	10,363
Loan notes	90	161
	17,680	10,524
Falling due after more than one year:		
Unsecured loan notes	176,609	181,157
Unsecured bank loans	113,304	80,761
	289,913	261,918
Total borrowings	307,593	272,442

The Company has two sources of long-term funding, which comprise:

- an unsecured five-year £550,000,000 Revolving Credit Facility, which, having been extended during the year, expires in November 2022 and is therefore classified as expiring within two to five years (2017: within two to five years). At 31 March 2018 £436,696,000 (2017: £469,239,000) 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 31 March 2018 the outstanding loan notes totalled £176,523,000 (2017: £180,981,000). 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 £86,000 (2017: £176,000) of unsecured loan notes issued in respect of the Advanced acquisition. These attract interest at 1% and are convertible at par into cash on 14 May 2019.

The bank overdrafts, which are unsecured, at 31 March 2018 and 1 April 2017 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 (2017: £15,305,000) are cross-guaranteed. Of these facilities £1,052,000 (2017: £1,190,000) was drawn.

C8 Creditors: amounts falling due within one year

	31 March 2018 £000	1 April 2017 £000
Trade creditors	1,561	1,988
Amounts owing to Group companies	37,104	32,266
Other taxation and social security	1,460	1,272
Other creditors	276	302
Accruals and deferred income	6,874	4,369
	47,275	40,197

C9 Creditors: amounts falling due after more than one year

	31 March 2018 £000	1 April 2017 £000
Amounts owing to Group companies	11,870	12,131
Other creditors	238	188
Provision for contingent consideration	8,097	-
	20,205	12,319
These liabilities fall due as follows:		
Within one to two years	3,600	188
Within two to five years	4,735	-
After more than five years	11,870	12,131

The contingent consideration payable relates to the acquisition of Mini-Cam Enterprises Limited (see note 24 to the Group accounts).

C10 Deferred tax

	Retirement benefit obligations £000	Short-term timing differences £000	Total £000
At 1 April 2017	9,749	1,531	11,280
Charge to Profit and loss account	(1,212)	(373)	(1,585)
Charge to comprehensive income	(1,849)	-	(1,849)
Charge to equity	-	(396)	(396)
At 31 March 2018	6,688	762	7,450
At 2 April 2016	6,766	1,250	8,016
(Charge)/credit to Profit and loss account	(1,199)	281	(918)
Credit to comprehensive income	4,179	-	4,179
Credit to equity	3	-	3
At 1 April 2017	9,749	1,531	11,280

C11 Share capital

	Issued and fully paid	
	31 March 2018 £000	1 April 2017 £000
Ordinary shares of 10p each	37,965	37,965

The number of ordinary shares in issue at 31 March 2018 was 379,645,332 (2017: 379,645,332), including treasury shares of 3,990 (2017: 462,188) and 631,991 shares (2017: 512,417) held by the Employee Benefit Trust.

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 the 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. The plan closed to new entrants in 2002/03 and to future benefit accrual in 2014/15. From that date, the former defined benefit members joined the Company's existing defined contribution plan.

There is no contractual agreement or stated policy for charging the net defined benefit cost within the Group. In accordance with IAS 19 (Revised 2011), the Company contribution made to the defined benefit plan during the year ended 31 March 2018 was £3,369,000 (2017: £3,154,000).

Net interest charge on pension plan liabilities of £1,185,000 (2017: £1,085,000) were recognised in the Profit and Loss Account in respect of the Company defined benefit plan.

Notes to the Company Accounts continued

C13 Retirement benefit plan continued

The net movement on actuarial gains and losses of the plan reported in the Company Statement of Comprehensive Income and Expenditure was as follows:

	Year ended 31 March 2018 £000	52 weeks to 1 April 2017 £000
Defined benefit obligations	8,799	(48,450)
Fair value of plan assets	(17)	26,769
Net actuarial gains/(losses)	8,782	(21,681)

The actual return on plan assets was a loss of £5,298,000 (2017: gain of £32,926,000).

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:

	31 March 2018 £000	1 April 2017 £000	2 April 2016 £000
Present value of defined benefit obligations	(253,752)	(266,049)	(217,243)
Fair value of plan assets	217,595	214,735	181,615
Liability recognised in the Company Balance Sheet	(36,157)	(51,314)	(35,628)

Under the current arrangements, cash contributions in the region of £8,160,000 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:

	Year ended 31 March 2018 £000	52 weeks to 1 April 2017 £000
At beginning of year	(266,049)	(217,243)
Interest cost	(6,500)	(7,242)
Remeasurement gains/(losses):		
Actuarial gains and losses arising from changes in demographic assumptions	8,605	-
Actuarial gains and losses arising from changes in financial assumptions	1,220	(47,901)
Actuarial gains and losses arising from experience adjustments	(1,026)	(549)
Benefits paid	9,998	6,886
At end of year	(253,752)	(266,049)

Movements in the fair value of the plan assets were as follows:

	Year ended 31 March 2018 £000	52 weeks to 1 April 2017 £000
At beginning of year	214,735	181,615
Interest income	5,315	6,157
Actuarial (losses)/gains, excluding interest income	(17)	26,769
Contributions from the sponsoring companies	7,560	7,080
Benefits paid	(9,998)	(6,886)
At end of year	217,595	214,735

C13 Retirement benefit plan continued

The five-year history of experience adjustments was as follows:

	31 March 2018 £000	1 April 2017 £000	2 April 2016 £000	28 March 2015 £000	29 March 2014 £000
Present value of defined benefit obligation	(253,752)	(266,049)	(217,243)	(230,721)	(182,061)
Fair value of plan assets	217,595	214,735	181,615	183,980	156,033
Deficit in the plan	(36,157)	(51,314)	(35,628)	(46,741)	(26,028)
Experience adjustments on plan liabilities					
Amount	(1,026)	(548)	2,265	(4,271)	-
Percentage of plan liabilities	0.4%	-	(1.0)%	1.9%	-
Experience adjustments on plan assets					
Amount	(17)	26,769	(8,769)	19,364	-
Percentage of plan assets	-	12.5%	(4.8)%	10.5%	-

Based on the most recent actuarial valuation, the estimated amount of contributions expected to be paid to the plan during the year ending 31 March 2019 is £8,160,000.

Further details of Halma Group Pension Plan, including all disclosures required under FRS 101, are contained in note 28 to the Group accounts.

C14 Prior period restatement

Amounts due from Group companies totalling £564,300,000 which were classified as non-current in the prior year have been reclassified as current. This treatment is deemed more appropriate in the absence of a signed loan agreement with the Company's subsidiary Halma International Limited. There is no change to shareholders funds as previously reported.

Summary 2008 to 2018

	2008/09	2009/10	2010/11
	£000	£000	£000
Revenue (note 1)	455,928	459,118	518,428
Overseas sales (note 1)	351,522	360,779	412,297
Profit before taxation, and adjustments (note 2)	79,087	86,214	104,551
Net tangible assets/capital employed	173,128	145,519	146,964
Borrowings (excluding overdrafts)	86,173	21,924	79,688
Cash and cash equivalents (net of overdrafts)	34,987	31,006	42,610
Employees (note 1)	4,018	3,689	3,875
Earnings per ordinary share (note 1)	14.07p	16.10p	19.23p
Adjusted earnings per ordinary share (note 2)	15.30p	16.89p	20.49p
Year-on-year increase in adjusted earnings per ordinary share	10.4%	10.4%	21.3%
Return on Sales (notes 1 and 3)	17.3%	18.8%	20.2%
Return on Capital Employed (restated – note 4)	53.7%	55.9%	72.2%
Return on Total Invested Capital (restated – note 4)	14.2%	14.0%	16.0%
Year-on-year increase in dividends per ordinary share (paid and proposed)	5%	7%	7%
Ordinary share price at financial year end	156p	259p	355p
Market capitalisation at financial year end	£583.7m	£978.1m	1,342.7m

All years are presented under IFRS.

Notes:

1. Continuing and discontinued operations.
2. Adjusted to remove the amortisation and impairment of acquired intangible assets and acquisition transaction costs, release of fair value adjustments to inventory, adjustments to contingent consideration (collectively 'acquisition items') and restructuring costs. 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 and impairment of acquired intangible assets; acquisition items (from 2010/11); restructuring costs, 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.
6. The 2015/16 figures were restated in 2016/17, as required by IFRS 3 (revised) 'Business Combinations', for material changes arising on the provisional accounting for acquisitions in 2014/15.

2011/12 £000	2012/13 £000	(Restated) (note 5) 2012/13 £000	2013/14 £000	2014/15 £000	(Restated) (note 6) 2015/16 £000	2016/17 £000	2017/18 £000
579,883	619,210	619,210	676,506	726,134	807,805	961,662	1,076,211
454,270	503,635	503,635	548,629	587,822	662,984	806,742	902,934
120,465	130,661	128,543	140,249	153,618	166,014	194,004	213,677
163,283	188,701	188,701	189,707	219,148	258,648	302,174	321,995
64,014	160,013	160,013	107,622	140,419	296,244	262,079	290,003
45,305	49,723	49,723	33,126	39,525	49,526	65,637	69,669
4,347	4,716	4,716	4,999	5,328	5,604	5,771	6,113
23.01p	25.22p	24.79p	28.14p	27.49p	28.76p	34.25p	40.69p
24.46p	26.22p	25.79p	28.47p	31.17p	34.26p	40.21p	45.26p
19.4%	7.2%	5.4%	10.4%	9.5%	9.9%	17.4%	12.6%
20.8%	21.1%	20.8%	20.7%	21.2%	20.6%	20.2%	19.9%
78.6%	76.4%	75.8%	76.6%	77.6%	72.4%	72.5%	71.6%
17.6%	16.9%	16.6%	16.7%	16.3%	15.6%	15.3%	15.2%
7%	7%	7%	7%	7%	7%	7%	7%
381p	518p	518p	579p	701p	912p	1024p	1179p
£1,440.8m	£1,962.6m	£1,962.6m	£2,192.6m	£2,661.3m	£3,462.4m	£3,887.6m	£4,476.0m

Halma Directory

Businesses by sector	Main products
Process Safety	
Crowcon Detection Instruments	Gas detection instruments for personnel and plant safety
Elfab	Design and manufacture of pressure management products for the protection of people, plants, processes and the environment
Fortress Interlocks	Interlock systems for safeguarding dangerous machines and hazardous processes
Oseco	Design and manufacture of pressure management products for the protection of people, plants, processes and the environment
Cosasco	Pipeline corrosion and environmental monitoring products and systems for diverse industries including oil, gas, petrochemical, pharmaceutical, chemical and utilities
SPS	Safety systems for warehousing and hazardous industrial processes
Sofis	Process safety systems for petrochemical and industrial applications
Infrastructure Safety	
Advanced Electronics	Networked fire detection systems
Apollo Fire Detectors	Smoke and heat detectors, sounders, beacons and interfaces
Argus	Wireless and wired fire detection devices
Avire	Safety systems for elevator doors, elevator emergency communications, displays and gateways
BEA	Solutions for people and vehicle flow

Principal locations	Telephone	E-mail	Website
Abingdon, Oxfordshire (Head Office) Beijing, China Erlanger, Kentucky Singapore The Netherlands	+44 (0)1235 557700	sales@crowcon.com	www.crowcon.com
North Shields, Tyne & Wear	+44 (0)191 293 1234	sales@elfab.com	www.elfab.com
Wolverhampton, West Midlands (Head Office) Erlanger, Kentucky Schiedam, Netherlands Melbourne, Australia	+44 (0)1902 349000	sales@fortressinterlocks.com	www.fortressinterlocks.com
Broken Arrow, Oklahoma	+1 918 258 5626	info@oseco.com	www.oseco.com
Santa Fe Springs, California (Head Office) Houston, Texas Aberdeen, Scotland Sharjah, UAE Singapore Perth, Australia Edmonton, Canada Beijing, China Kuala Lumpur, Malaysia	+1 562 949 0123	sales@cosasco.com	www.cosasco.com
Kingsbury, London (Head Office) Shanghai, China North Canton, Ohio Paris, France Tunis, Tunisia	+44 (0)20 8200 1200	uksales@castell.com	www.castell.com
Alphen aan den Rijn, The Netherlands (Head Office) Dubai, UAE Gujarat, India Stockstadt, Germany Houston, Texas Witham, Essex Erlanger, Kentucky Victoria, Australia Beijing, China Mumbai, India	+31 (0)172 471 339	support@sofisglobal.com	www.sofisglobal.com
Cramlington, Northumberland (Head Office) Hopkinton, Massachusetts	+44 (0)1670 707111	sales@advancedco.com	www.advancedco.com
Havant, Hampshire (Head Office) Auburn Hills, Michigan Beijing, China	+44 (0)2392 492412	enquiries@apollo-fire.co.uk	www.apollo-fire.co.uk
Trieste, Italy	+39 040 23 96 411	info@argussecurity.it	www.argussecurity.it
Maidenhead, Berkshire (Head Office) České Budějovice, Czech Republic Hauppauge, New York Shanghai, China Singapore	+44 (0)1628 540100	sales.uk@avire-global.com	www.avire-global.com
Liège, Belgium (Head Office) Pittsburgh, Pennsylvania Beijing, China	+32 (0)4 361 65 65	info@bea.be	www.bea.be

Halma Directory continued

Businesses by sector	Main products
Infrastructure Safety continued	
FFE	Flame detectors, beam smoke detectors and specialist fire extinguishing systems
Firetrace International	Automatic fire detection and suppression systems
Texecom	Electronic security systems and signalling products
Medical	
Accudynamics	Mechanical and fluidic components primarily used in medical, life science and scientific instruments
Bio-Chem Fluidics	Miniature valves, micro pumps and fluid components for medical, life science and scientific instruments
Cardios	Ambulatory ECG recorders and ambulatory blood pressure monitors
CenTrak	Real-time location systems for healthcare facilities
Diba Industries	Specialised components and complete fluid transfer subassemblies for medical, life science and scientific instruments
Keeler	Ophthalmic instruments for diagnostic assessment of eye conditions
Longer Precision Pump Co.	Peristaltic, syringe, piston and gear pumps for use in laboratory, industrial and medical applications for both end-user and OEM customers
Medicel	Instruments for ophthalmic surgery
MicroSurgical Technology	Ophthalmic surgical products, focusing on single-use devices used in cataract surgery
Rudolf Riester	Diagnostic medical devices for ophthalmology, blood pressure measurement and ear, nose and throat diagnostics
SunTech Medical	Clinical grade non-invasive blood pressure monitoring products and technologies
Visiometrics	Ophthalmic diagnostic instruments that objectively measure visual acuity
Volk Optical	Ophthalmic equipment and lenses as aids to diagnosis and surgery
Environmental & Analysis	
Alicat Scientific	Mass flow meters, mass flow controllers and pressure controllers for high-precision fluid flow measurement
Avo Photonics	Opto-electronic solutions and product design, development and manufacturing of exclusive, confidential, private label applications
Fiberguide Industries	Large core specialty optical fibre, high temperature metallised fibres for optical power delivery and optical sensing applications
FluxData	Advanced multispectral and digital imaging systems for multiple sectors including industrial and medical applications.

Principal locations	Telephone	E-mail	Website
Hitchin, Hertfordshire	+44 (0)1462 444740	sales@ffeuk.com	www.ffeuk.com
Scottsdale, Arizona	+1 888 786 0780	info@firetrace.com	www.firetrace.com
Haslingden, Lancashire	+44 (0)1706 220460	sales@texe.com	www.texe.com
Lakeville, Massachusetts	+1 508 946 4545	info@accudynamics.com	www.accudynamics.com
Boonton, New Jersey	+1 973 263 3001	sales.us@biochemfluidics.com	www.biochemfluidics.com
São Paulo, Brazil	+55 11 3883-3030	cardios@cardios.com.br	www.cardios.com.br
Newtown, Pennsylvania	+1 215 860 2928	info@centrak.com	www.centrak.com
Danbury, Connecticut (Head Office) Cambridge, UK	+1 203 744 0773	sales@dibaind.com	www.dibaind.com
Windsor, Berkshire (Head Office) Malvern, Pennsylvania	+44 (0)1753 857177	info@keeler.co.uk	www.keeler.co.uk
Baoding, Hebei, China	+86 312 3110087	longer@longerpump.com	www.longerpump.com
Altenrhein, Switzerland	+41 71 727 1050	info@medicel.com	www.medicel.com
Redmond, Washington (Head Office) Cuijk, The Netherlands	+1 425 556 0544	info@microsurgical.com	www.microsurgical.com
Jungingen, Germany	+49 (0)74 77 92 700	info@riester.de	www.riester.de
Morrisville, North Carolina (Head Office) Shenzhen, China Eynsham, Oxfordshire	+1 919 654 2300	sales@suntechmed.com	www.suntechmed.com
Cerdanyola, Spain (Head Office) Aliso Viejo, California	+34 935 824 501	info@visiometrics.com	www.visiometrics.com
Mentor, Ohio	+1 440 942 6161	volk@volk.com	www.volk.com
Tucson, Arizona (Head Office) Shanghai, China Mumbai, India	+1 520 290 6060	info@alicat.com	www.alicat.com
Horsham, Pennsylvania (Head Office) Toronto, Canada	+1 215 441 0107	sales@avophotonics.com	www.avophotonics.com
Caldwell, Idaho (Head Office) Stirling, New Jersey Shanghai, China	+1 208 454 1988	info@fiberguide.com	www.fiberguide.com
Rochester, New York	+1 718 874 0218	info@fluxdata.com	www.fluxdata.com

Halma Directory continued

Businesses by sector	Main products
Environmental & Analysis continued	
HWM-Water	Multi-utility M2M solutions provider, including data recording and management for water networks, electricity, solar PV and energy conservation
Hydreka	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	Precision radiometric and photometric systems and software for light testing, calibration and measurement
Mini-Cam	Manufacturing and distribution of remotely operated camera systems and devices for inspecting pipelines and hard to reach areas
Ocean Optics	Portable spectrometers and spectral sensors for laboratory and field applications in chemical analysis, process control, environmental monitoring, life sciences and medical diagnostics
Palintest	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	High precision moisture management products including dryers, humidifiers, and complete sample conditioning systems for emissions monitoring, process analysis, and medical applications
Sensorex	Electrochemical sensors for water analysis applications in the process industry and laboratory markets
UV Group	Ultraviolet (UV) water treatment systems for municipal drinking water, wastewater treatment, food and beverage manufacturing, and marine ballast, as well as aquaculture products
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

Principal locations	Telephone	E-mail	Website
Cwmbran, South Wales (Head Office) Pitsford, Northampton Cincinnati, Ohio	+44 (0)1633 489 479	sales@hwm-water.com	www.hwmglobal.com
Lyon, France	+33 (0)4 72 53 11 53	hydreka@hydreka.fr	www.hydreka.com
North Sutton, New Hampshire (Head Office) Shanghai, China	+1 603 927 4266	labsphere@labsphere.com	www.labsphere.com
Warrington, Cheshire	+44 (0)1942 444 555	info@mincam.co.uk	www.minicam.co.uk
Winter Park, Florida (Head Office) Largo, Florida Ostfildern, Germany Duiven, The Netherlands Oxford, Oxfordshire Shanghai, China Beijing, China	+1 727 733 2447	info@oceanoptics.com	www.oceanoptics.com
Gateshead, Tyne & Wear (Head Office) Beijing, China Sydney, Australia Erlanger, Kentucky	+44 (0)191 491 0808	sales@palintest.com	www.palintest.com
Lakewood, New Jersey (Head Office) Shanghai, China Mumbai, India	+1 732 244 0010	info@permapure.com	www.permapure.com
Garden Grove, California	+1 714 895 4344	sales@sensorex.com	www.sensorex.com
Slough, Berkshire (Head Office) Shanghai, China Erlanger, Kentucky Nuenen, The Netherlands	+44 (0)1753 515300	sales@hanovia.com	www.hanovia.com
Amersham, Buckinghamshire	+44 (0)1494 721111	halma@halma.com	www.halma.com
Cincinnati, Ohio	+1 513 772 5501	halmaholdings@halmaholdings.com	www.halma.com
China	+86 21 6016 7666	halmachina@halma.com	www.halma.cn
Bengaluru, India	+91 806 747 5300	halmaindia@halma.com	www.halma.in

Shareholder Information

Financial calendar

2017/18 Half year results	21 November 2017
2017/18 Interim dividend paid	7 February 2018
Trading update	22 March 2018
2017/18 Year end	31 March 2018
2017/18 Final results	June 2018
2017/18 Report and Accounts issued	12 June 2018
Annual General Meeting	19 July 2018
2017/18 Final dividend payable	13 August 2018
2018/19 Half year end	30 September 2018
2018/19 Half year results	20 November 2018
2018/19 Interim dividend payable	February 2019
2018/19 Year end	31 March 2019
2018/19 Final results	June 2019

Analysis of shareholders at 22 May 2018	Shareholders (number)	%	Shares (number)	%
Number of shares held				
1 – 5,000	4,197	78.2	5,099,516	1.3
5,001 – 25,000	638	11.9	6,937,890	1.8
25,001 – 100,000	249	4.6	12,899,097	3.4
100,001 – 750,000	192	3.6	53,012,875	14.0
750,001 and over	93	1.7	301,695,954	79.5
	5,369	100.0	379,645,332	100.0

Share price London Stock Exchange, pence per 10p share	2018	2017	2016	2015	2014
Highest	1330	1126	917	726	623
Lowest	1007	887	699	559	471

Dividends Pence per 10p share	2018	2017	2016	2015	2014
Interim	5.71	5.33	4.98	4.65	4.35
Final	8.97*	8.38	7.83	7.31	6.82
Total	14.68	13.71	12.81	11.96	11.17

* 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 25 July 2018.

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 124th Annual General Meeting of Halma plc will be held in the Burdett Suite at The King's Fund, No. 11 Cavendish Square, London W1G 0AN on Thursday 19 July 2018 at 10.30 am.

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London EC2V 7QP

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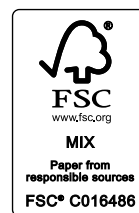
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Stay up-to-date

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.



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