

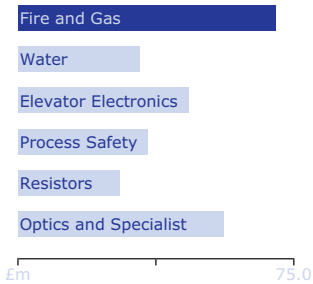
Fire and Gas turnover

2003	£70.0m
2002	£70.4m

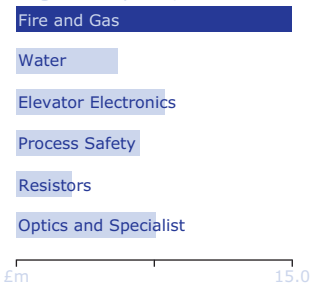
Fire and Gas profit\*

2003	£15.0m
2002	£14.8m

Segmental turnover, 2003



Segmental profit, 2003\*



\*before interest, tax and goodwill amortisation

Sector Overview

We own two of the world’s leading fire and gas detector brands – Apollo and Crowcon. Countless millions of people depend on us to protect them, and their properties, from the dangers of fire and gas. We are a world class manufacturer of commercial fire detectors with an international reputation for technical excellence and customer service. Our second key product group in this sector is gas detectors that protect industrial workers from flammable and toxic gases. The principal sales channels for fire products are distributors and system installers; gas detectors are also sold via distributors and direct to end-users, including customers in construction, utilities, chemicals and telecoms. We have distributors in 89 countries; exports account for over 60% of sales in this sector. In 2002/03, fire and gas contributed 26% of Group turnover and 32% of operating profit.

We increased fire product sales in both the UK and export markets. The fastest growing territory for fire products was Australia and we grew sales significantly in Germany, despite the market shrinking by 13%. This progress was achieved despite flat worldwide demand.

Our fire companies’ ability to grow even during adverse market conditions is mainly due to continuous investment in product innovation and customer service. The anticipated resumption of growth in the fire products market, within the next year, will allow our businesses to capitalise on their increasing market share.

China and Russia both offer excellent opportunities for growth in fire safety products. To consolidate our position in China we set up a technical office in Shanghai to liaise with the national

organisation which tests and approves fire detectors.

In the developed world, the market for gas detection equipment is largely driven by health and safety legislation. The US market, in particular, is still growing at about 4% a year. We see strong growth potential in developing countries as they continue to industrialise and adopt higher health and safety standards. We have excellent growth prospects in this sector.

A new portable multi-gas detector, Tetra, was conceived, developed and launched in under 12 months with full European and North American approvals. This will be a major driver to export growth where its ease of service will be very attractive to distributors. To combat an increasing focus on price in gas detection markets, we have developed innovative products with enhanced features, together with new basic specification products that exactly match the needs of some markets, and extended aftermarket services.

We set new sales records for gas drying and humidifying products, as demand in the US medical market for breath gas drying has grown strongly. Patient breath monitoring, which is standard practice during anaesthesia, is now increasingly used to monitor critical care patients. There are also good indications that our single-use, disposable medical dryers are becoming the preferred method of breath gas drying in US hospitals. A new range of oxygen humidification products, with better performance and higher flow capacity, has generated significant new sales for medical applications in Japan. Continuing medical market growth is fuelled both by demographics and rising standards of care.



Our wide-area smoke detectors protect the Reichstag, seat of the German parliament in Berlin.

Water turnover

2003	£33.1m
2002	£34.1m

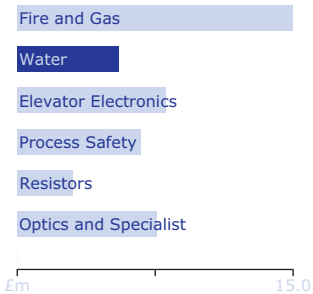
Water profit\*

2003	£5.5m
2002	£7.7m

Segmental turnover, 2003



Segmental profit, 2003\*



\*before interest, tax and goodwill amortisation

Sector Overview

Our businesses in this sector are world leaders in three important technologies: instruments for monitoring and controlling water distribution, ultraviolet (UV) light water treatment systems, and water analysis equipment. All of these businesses sell to global markets; exports typically make up over 60% of sales. These companies are based in the UK, The Netherlands, France and the US. The principal customers for our advanced water technology products include water supply companies, municipal authorities, and the manufacturing, food and process industries. In the 2002/03 period, this sector generated 12% of Group turnover and 12% of operating profit.

Profits from sales of water network instrumentation in France reached record levels on the back of increased exports, despite tough trading conditions in the home market. Instrumentation sales in the US also rose, where emergency drought controls are still imposed in most US states. This has given momentum to discussions with several major water utilities about high capital investment leakage detection and control projects. However, we saw a sharp fall in UK sales and profits as demand weakened, partly as a result of less regulatory pressure to reduce leakage and postponement of capital projects by water utilities. Overall, sales of water conservation instruments fell in 2002/03 but we are continuously introducing new products to exploit changing market opportunities.

We acquired Radcom (Technologies) Limited in February and its growing strength in wastewater flow monitoring technology is a perfect complement to our world-leading instruments for drinking water

monitoring. The process of making Radcom products available through the Group's unrivalled worldwide sales distribution channels is already well underway. This should impact positively on profits in 2003/04.

Sales of water analysis products were boosted by strong export demand. Improved distribution channels in the US for swimming pool testing kits produced an encouraging upward sales trend that should continue. Reflecting the shifting pattern of investment in the UK water industry towards wastewater, sales to the effluent and sewage treatment markets grew by 19%. An important new water analyser was launched recently which promises to set new performance benchmarks. This product should establish a strong position in the wastewater testing market.

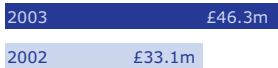
Growing concern about toxic by-products produced by chemical treatment of drinking water is boosting sales of our non-chemical treatment systems based on ultraviolet light. Contamination of drinking water by a waterborne parasite called Cryptosporidium is an increasing problem in the US and Europe. This favours our technology because ultraviolet light is much more effective at deactivating this bug than traditional chlorination.

New research suggests that chlorine treatment in swimming pools is a major contributor to childhood asthma. Sales of UV water treatment equipment into the large public swimming pools market is already well established in Europe. However, the use of UV for pool water is largely undeveloped in the US and is a potentially valuable growth opportunity. We are the first UV manufacturer to win a crucial US technical approval and sales, in partnership with an established US pool equipment supplier, exceeded expectations.

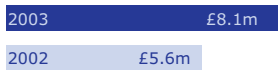


Fully digital, our latest acoustic leak location instrument is used to pinpoint pipe bursts underground.

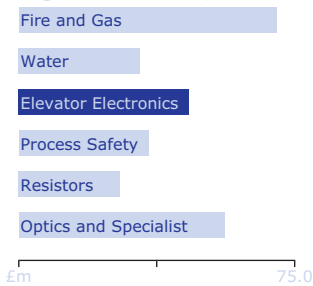
Elevator Electronics turnover



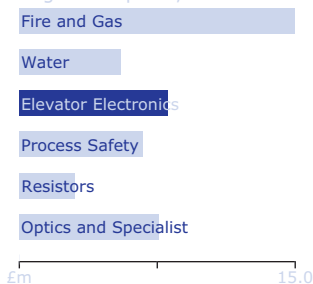
Elevator Electronics profit\*



Segmental turnover, 2003



Segmental profit, 2003\*



\*before interest, tax and goodwill amortisation

Sector Overview

Our primary products in this sector are safety devices that protect people from harm by making the use of elevators and automatic doors safe and efficient. The key products here are electronic sensors for elevators and automatic doors, plus voice communication and information display panels. These businesses are based in Belgium, the UK, New Zealand, the US and Singapore. We also have manufacturing facilities in China.

This market divides into two sub-sectors: new-build, where customers are a small number of multinational and regional manufacturers, and refurbishment, where large numbers of building contractors purchase locally. Our businesses in this sector typically have high export sales. The major development in 2002/03 was the acquisition of BEA, the world leader in sensors for automatic doors. This year, this sector generated 18% of Group turnover and 18% of operating profit.

Sales and profit from this sector rose sharply in 2002/03 due to an excellent performance by BEA following its acquisition in October 2002. Our existing elevator businesses maintained sales at a consistent level.

Several markets showed strong growth, notably Japan and China where investment in new buildings and infrastructure is continuing at a high level. A new Chinese sales office was set up to market automatic door controls.

In the past year we saw a sharp rise in sales and profit from elevator display panels, which we make in Singapore. New LCD screen products were launched that can deliver real-

time information, such as broadcast TV pictures, to the in-elevator displays. Formerly, sales to the local South-East Asian zone dominated, but successful exploitation of the Group's worldwide sales channels boosted exports by 25% in 2002/03.

Global market conditions for elevator products have been difficult, especially in the US, and we took aggressive action to maintain margins. A key element of our strategy has been tight manufacturing cost control. This has been achieved, in particular, by outsourcing more manufacturing to the Czech Republic and China.

In the US, implementation of disability legislation plus a trend to cut railway staff, especially platform workers, is creating rising demand for our emergency telephone systems. A good example is the New York City subway, where our vandal-proof platform telephones are replacing manned ticket booths. We also saw strong growth in exports to Europe of our US-made emergency telecoms equipment.

The major growth from automatic door sensors came from the US and Japan where new products based on both microwave and infrared sensor technology contributed to increased sales. As part of a programme to improve customer safety, a major US retailer has committed to fit our sensor packages at up to 10,000 entrances to its stores.



Building operators rely on our safety sensors to keep elevator passengers moving swiftly and safely between floors.



\*before interest, tax and goodwill amortisation

Sector Overview

A long-term commitment to developing market-leading applications knowledge and customer service has delivered unrivalled world leadership in specialist areas of industrial health and safety technology. Halma companies are the global brand leaders in trapped key interlocks. These products create a life-saving interface between industrial workers and the dangerous machinery they work with. We are also a global supplier of bursting discs, ranking third largest in Europe and fourth in the US. These high precision pressure control devices protect people, production plant and the environment. They prevent devastating explosions and toxic releases during chemical processing and transit. Our process safety businesses operate from the UK, France and the US, contributing 13% of Group sales and 15% of operating profit in 2002/03, up from 13% in 2001/02.

The strengthening of workers' rights and introduction of more rigorous public health and safety legislation continues worldwide. This legislative pressure creates increasing demand over time for our safety products, particularly in this sector, but also in our fire, gas and elevator businesses. Many European and American companies are transferring their home market safety standards to their satellite operations in the developing world. This has created growth markets for industrial safety products in the Far East.

Our response to these global trends has been to develop increasingly sophisticated products, with higher added value, for Western markets, and to commit more resources to marketing to the developing world. For example, we are currently working

with Siemens AG to develop new products that ensure safety for operators of automated production machinery. These new access control devices have embedded electronics enabling them to be integrated with the most advanced factory automation technology. Profits from this sector rose while sales fell slightly.

Increased exports from the UK and from France more than offset flat demand for interlocking systems in the UK market. Sales and profit grew significantly in the US, despite an unfavourable economic environment. We exploited strong demand for improved safety on vast industrial dust filters called precipitators in the US, and in the automotive sector.

The principal drivers for bursting disc sales are capital investment and extra capacity utilisation within the chemical and pharmaceutical industries. New products aimed at the special needs of pharmaceutical production and explosion prevention in bulk powder storage made significant contributions to sales. We currently have a relatively small share of this global market, so there is high growth potential. Growth in this area came from increased exports.

Our strategy to grow market share focuses on fast deliveries, product offerings that allow customers to carry less stock, and innovative products that deliver superior performance.



In the transport of fuels, potentially catastrophic pressure is safely released by our rupture panels.

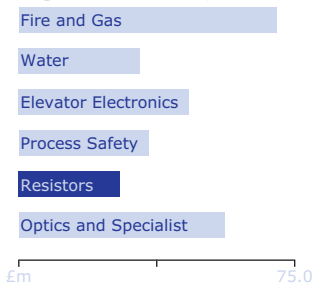
Resistors turnover



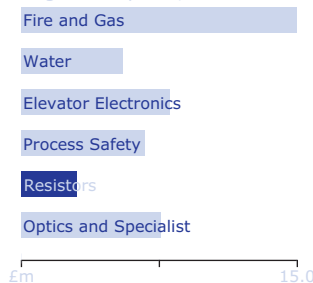
Resistors profit\*



Segmental turnover, 2003



Segmental profit, 2003\*



\*before interest, tax and goodwill amortisation

Sector Overview

The combined sales and product portfolios of our high power resistor businesses position us as world leader in this specialised electrical power technology. We satisfy over 50% of North American demand. The global market splits three ways: electricity distribution, electric motor control and rail transport. Sales are either to major electrical engineering OEMs or to large projects; success comes from our applications experience and the ability to solve customers’ problems with unique engineering solutions. Our resistor makers specialise in niche applications in their local markets and bid cooperatively for large international projects. Based in the US, Canada, Australia and the UK, the resistor businesses contributed 10% of Group sales and 7% of operating profit in 2002/03.

Overall sales and profits from this sector declined in 2002/03, driven by a downturn in our markets. The sales decline was due to lower exports with domestic sales remaining flat. Profit performance was better than many of our peers based on rigorous cost control.

The main business driver affecting this product group is capital investment in the industrial and rail infrastructure in our target markets. These are cyclical markets where customers are relatively price-insensitive in busy times and prepared to pay a premium for superior quality and service. Our operations thrive in these conditions, producing strong profit growth, but can also defend market share in tough markets when pricing becomes fiercely competitive.

Our strategy to increase global market share is to create greater competitive advantage through applications experience, manufacturing flexibility

and product innovation. Although heavy resistors are a well-established technology, and we are the world leader, there are many opportunities to sell into new application areas and to grow market share.

Expansion into new markets was a notable feature of 2002/03. While exports were down overall, we saw a sharp rise in sales to South East Asia where basic infrastructure investment is a driver. In the UK, we won a contract from Ford to supply resistors as an automotive component for the first time. The automotive sector will increase in importance to us as electric vehicles become commonplace.

Our entry into the US market for resistors to control elevator movement also generated significant new sales and we won new business from manufacturers of fitness treadmills. Other successes included a large US transit resistor contract with train maker Bombardier, assignment of preferred supplier status for the French TGV rail system and the winning of the aftermarket business for Komatsu mining trucks.

A prototype ground fault location system installed on commuter rail cars in Toronto has been successful. A fault can now be located in ten minutes in contrast to 8-10 hours previously. This has eliminated the previous need to take the car out of service. As a result, the customer now plans to fit out the whole fleet. A new US test facility lets us self-inspect new products to the requirements of Underwriters Laboratories, the principal US technical approvals organisation. This will help us to better meet customer needs and create technical barriers against competitors.



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A major application for heavy resistors is in braking systems for mining trucks.

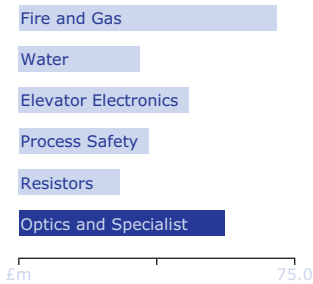
Optics and Specialist turnover



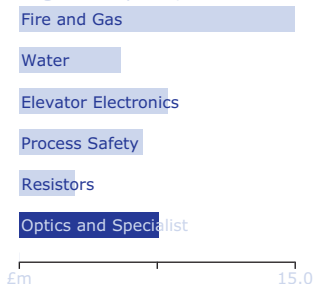
Optics and Specialist profit\*



Segmental turnover, 2003



Segmental profit, 2003\*



\*before interest, tax and goodwill amortisation

Sector Overview

Our main focus in the Optics and Specialist sector is the manufacture of ophthalmic instruments and lenses. These products are used by optometrists and surgeons to assess eyesight and diagnose disease, and for laser eye surgery. The market for ophthalmic products is global, exports account for over half of sales and we are world leaders in our niche markets. We also have specialist businesses that manufacture analytical products and cash management systems. Our optics and specialist businesses are based in the US and UK. In 2002/03 this sector contributed 21% of turnover and 17% of Group operating profit.

We saw good performances by our optical businesses. However, overall results from this sector were mixed as sales and profit from the specialist companies fell back. The specialist businesses generally sell into single markets and lack global presence. As a result, they are less able to offset the impact of unfavourable local economic conditions.

Our optics companies pushed profits ahead of the previous year. These results were achieved through tight manufacturing cost control, a new regional US sales operation for ophthalmic instruments, and a successful export campaign for US-made lenses. Profits from lens sales set a new record. The global market for ophthalmic products has, however, been difficult and demand in the important US market has been flat.

Following last year’s launch of the Pulsair Tonometer, an optometrist’s instrument for measuring pressure inside the eye, sales have been very encouraging, especially in the US where our market share increased. In response to rising concern about the

potential for disease transfer via medical instruments, we have introduced new diagnostic and treatment lenses that can be cleaned in very high temperature hospital sterilisers. This new range has been developed to exploit both US and international markets.

In 2002/03 we encouraged more businesses to capitalise on the market strength and distribution networks of sister companies in other countries. This has been put into practice by our two principal optics companies. They have formed a much closer relationship to cooperatively exploit sales opportunities in the UK and US. Joint R&D has already produced some product innovations and more development projects are in progress. The two businesses now share marketing resources and they exhibit jointly at international trade fairs.



Opticians get a brighter, clearer view of the eye with our latest ophthalmoscopes.