

Corporate governance



Geoff Unwin
Chairman

This section of the report deals with how the Board and its committees discharge their duties and how we apply the principles of good governance 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. 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.

I am pleased with the progress Halma has made to ensure best practice is maintained and we continually seek to improve our practices for the benefit of our shareholders.

Succession planning

I have always maintained that a key part of my role involves ensuring that the right people are doing the right jobs within the Group and that there is a sufficient cadre of individuals being nurtured throughout the Group to enable effective succession planning. Reviews of management capabilities and potential are performed on a routine basis and I am satisfied that sufficient resource within the Group exists and continues to be developed through programmes such as the Halma Executive Development Programme which itself evolves to meet the changing needs of the Group. Where a need for improvement to management resources is identified, the necessary attention is provided to ensure full strength is attained as soon as practicable.

Board appointments

Following the annual general meeting in August 2007, Jane Aikman joined the Board as a non-executive Director. As a finance director of both listed and private companies, Jane's corporate and international experience complements the Board's current mix of knowledge and skills.

In April 2008 we made another appointment to the Board, Adam Meyers, in contemplation of Keith Roy's notification of intention to retire at the end of July 2008. Adam provides another international dimension to the Board since he is based in the US and we are already benefiting from having him around the Board table.

Our Board composition is discussed further on page 40, but I wanted to add my own confirmation that I am entirely satisfied that our preferred composition of the Board, which is a deviation from the Combined Code, is appropriate to Halma and is one which all of the non-executive Directors support. No shareholder has ever raised this matter with me and, indeed, when I sought shareholders' support at the 2005 AGM, it was unanimous.

Board committees

Our committees are a valuable part of the Company's corporate governance structure. The workload of the committees is far more than the table of scheduled meetings on page 40 would indicate as ad hoc meetings and communications between meetings frequently require considerable amounts of time. As with the Board's composition, I am equally comfortable that the composition of all of our committees remains appropriate.

Board performance

The Board evaluates its performance and that of the Remuneration, Audit and Nomination Committees at least annually. Each year, we consult the Board to determine whether an external facilitator would enhance our process. To date, we have concluded that the current, open climate that the Board enjoys ensures a full and frank discussion of all matters, so an external facilitator is unnecessary. For 2007/08 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 January 2008 Board meeting. The Board also met in January 2008, 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 Chief Executive, as appropriate.

Shareholder communication

I would like to encourage all shareholders to find the time to attend our AGM on 31 July 2008. It is an excellent opportunity to meet the Board, the Executive Board and the CEOs of our operating companies, all of whom will be in attendance, and hold them accountable for the Group's results and their stewardship of your company.

Geoff Unwin
Chairman

Corporate governance (continued)

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 recognises that this composition was not achieved prior to Jane Aikman's appointment on 1 August 2007. From 3 April 2008, the preferred composition is not possible due to Keith Roy's and Adam Meyers' directorships overlapping for reasons of succession planning. Prior to permitting this imbalance to occur, the Chairman and non-executive Directors sought assurance from the Chief Executive that he was unaware of any significant matters to be brought to the Board's attention prior to Keith Roy's retirement on 31 July 2008. After Keith Roy's retirement, the Board will be restored to its preferred composition. The Board adjudged this composition as the most appropriate structure for the Company providing valuable direct knowledge of operations and a robust debate surrounding the issues facing the Group in the present and future as well as ensuring a good mix of skills and experience.

In respect of the Audit Committee composition, the non-compliance related to the period to 1 August 2007 when Jane Aikman was appointed to the Board and the Audit Committee. Jane Aikman succeeded Andrew Walker who retired in March 2007.

Application of the principles of good governance

The Group is controlled and directed by a Board consisting of a Chairman, four Directors (five from 3 April 2008 to 31 July 2008) and three other non-executive Directors. Their biographies appear on pages 36 and 37. The Nomination Committee returned to full membership in August 2007 following Jane Aikman's 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	Remuneration Committee	Audit Committee	Nomination Committee
Total scheduled meetings	6	3	3	1
Geoff Unwin	6	3	N/A	1
Andrew Williams	6	N/A	N/A	1
Kevin Thompson*	5	N/A	N/A	N/A
Neil Quinn	6	N/A	N/A	N/A
Richard Stone	6	3	3	1
Keith Roy	6	N/A	N/A	N/A
Stephen Pettit	6	3	3	1
Jane Aikman**	2	2	2	N/A

* Kevin Thompson was attending Harvard Business School's Advanced Management Program at the time he missed one Board meeting.

** Since her appointment on 1 August 2007, Jane Aikman has missed only one scheduled meeting due to a prior commitment identified at the time of her appointment.

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 the website or on request from the Company Secretary.

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 the guidance for directors on internal control ('Internal Control: Guidance for Directors on the Combined Code'), 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 Turnbull guidance.

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 procedure is intended to ensure that the Directors maintain full and effective control over all significant strategic, financial and organisational issues.

Group risk is mitigated by means of an operating structure which spreads the Group's 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 which ensures appropriate segregation of key duties;
- 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 and forecast 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 prescribed robust structure under which it is appropriate to adopt means of electronic communication and to conduct e-commerce.

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. Group management also compile a summary of significant Group risks, documenting existing or planned actions to mitigate, manage or avoid the risk.

– 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 Chief Executive and Finance Director and report progress to the Executive Board.

- A set of ‘warning signs’ is reported to Group and divisional management. This report is designed to provide an early warning of potential risks and to direct appropriate action where necessary.
- The 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 control visits 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 and a summary of all such visits reported to the Audit Committee regularly with any significant control failings being reported directly to the Audit Committee; senior finance staff also carry out financial reviews at each operating company prior to publication of half year and year end figures.
- The Finance Director and 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.

During the year, actions to strengthen the control environment were taken centrally by Group management. The duties and responsibilities of subsidiary management were clarified and documented in a manual circulated to all subsidiary managing directors; further resources were dedicated to identify and investigate potential acquisitions and to ensure a rapid and successful integration following acquisition; and the scope of the Group’s IT policies was extended, including a programme of compliance audits which commenced in early 2008.

As noted above, a programme of internal control visits is conducted. Following its review of internal control activities in 2004, the Audit Committee established an internal audit function for independent reporting of the outcome of these visits to the Audit Committee.

During the year we implemented further improvements to our Internal Audit activities as the result of several benchmarking activities previously conducted. As a result further improvements have been targeted for the coming year to enhance our processes including the appointing of a dedicated Internal Audit manager.

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.

Investor relations

In regular meetings with shareholders and analysts the Chief Executive and 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 opportunity to meet with the Chairman and/or Senior Independent Director.

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 features the facility to request e-mail alerts relating to announcements made by the Group and contains information in Chinese, French, German and Spanish as well as English.

The Financial calendar is set out on page 90.

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.

Nomination committee report



Geoff Unwin

Chairman of the Nomination Committee

Members

- Geoff Unwin (Chairman)
- Andrew Williams (Chief Executive)
- Richard Stone
- Stephen Pettit
- Jane Aikman

The Nomination Committee is appointed by the Board from the non-executive Directors of the Group and the Chief Executive. The Nomination Committee's terms of reference include all matters indicated by the Combined Code. The terms of reference are considered annually by the Nomination Committee and are then referred to the Board for approval.

Responsibilities

- regularly reviewing the structure, size and composition (including the skills, knowledge and experience) required of the Board compared to its current position and making recommendations to the Board with regard to any changes;
- giving full consideration to succession planning for directors and other senior executives in the course of its work, taking into account the challenges and opportunities facing the company, and what skills and expertise are therefore needed on the Board in the future; and
- being responsible for identifying and nominating, for the approval of the Board, candidates to fill Board vacancies as and when they arise.

The full terms of reference can be found on the Company's website or be obtained from the Company Secretary.

Governance

The Nomination Committee was in place throughout the financial year. It is chaired by the Chairman of the Company who was deemed to be independent upon appointment to the Board. Three of the five members of the Committee are independent non-executive Directors in accordance with provision A.3.1 of the Combined Code.

Activities

The Committee is responsible for nominating appropriate executive and non-executive candidates for appointment to the Board. During the past year, two such appointments have been made: Jane Aikman as a non-executive Director and Adam Meyers as an executive Director.

When the necessity to appoint a Director is identified, a candidate profile is developed indicating the ideal skills, knowledge and experience required taking into account the Board's existing composition. 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 and more frequently during times that a search is being conducted.

As noted on page 39, the process of appointments to the Board is paramount in ensuring the Company's performance is maintained and continually improved upon. The Committee is committed to identifying the right candidates to take Halma forward.

On behalf of the Nomination Committee

Geoff Unwin
Chairman

Audit committee report



Stephen Pettit
Chairman of the Audit Committee

Members

- Stephen Pettit (Chairman)
- Richard Stone
- Jane Aikman

The Audit Committee is appointed by the Board from the non-executive Directors of the Group. The Audit Committee's terms of reference include all matters indicated by the Combined Code. The terms of reference are considered annually by the Audit Committee and are then referred to the Board for approval.

Responsibilities

- monitoring the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance and reviewing significant financial reporting judgments contained therein;
- reviewing the Group's internal financial controls and the Group's internal control and risk management systems including whistleblowing procedures;
- monitoring and reviewing the effectiveness of the Group's internal audit function;
- making recommendations to the Board, for a resolution to be put to the shareholders for their approval in general meeting, on the appointment of the external auditors and the approval of the remuneration and terms of engagement of the external auditors;
- reviewing and monitoring the external auditors' independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements; and
- developing and implementing a policy on the engagement of the external auditors to supply non-audit services, taking into account relevant guidance regarding the provision of non-audit services by the external audit firm.

The full terms of reference can be found on the Company's website or be obtained from the Company Secretary.

Governance

The Audit Committee was in place throughout the financial year with Jane Aikman's appointment in August 2007 restoring the Committee to three members. All three members are independent non-executive Directors in accordance with provision A.3.1 of the Combined Code.

The Chairman, Chief Executive, 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 Jane Aikman (formerly Richard Stone) as the member of the Audit Committee with recent and relevant financial experience. Her background is as a chartered accountant and finance director with listed company experience.

Activities

The Committee not only reviews the financial reporting of the Company, but spends a significant amount of its time reviewing the effectiveness of the Group's internal control process. Combined with the Committee's review of the internal and external audit functions, it is able to obtain sufficient information to discharge its responsibilities. More specifically, the Committee:

- reviewed the March 2008 report and financial statements, the September 2007 half-yearly report and the Interim Management Statements issued in August and February. As part of this review the Committee received a report from the external auditors on their audit of the Annual report and financial statements;
- considered the output from the Group-wide process used to identify, evaluate and mitigate risks;
- reviewed the effectiveness of the Group's internal controls and disclosures made in the annual report and financial statements on this matter;
- reviewed and agreed the scope of the audit work to be undertaken by the auditors;
- agreed the fees to be paid to the external auditors for their audit of the March 2008 financial statements;
- reviewed its own effectiveness;
- undertook an evaluation of the performance of the Internal Audit function;
- agreed a programme of work for the company's Internal Audit function; and
- received reports from the Internal Audit Coordinator on the work undertaken by Internal Audit and management responses to proposals made in the audit reports issued by the function during the year.

The Group's policy on external audit sets out the categories of non-audit services which the external auditors will and will not be allowed to provide to the Group, subject to de minimis levels.

As a consequence of its satisfaction with the results of the external auditor-related activities outlined above, the Audit Committee has recommended to the Board that the external auditors are re-appointed.

The Group's whistleblowing policy contains arrangements for the Group Internal Audit Coordinator to receive, in confidence, complaints on accounting, risk issues, internal controls, auditing issues and related matters for reporting to the Audit Committee as appropriate.

On behalf of the Audit Committee

Stephen Pettit
Chairman

Remuneration report



Richard Stone
Chairman of the Remuneration Committee

Members

- Richard Stone (Chairman)
- Geoff Unwin
- Stephen Pettit
- Jane Aikman

REMUNERATION COMMITTEE REPORT

The Committee makes recommendations to the Board on the framework for executive Directors' and senior executives' remuneration based on proposals formulated by the Chief Executive.

Responsibilities

- determining and agreeing with the Board the policy and framework for the remuneration of the 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; and
- 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 Chief Executive, the framework of remuneration for subsidiary chief executives and directors and ensures a consistent approach is applied.

The full terms of reference can be found on the Company's website or be obtained from the Company Secretary.

Governance

The Remuneration Committee was in place throughout the financial year with Jane Aikman's appointment in August 2007 restoring the Committee to four members. All three non-executive Director members are independent in accordance with provision A.3.1 of the Combined Code.

None of the Committee has any personal financial interest (other than as shareholders), conflicts of interests arising from cross-directorships or day-to-day involvement in running the business. The Committee makes recommendations to the Board. No Director plays a part in any discussion about his or her own remuneration.

In determining the Directors' remuneration for the year, the Committee consulted Andrew Williams (Chief Executive) about his proposals. The Committee also consulted Watson Wyatt Limited to provide advice on structuring executive remuneration packages. Watson Wyatt provides limited independent pension advice to the Company as well.

The Committee meets at least twice per year.

Activities

During the year, the Committee reviewed the Company's remuneration strategy to ensure it remained appropriate. As a result of this review adjustments will be made in 2008/09 to ensure executives remain appropriately incentivised to meet the Group's objectives.

In addition the Committee has:

- agreed the performance targets on the granting of performance shares;
- agreed the award of bonuses in respect of 2007/08;
- approved the salary uplift on Adam Meyers' promotion to the Board; and
- reviewed the Remuneration report.

The Company's remuneration strategy, policy and details of executive remuneration follow.

On behalf of the Remuneration Committee

Richard Stone
Chairman

REPORT ON REMUNERATION STRATEGY AND POLICY

Introduction

This report has been prepared in accordance with Schedule 7A to the Companies Act 1985. The report also meets the relevant requirements of the Listing Rules of the Financial Services Authority and describes how the Board has applied the principles relating to directors' remuneration in the Combined Code. As required by the Act, a resolution to approve the report will be proposed at the Annual General Meeting of the company at which the financial statements will be approved.

The Act requires the auditors to report to the Company's members on certain parts of the Directors' Remuneration report and to state whether in their opinion those parts of the report have been properly prepared in accordance with the Companies Act 1985. The report has therefore been divided into separate sections for audited and unaudited information.

UNAUDITED INFORMATION

Remuneration policy

Executive remuneration packages are sensibly designed to attract, retain and motivate executives of the high calibre needed to run the Group successfully, manage its businesses and align the interest of the Directors with those of the shareholders by rewarding them for enhancing value to shareholders. The performance measurement of the executive Directors and key members of senior management and the determination of their annual remuneration package are undertaken by the Committee.

There are five main elements of the remuneration package for executive Directors and senior management:

- basic annual salary;
- benefits-in-kind;
- annual bonus payments which cannot exceed 100% of basic salary;
- share plan incentives; and
- pension arrangements.

The Company's policy is that a substantial proportion of the remuneration of the executive Directors should be performance-related. As described below, executive Directors may earn annual incentive payments of up to 100% of their basic salary together with the benefits of participation in share plans.

Basic salary

An executive Director's basic salary is reviewed by the Committee prior to the beginning of each year and when an individual changes position or responsibility. The 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 with 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 consideration. In deciding appropriate remuneration levels, the Committee also considers the Group as a whole and relies on objective research conducted by Watson Wyatt which gives up-to-date information on a comparator group of companies. Basic salaries are reviewed in January/February of each year with increases taking effect from 1 April. Executive Directors' contracts of service which include details of remuneration will be available for inspection at the Annual General Meeting.

Benefits-in-kind

The executive Directors receive certain benefits-in-kind, principally a car and private medical insurance.

Annual bonus payments

The Committee establishes the economic value added (EVA) objectives that must be met for each financial year if a cash bonus is to be paid. In setting appropriate bonus parameters the Committee has determined that bonuses of approximately 60% of salary are payable on the achievement of targeted levels of growth. The maximum performance-related bonus that can be paid is 100% of basic annual salary. Incentive payments for the year ended 29 March 2008 varied between 15% and 100%. This reflects continuing improvement to the company's organic growth and completion of strategic acquisitions.

This performance related bonus plan, which applies to executive Directors and Divisional Chief Executives, is reviewed annually by the Committee and approved by the Board. There is no alternative bonus arrangement for Directors and Divisional Chief Executives. During the year the 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 Chief Executive and 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.

In 2007/08, Executive Directors and Divisional Chief Executives increased 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) exceeded 45%, or by 15% of salary if accompanied by absolute profit growth in their Division (or aggregate thereof). For 2008/09, the supplemental cash bonus that can be earned, subject to a 100% of salary cap, is dependent upon attainment of a Return on capital employed of 45% and organic profit growth of at least 4% in their Division (or aggregate thereof). At this level of ROCE, 5% of salary is payable rising to a maximum of 15% of salary at 6% organic growth.

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.

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 Committee has responsibility for supervising the Plan and the grants under its terms. The Committee believes that any incentive compensation awarded should be tied to the interests of the company's shareholders and that the principal measure of those interests is total shareholder return. In determining the amount to be granted, account is also taken of the relative financial and operational success of the different parts of the business for which the executive directors are responsible and the extent to which the personal strategic objectives set by their superior have been met.

The Plan contains provisions permitting share option grants, restricted share awards and performance share awards. To date, the Committee have used the Plan only to award performance shares. However, included in the AGM business for the current year is a proposal to add an approved share option section to the performance share plan to make future awards more tax effective for the Company and the participant. The economic and commercial value of the future awards made to participants will be unchanged. Awards made under the new Plan were first made in August 2005 and annually thereafter.

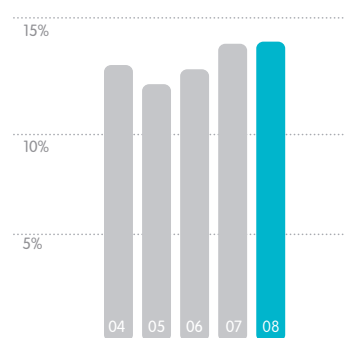
	Maximum award permitted*	Actual award 2007/08*
Chief Executive	140%	140%
Finance Director	140%	138%
Executive Directors	140%	132%
Divisional Chief Executives	100%	97%
Managing directors & Divisional finance directors	40%	33%

* expressed as a % of salary

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, 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. Vesting expectations for awards made range from 45% to 85%.

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

ROTIC (Return on total invested capital)



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 given that the performance share plan was approved by shareholders at the 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%.

The Company does not operate any long-term incentive plans other than the share plans described above. Except for the proposed amendment relating to the Performance Share Plan, no significant amendments are proposed to be made to the terms and conditions of any entitlement of a Director to share options.

Pension arrangements

Except as noted 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 £120,000 for the year ended 29 March 2008.

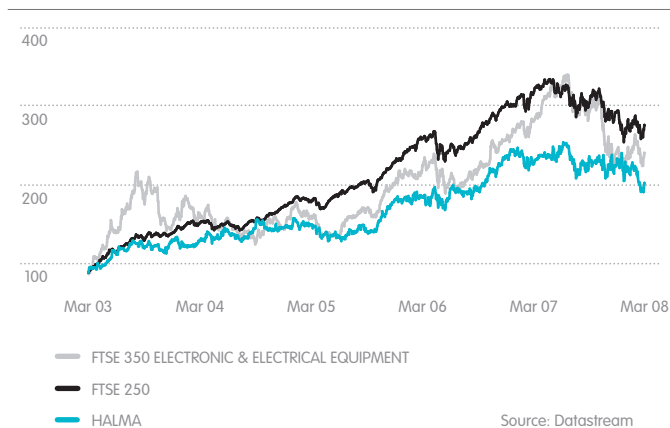
Remuneration report (continued)

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.

Executive Directors receive 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. In 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.

TOTAL SHAREHOLDER RETURN (total return indices)



The graph above shows the Company's total shareholder return performance over the five years to 29 March 2008 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 113% compared to 187% for the FTSE 250 and 151% 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 114p and the total of dividends paid in the year ended 29 March 2003 was 5.491p per share. The Halma p.l.c. ordinary share price at 29 March 2008 was 191.5p and the total of dividends paid in the year then ended was 7.33p per share.

Directors' contracts

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.

Kevin Thompson, Neil Quinn, Andrew Williams and Adam Meyers who are proposed for election or re-election at the next annual general meeting have service contracts which provide for a notice period of one year. Geoff Unwin who is proposed for re-election has a service contract which provides for six months' notice. Jane Aikman who is also proposed for re-election, being a non-executive Director, does not have a service contract.

The details of the Directors' contracts are summarised in the table below:

	Date of contract	Notice period
Andrew Williams	April 2003	one year
Kevin Thompson	April 2003	one year
Neil Quinn	April 2003	one year
Keith Roy	April 2003	one year*
Adam Meyers	September 1996	one year

* The Company has accepted Keith Roy's notice of retirement effective 31 July 2008.

In the event of early termination, no predetermined compensation is provided for in the Directors' contracts.

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 is 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 and Remuneration Committee member	£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
Jane Aikman (appointed August 2007), Audit and Remuneration Committees member	£36,000

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

AUDITED INFORMATION

Aggregate Directors' remuneration

The total amounts for Directors' remuneration were as follows:

	2008 £000	2007 £000
Emoluments	2,036	2,152
Gains on exercise of share options	244	247
Pension supplements	167	159
	2,447	2,558

Directors' remuneration

	Salaries and fees £000	Bonus £000	Benefits £000	Pension supplement £000	2008 Total £000	2007 Total £000
Geoff Unwin	140	–	16	–	156	156
Andrew Williams	375	306	21	66	768	856
Kevin Thompson	247	182	12	64	505	516
Neil Quinn	200	41	14	21	276	258
Richard Stone	43	–	–	–	43	43
Keith Roy	180	180	15	16	391	368
Stephen Pettit	40	–	–	–	40	36
Jane Aikman	24*	–	–	–	24	–
Andrew Walker	–	–	–	–	–	51**
	1,249	709	78	167	2,203	2,284

* from date of appointment

** up to date of resignation

The fees paid in relation to Geoff Unwin were paid to Gunwin Limited. Andrew Williams' prior year benefits included relocation expense reimbursement of £74,000.

Performance share plan

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

	Date of grant	As at 31.03.07	Granted in the year	Three-day average share price on grant	As at 29.3.08
Andrew Williams	Aug 2005	241,482		148.42p	241,482
	July 2006	246,231		199.00p	246,231
	July 2007		218,144	204.67p	218,144
Kevin Thompson	Aug 2005	169,792		148.42p	169,792
	July 2006	165,327		199.00p	165,327
	July 2007		141,632	204.67p	141,632
Neil Quinn	Aug 2005	141,305		148.42p	141,305
	July 2006	132,446		199.00p	132,446
	July 2007		109,695	204.67p	109,695
Keith Roy	Aug 2005	122,250		148.42p	122,250
	July 2006	114,852		199.00p	114,852
	July 2007		98,726	204.67p	98,726
		1,333,685	568,197		1,901,882

Performance conditions for the awards made in the financial year are set out above. The current vesting expectation for grants made in 2005 is 45%; for grants made in 2006, 85% and for grants made in 2007, 65%.

Directors' share options

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

	As at 31.3.07	Lapsed	Exercised	Share price on exercise	As at 29.03.08	2008 Gains on exercise (£)	2007 Gains on exercise (£)
Andrew Williams	443,421	(13,200)	(22,300)	240.00p	407,921	17,060	5,862
Kevin Thompson	782,602	(21,600)	(30,400)	236.17p	730,602	34,557	67,362
Neil Quinn	763,375	(21,600)	(142,100)	237.63p	599,675	178,973	150,247
Keith Roy	497,292	(6,800)	(11,800)	236.80p	478,692	13,488	24,027

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, 28 March 2008, the last trading day preceding the financial year end, was 191.5p per share and the range during the year was 181.5p to 246p.

Directors' interests

The Directors who held office at 29 March 2008 had the following interests in the ordinary shares of the Company:

	Shares 29.3.08	Shares 31.3.07
Geoff Unwin	68,250	38,250
Andrew Williams	106,523	72,473
Kevin Thompson	114,301	99,609
Neil Quinn	74,118	69,118
Richard Stone	20,000	20,000
Keith Roy	764,057	760,649
Stephen Pettit	2,000	2,000
Jane Aikman	–	NA

At the date of his appointment, Adam Meyers had a beneficial interest in 41,689 ordinary shares of the Company. There are no non-beneficial interests of Directors. There were no changes in Directors' interests from 29 March 2008 to 17 June 2008.

Remuneration report (continued)

Details of Directors' options outstanding at 29 March 2008 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 191.5p.
- 2 Not yet exercisable, will only be exercisable when the performance criteria, set out in note 23 to the accounts, have been met and have an exercise price per share of less than 191.5p.

	Status of options (see above)	Year of grant	Number of shares	Weighted average exercise price (p) per share
Andrew Williams	1	2004	156,162	142.25
	2	1998-2005	251,759	138.78
Kevin Thompson	1	1998; 2000-2001; 2003-2004	359,190	130.18
	2	1998-2005	371,412	137.35
Neil Quinn	1	2001; 2003-2004	282,364	143.56
	2	1998-2005	317,311	134.72
Keith Roy	1	1998-1999; 2001-2002; 2004	207,144	135.47
	2	1998-2005	271,548	136.36

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.

There have been no variations to the terms and conditions or performance criteria for share options during the financial year.

Directors' pension entitlements

Four Directors are members of the Company's defined benefit pension plan. The following Directors had accrued entitlements under the plans as follows:

	Age at 29.3.08	Years of pensionable service at 29.3.08	Accrued pension 2007 £000	Increase in the year £000	Accrued pension 2008 £000
Andrew Williams	40	13	30	5	36
Kevin Thompson	48	18	87	1	91
Neil Quinn	58	20	92	3	98
Keith Roy	57	15	54	3	59

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 31.3.07 £000	Directors' contributions £000	Increase in value net of contributions £000	Transfer value 29.3.08 £000
Andrew Williams	231	12	83	326
Kevin Thompson	924	–	231	1,155
Neil Quinn	1,451	12	348	1,811
Keith Roy	866	12	251	1,129

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.

Other statutory information

Activities

Halma p.l.c. is a holding company. A list of its principal subsidiary companies and their activities is set out on pages 88 and 89.

Ordinary dividends

The Directors are recommending a final dividend of 4.55p per share and, if approved, this dividend will be paid on 20 August 2008 to ordinary shareholders on the register at the close of business on 18 July 2008. Together with the interim dividend of 3p per share already paid, this will make a total of 7.55p (2007: 7.18p) per share for the financial year.

Share capital and capital structure

Details of share capital issued in the financial year are set out in note 21 to the accounts.

Details of the authorised and issued share capital, together with details of the movements in the Company's issued share capital during the year are shown in note 21 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. 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.

Shares held in treasury are non-voting and are not eligible for dividends. Details of employee share plans are set out in note 23 to the accounts.

No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

With regard to the appointment and replacement of directors, the Company is governed by its Articles of Association, the Combined Code, the Companies Acts and related legislation. The Articles themselves may be amended by special resolution of the shareholders. The powers of directors are described in the Matters reserved for the Board, copies of which are available on request, and the Corporate governance statement on page 39.

Under its Articles of Association, the Company has authority to issue 436,564,890 ordinary shares of which 374,796,280, including treasury shares, are in issue as at the date of this Report.

There are a number of agreements that take effect, alter or terminate upon a change of control of the Company, principally bank loan agreements and employee share plans.

The only significant agreement, in terms of its likely impact on the business of the Group as a whole, containing such provisions is that governing the £165m revolving credit facility which on change of control, if the majority lenders require, can result in 30 days notice being given to the Company for all amounts outstanding to be immediately due and payable at which time the facility would be cancelled.

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 1985 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 £6,176,861 (up to £61,768,610 new ordinary shares of 10p each), which is equal to approximately 14% of the issued share capital of the Company (excluding treasury shares) as at 17 June 2008 (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 conclusion of the annual general meeting of the Company in 2009. 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 17 June 2008 (the latest practicable date prior to the publication of the Notice of meeting), the Company had 374,796,280 ordinary shares of 10p each in issue and held 1,563,813 treasury shares, which is equal to

approximately 0.4% of the issued share capital of the Company (excluding treasury shares) as at that date.

The Companies Act 1985 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 5% of the aggregate nominal value of the issued share capital of the Company as at 17 June 2008 (the latest practicable date prior to the publication of the Notice of meeting). The resolution will also modify statutory pre-emption rights to deal with legal, regulatory or practical problems that may arise on a rights 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, except under share plans previously approved in general meeting.

Directors

The Directors of the Company are listed on page 37. Brief biographies are set out on pages 36 and 37.

E Jane Aikman was appointed a Director on 1 August 2007 and Adam J Meyers was appointed a Director on 3 April 2008. Having been appointed by the Board since the last annual general meeting, both are proposed for re-election at the 2008 Annual General Meeting.

Kevin Thompson, Neil Quinn, Geoff Unwin and Andrew Williams all retire by rotation and, being eligible, offer themselves for re-election.

For each Director being re-elected at the Annual General Meeting, the Board confirms that, following formal performance evaluations, each individual's performance continues to be effective and they continue to demonstrate commitment to their roles.

Purchase of own shares

The Company was authorised at the 2007 annual general meeting to purchase up to 37,000,000 of its own 10p ordinary shares in the market. This authority expires at the end of the 2008 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 next year's annual general meeting, in respect of up to 37,000,000 ordinary shares, which is approximately 10% of the Company's issued share capital (excluding treasury shares) as at 17 June 2008 (the latest practicable date prior to the publication of the Notice of meeting). The Directors consider it desirable that the possibility of making such purchases, under appropriate circumstances, is available. Their present intention is that the shares purchased under the authority will (to the extent statutory requirements are met) 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, and intend to continue to make, routine purchases of Halma shares in the market for holding in treasury until required for vesting under the PSP. In the year to 29 March 2008, 774,000 shares were purchased in the market for treasury. 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.

As at 17 June 2008, which is the latest practicable date prior to the publication of the Notice of meeting, options were outstanding to subscribe for a total number of 8,050,849 ordinary shares, or 2.1% of the Company's issued share capital. If this authority to purchase shares were used in full, the proportion of the adjusted issued share capital represented by this figure would be 2.4%.

Other statutory information (continued)

Deeds of indemnity

Following amendment of the Company's Articles of Association at the annual general meeting in 2006, the Company has entered into deeds of indemnity, which are qualifying third party indemnity provisions for the purpose of the Companies Act 1985, with each of the current Directors.

Substitution of Articles of Association

The Company's Articles of Association may be amended by special resolution at a general meeting of shareholders. At the 2008 Annual General Meeting, a special resolution will be put to shareholders proposing substitution of to the existing Articles of Association primarily in order to accommodate the provisions of the new Companies Act 2006.

Amendment to performance share plan

The Company's performance share plan does not currently contain the provision to grant tax efficient HM Revenue & Customs (HMRC) approved share options. Therefore, at the 2008 Annual General Meeting a resolution will be put to shareholders proposing an amendment to permit the granting of approved share options subject to approval of the amendment by HMRC.

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 2008 the Company's trade creditors represented 31 days (2007: 37 days) of its annual purchases.

Donations

Group companies made charitable donations amounting to £11,000 (2007: £5,209) during the financial year. There were no political donations (2007: £nil).

Substantial shareholdings

On 17 June 2008, the Company had been notified, in accordance with chapter 5 of the Disclosure and Transparency Rules, of the following voting rights as a shareholder of the Company.

	No. of ordinary shares	Percentage of voting rights and issued share capital
Sprucegrove Investment Management Ltd	22,317,670	5.98
Silchester International Investors Ltd	22,147,989	5.93
Capital Research and Management Co	19,089,943	5.11
Barclays Bank PLC	15,724,354	4.21
Legal & General Group Plc	15,076,072	4.04
Sanderson Asset Management Ltd	15,075,762	4.04

Auditors

Each of the persons who is a Director at the date of approval of this Annual report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are 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 auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

By order of the Board

Carol Chesney

Company Secretary
17 June 2008

Directors' responsibilities

The Directors are responsible for preparing the Annual report, Directors' Remuneration 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. The Directors are required by the IAS Regulation to prepare the Group financial statements under IFRSs (IFRSs) as adopted by the European Union. The Group financial statements are also required by law to be properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation.

International Accounting Standard 1 requires that IFRS financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, Directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- 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.

The Directors have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The parent company financial statements are required by law to give a true and fair view of the state of affairs of the Company. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the parent company financial statements comply with the Companies Act 1985. 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 to the best of our knowledge:

1. 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; and
2. the management report, which is incorporated into the Directors' 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 they face.

By order of the Board

Andrew Williams
Chief Executive
17 June 2008

Kevin Thompson
Finance Director
17 June 2008