Corporate governance

The Board is committed to the maintenance of high standards of Corporate governance. The policy of the Board is to manage the affairs of the Company in accordance with the principles of corporate governance contained in the Combined Code on Corporate Governance which is appended to the Listing Rules of the Financial Services Authority and for which the Board is accountable to shareholders.

Compliance with the code of best practice

Throughout the financial year, the Company complied with the Code provisions set out in Section 1 of the July 2003 FRC Combined Code on Corporate Governance, as amended in June 2006, except in respect of provisions A3.2 and C3.1, which involve the composition of the Board and the Audit Committee and the number of members who are independent non-executive Directors. The Board reaffirmed its decision to maintain the composition of the Board as a Chairman, three independent non-executive Directors and four executive Directors and is currently in the process of recruiting an independent non-executive Director to fill the vacancy arising on Andrew Walker's resignation. The Board believes this composition is the most appropriate structure for the Company; the Chairman also specifically raised this point with shareholders during the 2005 annual general meeting and received the unanimous support of those present. Once the non-executive Director vacancy is filled, the Company will be able to report compliance with provision C3.1 relating to the composition of the Audit Committee.

Application of the principles of good governance

The Group is controlled and directed by a Board consisting of a Chairman, four Directors and two other non-executive Directors. Their biographies appear on page 78. The Nomination Committee is currently in the process of recruiting another non-executive Director. This individual is expected to be a member of each of the Audit, Remuneration and Nomination Committees following appointment. The Board considers the Chairman and each of the non-executive Directors to be independent. In assessing independence, the Board considers that the Chairman and non-executive Directors are independent of management and free from business and other relationships which could interfere with the exercise of independent judgment now and in the future. The Board believes that any shareholdings of the Chairman and non-executive Directors serve to align their interests with those of all shareholders. Richard Stone is acknowledged as the Senior Independent Director. Upon appointment and at regular intervals, all Directors are offered appropriate training. Each Director is subject to re-election at least every three years. The Chairman confirms that non-executive Directors standing for re-election continue to be effective and demonstrate commitment to their roles.

The Directors retain responsibility for the formulation of corporate strategy, investment decisions, and treasury and risk management policies. There is a formal schedule of matters reserved for the Board's decision and the Board meets at least six times each year with further ad hoc meetings as required. Directors are issued an agenda and comprehensive board papers in the week preceding each Board meeting. All Directors have access to the advice and services of the Company Secretary as well as there being an agreed procedure for obtaining independent professional advice.

Board and Committee meeting attendance

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

	Board	Remun-eration Committee	Audit Committee	Nom-ination Committee
Total scheduled meetings	6	3	3	1
Geoff Unwin	6	1*	N/A	1
Andrew Williams	6	N/A	N/A	1
Kevin Thompson	6	N/A	N/A	N/A
Neil Quinn	6	N/A	N/A	N/A
Richard Stone	6	3	2	1
Keith Roy	6	N/A	N/A	N/A
Stephen Pettit	6	3	3	1
Andrew Walker	6	3	3	1

*Geoff Unwin was not a member of the Remuneration Committee when two of the three meetings of the Committee were held, but was in attendance.

Committees of the Board

Halma has six committees of the Board: the Remuneration Committee, the Audit Committee, the Nomination Committee, the Share Plans Committee, the Bank Facilities and Guarantees Committee and the Acquisitions and Disposals Committee. Each of these committees has terms of reference approved by the Board, copies of which are available on request from the Company Secretary.

Remuneration Committee

Richard Stone chairs the Remuneration Committee of which Geoff Unwin and Stephen Pettit are members. Andrew Walker was also a member of the Committee up to the date of his resignation. The Committee makes recommendations to the Board on the framework for executive Directors' and senior executives' remuneration based on proposals formulated by the Group Chief Executive. The Committee meets at least twice per year. Further information about the Committee is contained in the Report on remuneration on pages 87 to 91.

Audit Committee

Stephen Pettit chairs the Audit Committee, succeeding Andrew Walker who resigned in March 2007. Richard Stone is also a member of the Committee. The Committee reviews the interim and annual accounts and the disclosures contained therein, accounting policies and matters of significant judgment, the statement on internal controls, the process of Internal Audit and the Group whistleblowing procedures. The Committee is also responsible for the relationship with the external auditors including terms of engagement, fee levels, approval of the annual audit plan, a review of the findings of the audit and assessing auditor effectiveness and independence. The Chairman, Group Chief Executive, Group Finance Director and representatives from the Auditors attend Committee meetings by invitation in order to provide appropriate advice. The Committee routinely meets with the Auditors without the involvement of the executive Directors; the Committee meets at least three times per year.

The Board has designated Richard Stone as the member of the Audit Committee with recent and relevant financial experience. His background is as a senior insolvency practitioner with Coopers & Lybrand (later PricewaterhouseCoopers).

Nomination Committee

Geoff Unwin chairs the Nomination Committee. Andrew Williams, Richard Stone and Stephen Pettit are also members. Andrew Walker was a member up to the date of his resignation. The Committee makes recommendations to the Board on the appointment of new Directors. External search consultancies are retained when recruiting non-executive Directors and are used to evaluate internal and external candidates for succession planning. The Committee meets at least annually. As previously noted, the Committee is currently in the process of recruiting a non-executive Director to fill the vacancy created by Andrew Walker's resignation.

Other committees

The Share Plans, Bank Facilities and Guarantees and Acquisitions and Disposals Committees' terms of reference provide that certain Directors and the Company Secretary may form sub-committees to cover administrative matters or to formally enact matters that have already been determined by the Board in principle.

Executive Board

Control of divisional operating matters is delegated to the Executive Board of which the Group Chief Executive, Group Finance Director and all of the Divisional Chief Executives are members. Biographies of Executive Board members appear on pages 78 and 79. The Group Chief Executive chairs the Executive Board, which meets regularly, thereby ensuring the Board's strategies are communicated to those overseeing operations.

The Executive Board reviews operational activities, trading results, budgets, policy matters, investment opportunities, resource allocation and risk exposures. Any matters arising out of the Executive Board meetings are reported to the Board via the Group Chief Executive's report to the Board.

The Group Chief Executive and Group Finance Director also meet regularly with each Divisional Chief Executive to monitor progress against key objectives and review operational performance.

Individual operating company boards, chaired by the appropriate Divisional Chief Executive, manage operating companies. These boards have clearly defined responsibilities for the operation of their businesses, including compliance with legislation and regulations, and for internal reporting. The system of internal control exercised within the Group is described below.

Board effectiveness

The Board evaluates its performance and that of the Remuneration, Audit and Nomination Committees at least annually. For 2006/07 the evaluation commenced with a self-assessment questionnaire, the results of which were compiled by the Company Secretary and discussed by the Board at the February 2007 Board meeting. The Board also met in February 2007, separate from any scheduled meeting, for a general discussion on Board effectiveness followed by a meeting of the executive Directors with the Chairman, a meeting of the Chairman and non-executive Directors, and then a meeting of the non-executive Directors without the Chairman present. The outcomes of these meetings were then fed back to individuals by the Chairman, Senior Independent Director or Group Chief Executive, as appropriate.

Investor relations

In regular meetings with shareholders and analysts the Group Chief Executive and Group Finance Director communicate the Group's strategy and results, disclosing such information as is permitted within the guidelines of the Listing Rules. Such meetings ensure that institutional shareholders representing over 50% of the Company's issued share capital meet with the Company on a regular basis. Major shareholders are also offered the additional opportunity to meet with the Chairman and/or Senior Independent Director.

Kevin Thompson spoke at the Credit Suisse European Capital Goods Conference in London in September 2006. He talked about Halma's business sectors, strategy and track record. He also addressed some of the frequently asked questions about Halma and looked at the Group's priorities for the current year.

In February 2007, Halma hosted a site visit to its BEA subsidiary's headquarters in Liège, Belgium for analysts and investors. No new trading information is disclosed during such visits.

Andrew Williams spoke at the Dresdner Kleinwort Capital Goods Conference in London in March 2007.

All shareholders are encouraged to attend the annual general meeting, and major shareholders are also invited to briefings following the interim and annual results. The content of presentations to shareholders and analysts at results announcements and all announcements are available on the Group website, www.halma.com.

The Group website also contains electronic versions of the latest Annual report and accounts, Interim reports, biographical information on key Directors and Officers, share price information, and full subsidiary company contact details as well as hotlinks to their own websites. The website also contains the facility to request e-mail alerts relating to announcements made by the Group.

The Financial calendar is set out on page 96.

Going concern

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Internal control

The Board of Directors has overall responsibility to the shareholders for the Group's system of internal control and responsibility for reviewing its effectiveness has been delegated to the Audit Committee. Any system of internal control can provide only reasonable but not absolute assurance against material misstatement or loss.

Following publication by the Turnbull Committee of guidance for directors on internal control ("Internal Control: Revised Guidance for Directors on the Combined Code (October 2005)"), the Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group, that this has been in place for the year under review and up to the date of approval of the Annual report and accounts. This process has been reviewed by the Board, and the Group accords with the current Turnbull guidance.

Corporate governance continued

The Group's external auditors, Deloitte & Touche LLP, have audited the financial statements and have reviewed the internal financial control systems to the extent they consider necessary to support their audit report.

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

Central insurance cover is maintained for the Group and its operating companies and its adequacy is subject to annual review by the Board of Directors.

Group risk is mitigated by means of an operating structure which spreads the Group activities across a number of autonomous subsidiary companies. Each of these companies operates with a high quality board of directors including a finance executive.

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

- a defined organisational structure with an appropriate delegation of authority to operational management;
- deployment of finance executives in each operating company. Further resource continues to be added in this area;
- the identification and appraisal of risks both formally, through the annual process of preparing business plans and budgets, through an annual detailed risk assessment carried out at local level and informally through close monitoring of operations;
- a comprehensive financial reporting system within which actual results are compared with approved budgets and the previous year's figures on a monthly basis and reviewed at both local and Group level;
- an investment evaluation procedure to ensure an appropriate level of approval for all capital expenditure;
- self-certification by operating company management of compliance and control issues, a process which was further strengthened during the year;
- a robust IT network for Group communication.

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

- Operating companies carry out a detailed risk assessment each year and identify mitigating actions in place or proposed for each significant risk. A risk register is compiled from this information, against which action is monitored through to resolution. In addition, Divisional Chief Executives carry out an independent risk assessment for each operating company. A review of Group risks is also conducted.
- Each month the board of each operating company meets, discusses and reports on its operating performance, its opportunities, the risks facing it and the resultant actions. The relevant Divisional Chief Executive chairs this meeting. Divisional Chief Executives meet regularly with the Group Chief Executive and Group Finance Director and report progress to the Executive Board.
- A set of "warning signs" which are specifically relevant to every Halma operating company has been developed and these are reported and monitored each month with actions taken at senior level where required. These warning signs are firmly embedded within the operating processes of each company. As a result, potential risks are highlighted at an earlier stage for corrective action.
- The Group Chief Executive submits a report to each Halma p.l.c. Board meeting which includes financial information, the main features of Group operations and an analysis of the significant risks facing the Group at that time.
- Cyclical internal audit visits, the depth of which has been increased this year, are carried out by senior finance staff resulting in actions fed back to each company and followed up by Divisional Finance Directors and Divisional Chief Executives. Visit reports are coded in terms of risk with any significant control failings reported directly to the Audit Committee and a summary of all such visits reported to the Audit Committee regularly. Senior finance staff also carry out financial reviews at each operating company prior to publication of half year and year end figures.
- The Group Finance Director and Group Chief Executive report to the Audit Committee on all aspects of Internal Control for its review. The Board receives the papers and minutes of the Audit Committee meetings and uses these as a basis for its annual review of internal control.

The Audit Committee established the internal audit function for independent reporting of the outcome of internal control visits to the Audit Committee following its review of internal control activities in 2004.

As a result of the assessment of the Group's internal audit activities carried out last year, new resource has been added and additional training undertaken.

Auditor independence

The Audit Committee has responsibility for reviewing auditor independence and objectivity annually. During 2003/04, the Committee set down the "Policy on Auditor Independence and Services provided by the External Auditor". This policy states that the Group will only use the appointed external auditor for non-audit services in cases where these services do not conflict with the auditor's independence. The policy also sets a fee level of £100,000 above which non-audit services are subject to a tendering process. The above fee levels for non-audit services regarding the external auditors are also subject to an annual cap equal to the audit fee.

Report on remuneration

The following sections of the Report on remuneration have been audited: the table of Directors' remuneration; pension benefits; Directors' interests in shares.

Remuneration Committee

The Remuneration Committee currently consists of the three non-executive Directors, the members being Richard Stone (Chairman of the Committee), Geoff Unwin and Stephen Pettit. During the year, Andrew Walker was also a member up to the date of his resignation and Geoff Unwin rejoined the Committee following an amendment to the Combined Code. No Director takes part in discussions concerning his own remuneration.

The Committee, having taken external advice, makes recommendations to the Board on the framework for executive remuneration, based on proposals formulated by the Group Chief Executive, and determines the terms of service and remuneration of executive Directors and senior executives. The Committee's terms of reference, which are available from the Company Secretary on request, include:

- determining and agreeing with the Board the policy and framework for the remuneration of the Group Chief Executive, the executive Directors, the Company Secretary and such other members of the executive management as it is designated to consider;
- approving the design of, and determining targets for, any performance related pay plans operated by the Company and agreeing the total annual payments made under such plans;
- reviewing the design of all share incentive plans for approval by the Board and shareholders, and determining, 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;
- determining the policy for, and scope of, pension arrangements for each executive Director and other senior executives.

The Committee also monitors and considers, with the Group Chief Executive, the framework of remuneration for subsidiary chief executives and directors and ensures a consistent approach is applied.

The Committee appointed Watson Wyatt to advise on various aspects of executive remuneration. They also provided the Company with limited additional advice, regarding the UK defined benefit pension plan, during the year.

Remuneration policy

The policy on Directors' remuneration is to provide remuneration packages necessary to attract, retain and motivate Directors of the quality required to run the Group successfully, manage its businesses and align the interests of the Directors with those of the shareholders. In determining such packages, the Committee considers whether members of the executive management of the Group are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Group.

In accordance with rule 12.43A(c) of the Listing Rules of the Financial Services Authority the Board presents its Report on remuneration to the shareholders. The Board confirms that when determining the remuneration policy for executive Directors for 2006/07 full consideration was given to the Combined Code appended to the Listing Rules of the Financial Services Authority.

Basic salary and benefits

Basic salary levels for each individual are determined with reference to Watson Wyatt market survey data and other relevant data in order to relate remuneration levels to comparable companies. The Group Chief Executive is responsible for assessing the performance of each senior executive taking account of the complexity of the operations under their control, their opportunities for advancement within the Group, their remuneration relative to other executives in the Group and their bonus earning potential. He then formulates a remuneration proposal for the Committee's approval. Basic salary levels are set around the market median, and the Committee ensures that a balance between fixed and variable remuneration is achieved. At targeted levels of growth, the bonus expectation is approximately 60% of salary.

Remuneration of subsidiary boards is set at competitive levels to reflect the size, complexity and geographic locations of the relevant businesses.

Share plans

The Directors have long believed that share plans are an excellent way to align the interests of senior management with those of shareholders and that share plans provide excellent motivation. The Committee, recognising the need to continually assess and evaluate such incentives adopted a performance share plan following approval at the 2005 annual general meeting.

The Plan contains provisions permitting share option grants, restricted share awards and performance share awards. Currently the Committee intend to use the Plan only to award performance shares. The first awards were made in August 2005. Awards, which are made annually, are determined by evaluating the financial and operational performance of the executive Directors and the Divisional Chief Executives and their attainment of certain personal goals. The maximum award is fixed at 140% of salary for executive Directors and 100% of salary for Divisional Chief Executives. The expected level of award is 110% of salary and 80% of salary respectively. Awards vest after three years on a sliding scale, as set out below, subject to the Company's relative TSR performance against the FTSE 250 excluding financial companies (current year awards), combined with a measure based upon an absolute Return on total invested capital (ROTIC). Awards which do not vest on the third anniversary of their award lapse. The performance share plan is also extended to certain centrally based executives and subsidiary chief executives with maximum awards of 40% of salary.

Report on remuneration continued

		TSR (percentile)			
Percentage of award which vests		<50%	50%	75%	100%
ROTIC (post tax)	9.5%	0.0	16.7	50.0	50.0
	11.0%	16.7	33.3	66.7	66.7
	12.5%	33.3	50.0	83.3	83.3
	14.0%	50.0	66.7	100.0	100.0

The 1990, 1996 and 1999 share option plans all provided for the grant of two categories of option both of which are subject to performance criteria. The exercise criteria for these three plans are noted in note 23 to the accounts. No further grants may be made from the first two of these plans nor does the Company intend to make any further grants from the 1999 Plan now that the performance share plan has been approved by shareholders (2005 annual general meeting). The granting of options was spread over the life of the Plan.

The total dilution effect under these various discretionary share plans is less than 5%.

Performance related bonus scheme

This scheme, which applies to executive Directors and Divisional Chief Executives, is reviewed annually by the Remuneration Committee and approved by the Board. There is no alternative bonus arrangement for Directors and Divisional Chief Executives. During the year the Remuneration Committee carefully assessed existing bonus arrangements and determined that incentive levels are appropriately set.

In the case of a Divisional Chief Executive a bonus is earned if the profit of the Division for which he is responsible exceeds a target calculated from the profits of the three preceding financial years. The profits calculated for this purpose regard each Division as a stand-alone group of companies charging it with the cost of capital it utilises including the cost of acquisitions.

For the Group Chief Executive and Group Finance Director, bonuses are calculated as above but based on the aggregated profit of the Divisions exceeding a target calculated from the profits of the Divisions for the three preceding financial years.

Since 2005/06, executive Directors and Divisional Chief Executives may increase their cash bonus, subject to a 100% of salary cap, by either 10% of salary if the Return on capital employed in their Division (or aggregate thereof) exceeds 45%, or by 15% of salary if accompanied by absolute profit growth in their Division (or aggregate thereof).

Transitional provisions exist for divisional restructuring to ensure Divisional Chief Executives remain appropriately incentivised.

Subsidiary directors participate in bonus arrangements similar to those established for senior executives.

Directors' remuneration

	Salaries and fees £000	Bonus £000	Benefits £000	Pension supple-ment £000	2007 Total £000	2006 Total £000
Geoff Unwin	140	–	16	–	156	128
Andrew Williams	350	350	94	62	856	685
Kevin Thompson	235	235	11	61	542	460
Neil Quinn	194	30	14	21	259	222
Richard Stone	43	–	–	–	43	32
Keith Roy	169	169	15	15	368	339
Andrew Walker	51	–	–	–	51*	32
Stephen Pettit	36	–	–	–	36	29
	1,218	784	150	159	2,311	1,927
Gains on share options					247	34
Aggregate remuneration					2,558	1,961

*To date of resignation.

The fees paid in relation to Geoff Unwin were paid to Gunwin Limited. Andrew Williams' benefits include relocation expense reimbursement of £74,000. Executive Directors received pension supplements to compensate them for the fact that their pension entitlement under the Halma Group Pension Plan defined benefit arrangements is limited by a pensionable salary cap introduced from 6 April 2006. The Company introduced a pensionable salary cap in order to address changes affecting the Plan made in the Pension Act 2006. Without the introduction of such a cap, there would, effectively, have been no benefit limits. This could have resulted in benefits in excess of prescribed levels with some individuals suffering penal rates of tax and potentially causing a limitation on the tax deductibility of employer contributions. The Company obtained external advice regarding the changes to the Plan and executive pension arrangements and required each affected executive to obtain independent advice prior to implementing the changes. These changes reduce the Plan's future liabilities and their associated funding risk.

To the extent that an executive's current salary exceeds the Plan salary cap, the Company compensates him at an annual rate of 26% of the excess. As of 6 April 2006 Kevin Thompson chose to cease entirely future service accrual in the Halma Group Pension Plan in return for the pension supplement on his full salary.

Andrew Williams was the highest paid Director in the financial year.

Pension benefits

Except as noted above and below, the executive Directors participate in the appropriate section of the Halma Group Pension Plan. This section is a funded final salary occupational pension plan registered with HM Revenue & Customs, which provides 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 2006, final pensionable salary is capped at 7.5% of the Lifetime Allowance equating to £112,500 for the year ended 31 March 2007.

Bonuses and other fluctuating emoluments and benefits in kind are not pensionable nor subject to the pension supplement. The Plan also provides for life cover of three times salary, pensions in the event of early retirement through ill health and dependants' pensions of one-half of the member's prospective pension. Early retirement pensions, currently possible from age 50 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.

Details of the value of individual pension entitlements are shown below.

	Age at 31.3.07	Years of service at 31.3.07	Accrued pension 2006 £000	Increase in the year £000	Accrued pension 2007 £000
Andrew Williams	39	12	26	3	30
Kevin Thompson	47	19	78	6	87
Neil Quinn	57	19	82	8	92
Keith Roy	56	14	47	6	54

The accrued pension shown is that which would be paid annually on retirement based on service to the end of the year.

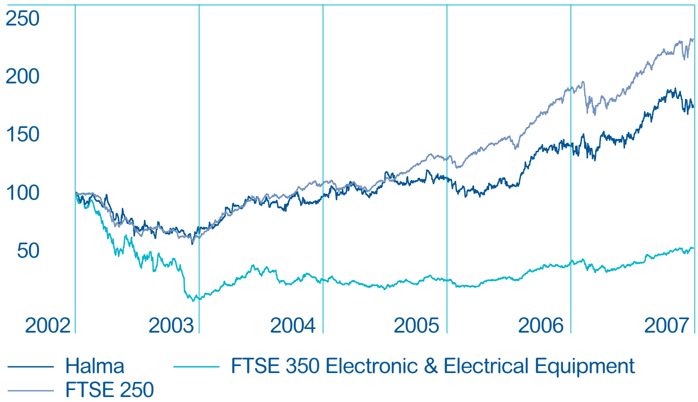
The increase in accrued pension during the year is the amount in excess of the increase due to inflation.

	Transfer value 1.4.06 £000	Directors' contri-butions £000	Increase in transfer value net of contri-butions £000	Transfer value 1.4.06 £000
Andrew Williams	205	10	16	231
Kevin Thompson	847	–	77	924
Neil Quinn	1,301	10	140	1,451
Keith Roy	754	10	102	866

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.

These values have been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11.

Total shareholder return %



Source: Datastream total return indices

Total shareholder return

The graph above shows the Company's total shareholder return performance over the five years to 31 March 2007 as compared to the FTSE 250 and the FTSE 350 Electronic & Electrical Equipment sector indices, the latter of which the Company has been a constituent since it was reclassified in June 2006. Over the period indicated, the Company's total shareholder return was 166% compared to 218% for the FTSE 250 and 59% for the FTSE 350 Electronic & Electrical Equipment sector.

At the commencement of the five-year period depicted in the graph, the Halma p.l.c. ordinary share price was 164p and the total of dividends paid in the year ended 30 March 2002 was 4.864p per share. The Halma p.l.c. ordinary share price at 31 March 2007 was 220.25p and the total of dividends paid in the year then ended was 6.97p per share.

Directors' interests in shares

The beneficial interests of Directors and their families in the ordinary shares of the Company during the financial year were as follows:

	Shares 31.3.07	Shares 1.4.06
Geoff Unwin	38,250	38,250
Andrew Williams	72,473	36,493
Kevin Thompson	99,609	72,649
Neil Quinn	69,118	50,052
Richard Stone	20,000	20,000
Keith Roy	760,649	748,536
Stephen Pettit	2,000	2,000

There are no non-beneficial interests of Directors.

There were no changes in Directors' interests from 31 March 2007 to 19 June 2007.

Report on remuneration continued

Performance share plan

The movements in performance share awards during the financial year were as follows:

	As at 1.4.06	Granted	Vested	As at 31.3.07
Andrew Williams	241,482	246,231	–	487,713
Kevin Thompson	169,792	165,327	–	335,119
Neil Quinn	141,305	132,446	–	273,751
Keith Roy	122,250	114,852	–	237,102

Performance conditions for the awards made in the financial year are set out above. The awards in the year were based on the three-day average share price of 199p (2006: 148.42p) on the date of grant. The current expectation is that, on average, over 60% of these awards will vest at the end of the vesting period.

Share option plans

The movements in share options during the financial year were as follows:

	As at 1.4.06	Exercised	Share price on exercise	As at 31.3.07	2007 Gains on exercise (£)	2006 Gains on exercise (£)
Andrew Williams	460,921	(17,500)	163.5p	443,421	5,862	–
Kevin Thompson	882,534	(99,932)	127.86p	782,602	67,362	17,186
Neil Quinn	966,841	(203,466)	121.0p	763,375	150,247	10,677
Keith Roy	540,358	(43,066)	139.5p	497,292	24,027	5,836

There were no share plan grants or lapses during the financial year.

The gains are calculated by deducting the exercise price from the closing middle market price at the date of exercise or the actual gross sales proceeds if appropriate.

The closing middle market price of the Company's ordinary shares on Friday, 30 March 2007, the last trading day preceding the financial year end, was 220.25p per share and the range during the year was 172p to 239.5p.

Details of Directors' options outstanding at 31 March 2007 are set out in the table below. The status of the options can be summarised as follows:

1 Exercisable at that date at a price less than 220.25p.

2 Not yet exercisable, will only be exercisable when the performance criteria, set out in note 23, have been met and have an exercise price per share of less than 220.25p.

	Status of options (see above)	Year of grant	Number of shares	Weighted average exercise price (p) per share
Andrew Williams	1	2001	22,300	163.50
	2	1997–2005	421,121	139.56
Kevin Thompson	1	1997–1998; 2000–2001; 2003	295,103	125.52
	2	1997–2005	487,499	137.64
Neil Quinn	1	1999–2001; 2003	325,303	130.03
	2	1997–2005	438,072	135.82
Keith Roy	1	1997–1999; 2001–2002	210,907	134.48
	2	1997–2005	286,385	136.20

All options lapse if not exercised within ten years from the date of grant.

The Company's Register of Directors' Interests, which is open to inspection at the Registered Office, contains full details of Directors' shareholdings and share options.

Service contracts

It is the Company's policy that executive Directors have contracts with an indefinite term up to the normal retirement age of 60 and providing for a maximum of one year's notice. There are no exceptions to this policy. None of the contracts has pre-determined compensation clauses in the event of early termination. The Board and the Remuneration Committee confirm that these contracts are appropriate.

Non-executive Directors

Unless otherwise indicated, all non-executive Directors have a specific three-year term of engagement which may be renewed for further three-year terms if both the Director and the Board agree. The remuneration of the Chairman and the non-executive Directors is determined by the Board based on independent surveys of fees paid to the Chairman and the non-executive Directors of similar companies. The Chairman and the non-executive Directors receive a basic fee supplemented by additional fees for membership and/or chairmanship of the Audit and Remuneration Committees.

The contract in respect of Geoff Unwin's services provides for termination, by either party, by giving not less than six months' notice. The fee for Geoff Unwin's services for 2006/07 was set at £140,000 per annum. In addition there is a contribution of £16,150 towards office costs.

The other non-executive Directors do not have service contracts.

The Chairman's and the non-executive Directors' fees were last reviewed by the Board in April 2006 at which time the revised fee levels were set for three years from 2006/07 as follows:

Geoff Unwin (appointed September 2002), Chairman	£140,000
Richard Stone (appointed January 2001), Senior Independent Director, Remuneration Committee Chairman and Audit Committee member	£43,000
Stephen Pettit (appointed September 2003), Audit Committee Chairman* and Remuneration Committee member	£40,000

*From April 2007.

No fees are payable for membership of the Nomination Committee of which each of the above Directors is a member.

By order of the Board

R A Stone, Chairman of the Remuneration Committee
Misbourne Court, Rectory Way, Amersham, Bucks HP7 0DE

19 June 2007