

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 2 April 2005.

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 2 April 2005 is set out on page 48. The Group profit before taxation, goodwill amortisation and exceptional items is £50,389,000 (2003/04: £50,284,000). The profit after taxation amounts to £29,358,000 (2003/04: £22,322,000).

Ordinary dividends

The Directors will submit a resolution at the Annual General Meeting proposing a final dividend of 3.92p per share and if approved this dividend will be paid on 24 August 2005 to ordinary shareholders on the register at the close of business on 22 July 2005. Together with the interim dividend of 2.58p per share already paid, this will make a total of 6.5p per share for the financial year.

Review

A review of activities together with business and future developments is included on pages 4 to 12 and 16 to 27 inclusive.

Share capital

Details of share capital issued in the financial year are set out in note 19 on the Accounts.

Performance share plan

The Directors will propose a resolution at the Annual General Meeting recommending the approval and adoption of a Performance Share Plan ("PSP"), details of which are contained in the circular which has been sent to shareholders.

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 2004 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 2005 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. If the Performance Share Plan is approved, the Directors intend to make routine purchases of Halma shares in the market and hold them in treasury until required for shares that vest under the PSP. 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.

Supplier payment policy	<p>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 2 April 2005 the Company's trade creditors represented 34 days (2004: 35 days) of its annual purchases.</p>
Employees	<p>Matters which affect the Group are communicated to employees through formal and informal meetings, internal announcements, the Group Intranet, the Group bulletin board on our secure Virtual Private Network (VPN) and regular contact with Directors and Divisional Chief Executives.</p> <p>An employee share scheme is open to all UK employees of the Group following a qualifying period and has been operating since 1980.</p> <p>The Company is an equal opportunity employer with particular reference to non-discrimination and non-harassment on the basis of ethnic origin, religion, gender, age, disability and sexual orientation. Halma gives disabled people the same consideration as other individuals.</p>
Directors' remuneration	<p>The Directors support shareholders approving the remuneration of Directors as set out in the Report on Remuneration on pages 39 to 45. An ordinary resolution will be proposed at the Annual General Meeting seeking such shareholder approval.</p>
Corporate responsibility	<p>The Group's Corporate Responsibility report is set out on pages 31 to 33.</p>
Research and development	<p>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.</p>
Donations	<p>Group companies made charitable donations amounting to £11,913 (2003/04: £9,923) during the financial year. There were no political donations (2004/05: £nil).</p>
Directors	<p>The Directors of the Company are listed on page 13. Brief biographies are set out on page 14.</p> <p>Mr S R O'Shea retired from service with the Group and resigned as a Director and Group Chief Executive on 28 February 2005. Following the resignation of Mr O'Shea, Mr A J Williams, who was appointed a Director on 13 July 2004, was appointed Group Chief Executive with effect from 28 February 2005.</p>
Directors proposed for re-election	<p>Mr K J Thompson, Mr N Quinn and Mr E G Unwin retire by rotation and being eligible offer themselves for re-election.</p> <p>Mr A J Williams, who joined the Board between the date of issue of the Notice of Meeting and the last Annual General Meeting, retires under Clause 95 of the Articles of Association and being eligible offers himself for re-election.</p>

Shareholdings

As at 10 June 2005 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	65,887,378	17.8
Sprucegrove Investment Management Limited	25,267,545	6.8
Legal & General Investment Management Limited	12,320,633	3.3

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

Auditors

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

By Order of the Board
C T Chesney Secretary
Misbourne Court Rectory Way Amersham Bucks HP7 0DE
21 June 2005