

The Directors present their annual report on the affairs of the Group, together with the Accounts and the Independent Auditors' Report, for the 52 weeks to 29 March 2003.

Activities

Halma p.l.c. is a holding company. A list of its principal subsidiary companies and their activities is set out on pages 78 and 79.

Results of the period

The Consolidated Profit and Loss Account for the 52 weeks to 29 March 2003 is set out on page 46. The Group profit before taxation and goodwill amortisation is £46,508,000 (2002: £48,255,000). The profit after taxation and goodwill amortisation amounts to £28,359,000 (2002: £31,157,000).

Ordinary dividends

The Directors will submit a resolution at the Annual General Meeting proposing a final dividend of 3.527p per share and if approved this dividend will be paid on 18 August 2003 to ordinary shareholders on the register at the close of business on 18 July 2003. Together with the interim dividend of 2.285p per share already paid, this will make a total of 5.812p per share for the financial year.

Review

A review of activities together with business and future developments is included on pages 7 to 27 inclusive.

Share capital

Details of share capital issued in the financial year are set out in note 18 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 2002 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 2003 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.

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 29 March 2003 the Company's trade creditors represented 38 days (2002: 34 days) of annual purchases.

Employees

Matters which affect the Group are communicated to employees through formal and informal meetings, internal announcements, the Group bulletin board on our

secure Virtual Private Network (VPN) and regular contact with Directors and Divisional Chief Executives.

An 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 of Directors as set out in the Report on Remuneration on pages 38 to 43. The special business of the Annual General Meeting contains an ordinary resolution seeking such shareholder approval.

Social responsibility

The environment

Within Halma, we have an excellent long-term record and a clear strategy for addressing environmental issues that affect our businesses and for developing products that protect the environment and improve safety at work and in public places. Many of our innovative products play a very positive role in monitoring and improving the environment. Halma brands lead the world in a number of technologies which help to minimise environmental damage.

Our principal environmental technologies are water leakage detection, gas emissions monitoring, water and effluent analysis and UV water treatment. Our commitment to the development of equipment for measuring environmental changes and controlling the damaging impact of industrial activities is long-term.

Our contribution to increased personal safety in public places and at work includes protecting people from fire, making elevators and automatic doors safe and effective and providing safety products that ensure safe practices at work. We are the major world supplier in several of these areas.

We support the concept of sustainability and recognise that, in common with all businesses, our activities have an environmental impact. Our products do not require capital intensive manufacturing processes, so the environmental effect of our operations is relatively low compared to manufacturers in other sectors. However, Group companies are encouraged to improve energy efficiency, reduce waste and emissions, reduce the use of materials and reduce environmental impact.

We tirelessly promote the use of UV water sterilisation which eliminates the need to use dangerous chemicals, as well as products that minimise the waste of clean water. We make equipment that ensures safe practices that prevent accidents, emissions and fires and safety equipment for use in public places and transportation systems.

The Group's policy on environmental issues is published on our website and has been distributed to all Halma business units.

The senior executive in each of our business units is responsible for implementing the environmental policy at local level. The Group Finance Director, Mr K J Thompson, has principal responsibility for coordinating and monitoring the policy.

We are committed to work towards implementing an environmental management system to measure and control environmental impact. We are working towards measuring, reporting and controlling our environmental impact. We expect to develop performance indicators that will assist local management in implementing the policy. The Group's environmental performance will be reported via the Annual Report and on our website.

Health and safety

The Group recognises the necessity of safeguarding the health and safety of our own 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. Adequate internal reporting exists in order that the Group Finance Director may monitor each company's stated compliance with such regulations.

FTSE4Good index

Halma was designated a member of the FTSE4Good UK index on its establishment in July 2001. The FTSE4Good index measures and benchmarks the performance of companies with good records of corporate social responsibility and aids investors who use socially responsible investment criteria. The FTSE4Good Selection Criteria cover three areas: working towards environmental sustainability; developing positive relationships with stakeholders; and upholding and supporting universal human rights.

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 £1,308 during the financial year. There were no political donations.

Directors

The Directors of the Company are listed on page 30. Brief biographies are set out on page 28.

Following the announcement on 28 August 2002 that Mr D S Barber intends to retire from the Board immediately after the 2003 Annual General Meeting, Mr E G Unwin was appointed to the Board as non-executive Deputy Chairman (Chairman Elect) on 2 September 2002.

Mr A J Walker was appointed to the Board as a non-executive Director on 8 May 2003.

On 30 April 2002 Mr C Q Summerhayes retired from service with the Group and resigned as a Director of the Company. On 8 November 2002 Mr H M J Ritchie resigned as a Director of the Company.

Lord McGowan, who joined the Board in 1997, died on 7 May 2003.

Directors proposed for re-election

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

Mr E G Unwin and Mr A J Walker, 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 5 June 2003 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	65,511,005	17.9
Oppenheimer Funds, Inc	23,300,828	6.3
Sprucegrove Investment Management Limited	21,897,149	5.9
Mr D S Barber	13,053,056	3.5
Legal & General Investment Management Limited	11,012,475	3.0

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

Auditors

The Directors appointed Deloitte & Touche as auditors in April 2003 succeeding PricewaterhouseCoopers. Special notice has been received in accordance with Sections 379 and 388(3) of the Companies Act 1985 of a resolution that Deloitte & Touche be re-appointed as auditors of the Company and this will be proposed at the Annual General Meeting along with authority for the Directors to determine their remuneration.

By Order of the Board
 C T Chesney Secretary
 Misbourne Court Rectory Way Amersham Bucks HP7 0DE
 17 June 2003