

Activities

Halma p.l.c. is a holding company. A list of its principal subsidiary companies and their activities is set out on pages 70 and 71.

Results of the period

The consolidated profit and loss account for the 52 weeks to 31 March 2001 is set out on page 42. The Group profit before taxation and goodwill amortisation is £49,698,000. The profit after taxation and goodwill amortisation amounts to £32,803,000.

Ordinary dividends

The Directors will submit a resolution at the Annual General Meeting proposing a final dividend of 2.787p per share and if approved this dividend will be paid on 20 August 2001 to shareholders on the register at the close of business on 20 July 2001. Together with the interim dividend of 1.806p per share already paid, this will make a total of 4.593p per share for the financial year.

Review

A review of activities together with business and future developments is included on pages 6 to 23 inclusive. A summary of acquisitions by the Group is included on page 64.

Share capital

Details of share capital issued in the financial year are set out in note 17 on the accounts.

Allotment authority

The special business of the Annual General Meeting includes a special resolution to disapply Section 89(1) of the Companies Act 1985 with respect to certain allotments. The effect of this special resolution, if approved, will be to give the Directors authority until the date of the next Annual General Meeting, firstly to issue shares to employees under share schemes previously approved in general meeting, and secondly, to allot up to 5% of the issued ordinary share capital for cash otherwise than pro-rata to existing shareholders.

Purchase of own shares

The Company was authorised at the 2000 Annual General Meeting to purchase up to 36,000,000 (approximately 10%) of its own 10p ordinary shares in the market. This authority expires at the end of the 2001 Annual General Meeting. In accordance with the Directors' stated intention to seek annual renewal, a special resolution will be proposed at the Annual General Meeting to renew this authority until the end of the next Annual General Meeting. The Directors consider it desirable that the possibility of making such purchases, under appropriate circumstances, is available. 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.

Economic and Monetary Union

Each Group company continues to monitor the implications, on information systems and other aspects of their operations, of full introduction of the Euro in 2002. To date, no adverse consequences have arisen, and the Company does not anticipate that full introduction of the Euro will have a significant impact on the Group's performance.

Supplier payment policy

The Company does not follow any particular supplier payment code of practice. The Company has due regard to the payment terms of suppliers and generally settles all undisputed accounts within 30 days of the due date for payment. At 31 March 2001 the Company's trade creditors represented 34 days of annual purchases.

Employees

Matters which affect the Group are communicated to employees through formal and informal meetings, internal announcements and regular contact with Directors and Divisional Chief Executives.

The Employee Share Scheme is open to all UK employees of the Group following a qualifying period and has been operating since 1980.

The Company is an equal opportunity employer and gives disabled people the same consideration as other individuals.

Directors' remuneration

The Directors consider it appropriate that shareholders be given the opportunity to approve the remuneration policy for Directors set out in the Report on Remuneration on page 35 of the Report and Accounts. The special business of the Annual General Meeting contains an ordinary resolution seeking such shareholder approval.

The environment and health and safety

The Group plays a very positive and proactive role in the monitoring and improvement of the environment through its commitment to the development and promotion of products which protect the environment. The Group is widely recognised as being amongst the leading companies in the field of environmental control and monitoring. Through its manufacturing companies, the Group has a long-term involvement in the production of equipment designed to monitor changes in the environment and also to control industrial activities which generate pollution.

The Group is committed to operating in such a way as to reduce any adverse impact on the environment. Group companies seek ways to improve efficiency and reduce their use of materials and energy and operate waste management programmes. Group products do not require capital intensive manufacturing processes, so the environmental impact of production operations is minimal.

The Group recognises the necessity of safeguarding the health and safety of all employees whilst at work and operates so as to provide a safe

working environment for employees, visitors and the public. Given the autonomous structure of the Group, operational responsibility for compliance with relevant local environmental and health and safety regulations is delegated to the board of directors of each Group company. Internal reporting procedures exist to monitor each company's stated compliance with such regulations.

Research and development

Group companies have continuous research and development programmes established with the objective of the improvement of their product ranges and increasing the profitability of their operations.

Donations

Group companies made charitable donations amounting to £2,612 during the financial year. There were no political donations.

Directors

The Directors of the Company are listed on page 24. Brief biographies are set out on pages 25 to 27.

Appointment of Directors

On 2 January 2001 Mr R A Stone joined the Board as a non-executive Director and on 30 April 2001 Mr K J Roy joined the Board as an executive Director.

Retirement of Directors

On 30 April 2000 Mr P A Tett retired from service with the Group and resigned as a Director of the Company. On 2 August 2000 Mr M J Arthur resigned as Deputy Chairman and as a Director of the Company. On 30 April 2001 Mr J C Conacher retired from service with the Group and resigned as a Director of the Company.

Directors proposed for re-election

Mr S R O'Shea, Mr K J Thompson and Mr N Quinn retire by rotation and being eligible offer themselves for re-election.

Mr R A Stone and Mr K J Roy, who joined the Board since the last Annual General Meeting, retire under Clause 95 of the Articles of Association and being eligible offer themselves for re-election.

Shareholdings

As at 7 June 2001 the Company has been notified under Section 198 of the Companies Act 1985 of the following notifiable holdings of the Company's ordinary shares:

	shares	per cent
Silchester International Investors Limited	54,706,748	15.1
Mr D S Barber	13,053,056	3.6

No other notification has been received in respect of a holding of 3% or more of the Company's ordinary share capital.

The Company is also aware of the following non-notifiable holdings of its ordinary shares in relation to funds managed by:

	shares	per cent
M&G Investment Management Limited	26,252,236	7.2
Baillie Gifford & Co	23,689,956	6.5
AMVESCAP PLC	21,486,063	5.9
F P Asset Management	13,925,686	3.8

Auditors

Resolutions will be proposed at the Annual General Meeting to re-appoint PricewaterhouseCoopers as Auditors and to authorise the Directors to determine their remuneration.

By Order of the Board
 E C Tredway Secretary
 Misbourne Court Rectory Way Amersham Bucks HP7 0DE
 19 June 2001