

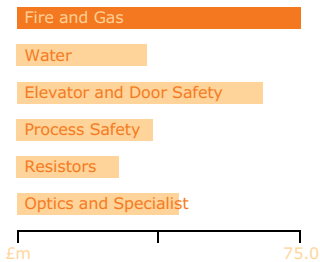
Fire and Gas turnover



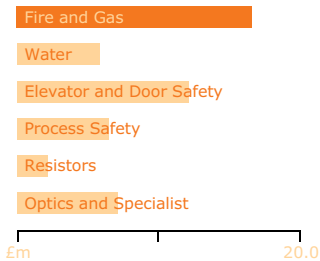
Fire and Gas profit\*



Segmental turnover, 2004



Segmental profit, 2004\*



\*before interest, tax and goodwill amortisation – see note 1 on the Accounts

Sector Overview

Our Fire and Gas sector companies lead the world in sensor technologies that detect hazards before they become life-threatening and give people warning to get out of harm’s way. Our commercial quality fire detection products, sold to 70 countries, protect both people and buildings from the risk of fire. Workers in many industries rely on our gas detectors to safeguard their lives and protect them from exposure to toxic or explosive gases. We also make specialist products for conditioning gas samples before they are analysed.

The principal sales channels for fire detectors are distributors and fire alarm installers, whereas customers for gas detectors range from lone contractors to multinational oil companies. During 2003/04 our Fire and Gas sector companies produced 27% of continuing Group turnover and 33% of operating profit\*.

We achieved significant advances in both sales and profits throughout this sector. All of our fire products companies raised profits during 2003/04, coupled with increased market shares. Most growth in fire detector sales came from the UK, Europe, the Middle East and the US. We also grew gas detector sales and profits significantly, aided by the recruitment of a direct sales force in the US.

Increased co-operation between our fire product companies on research and development, marketing and shared sales channels enhanced our competitive advantage. Development of new smoke detectors and electronic fire sounders benefited from inter-company collaboration. New microprocessor-based smoke detectors were successfully launched, opening new markets in Eastern Europe and the Middle East. In total, twenty new fire products were launched during 2003/04.

Despite fierce price competition in the global fire products market, and dropping prices, our companies achieved improved gross margins. This was due to continued manufacturing investment, improved supplier relationships and skilful marketing.

The regulatory burden on fire safety product manufacturers continues to increase. New standards were imposed in all major markets during 2003/04. Through regular presentations, the Group educates customers, regulatory bodies and government departments on the impact of new regulations.

Restructuring of European gas detector sales through directly controlled branch operations in Holland, Germany, Poland and France led to significant European sales growth. Prices of portable gas detectors declined as manufacturers cut production costs through improved manufacturing and offshore sourcing. However, lower pricing is creating greater demand and increasing the use of personal protection products, particularly in developing countries.

Certification of our gas detectors by the principal marine approvals organisation has created new sales opportunities in the high growth marine market. We expect to reach many new customers via a new distribution agreement with a leading multinational marine support business. A new multi-gas portable detector was successfully launched with ease of maintenance, leading to low cost of ownership, proving critical.

For several years we have been working closely with US developers of fuel cells. These are electro-chemical devices that function like batteries or electric generators but run on hydrogen gas as fuel. Until now, this has mainly been a prototyping market. However, in 2003/04 we began to sell gas conditioning components used in fully commercial fuel cell systems for small-scale power generation.



Our latest gas detectors protect workers from four different gas hazards simultaneously.

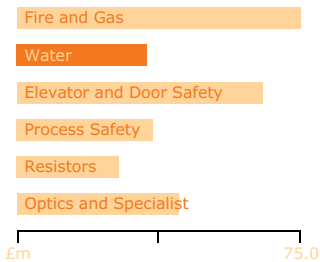
Water turnover



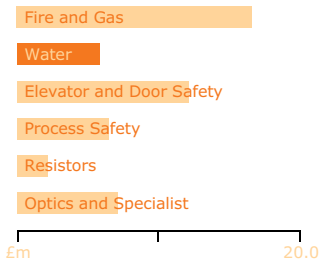
Water profit\*



Segmental turnover, 2004



Segmental profit, 2004\*



\*before interest, tax and goodwill amortisation – see note 1 on the Accounts

Sector Overview

We have world class companies operating in three areas of water technology: ultraviolet (UV) light water treatment, instruments for conserving water in distribution networks and water analysis products. All of these markets are global and exports account for a high proportion of sales in this sector. Our principal customers in this sector are drinking water supply companies and municipal authorities together with food and process industry manufacturers. Based in the UK, the Netherlands, France and the US, during 2003/04 our Water sector companies produced 12% of continuing Group turnover and 11% of operating profit\*.

Worldwide growth in demand for clean drinking water, industrial process water and wastewater treatment results from continuing industrialisation, urbanisation and population growth. Other factors, such as tighter water quality and waste regulations, environmental issues and water shortages, also stimulate the need for our water technology products. During 2003/04 we saw sales and profits grow in this sector.

We won significant new leak instrumentation business in the US and South-East Asia. In the American mid-west there is growing interest in managing and conserving existing water supplies, instead of further depletion of natural sources. US sales of water conservation instruments doubled.

We won a major contract for leak detection equipment from the city authority in Las Vegas, Nevada. Las Vegas has the fastest growing population of any US city with 20,000 new homes built each year. Nevada's water supplies are under pressure and may hit crisis point without new supplies and conservation measures.

The world market for UV water treatment technology is predicted to double within 5 years, mainly driven by environmental concerns. There is a shift away from chemical techniques in treating drinking water, wastewater and swimming pool water towards the UV process which greatly reduces or eliminates the use of chemicals.

Major progress has been made in the US in supplying UV drinking water treatment plants that comply with new, stringent US Environmental Protection Agency requirements. A 15 million gallons per day treatment plant that we supplied to the city of Henderson, Nevada was the first major project in the US which met the new regulations.

Sales of water analysis instruments were buoyant, particularly in Europe and Australia. A new photometer water analyser, launched during 2003/04, is already the laboratory sector market leader. We will soon launch a low cost water analyser for monitoring private swimming pools and spas, transferring technology developed for the public pool market into the domestic arena. A large UK water company has chosen our ammonia monitoring system to control its wastewater plants, which will positively impact on sales in 2004/05.



Las Vegas, Nevada, where our leak detection technology helps to conserve the city's water supplies.

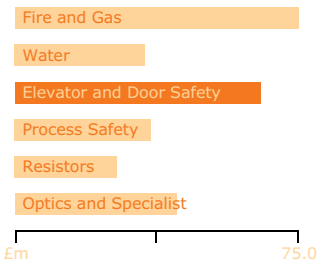
Elevator and Door Safety turnover



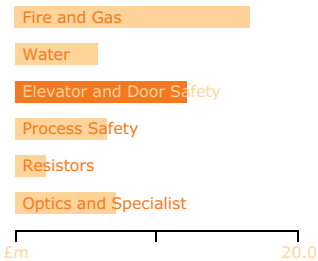
Elevator and Door Safety profit\*



Segmental turnover, 2004



Segmental profit, 2004\*



\*before interest, tax and goodwill amortisation – see note 1 on the Accounts

Sector Overview

We are world leaders in infrared and microwave sensors for controlling the opening and closing of elevator doors and automatic doors. Our door sensor products have three functions. They ensure public safety, make buildings more accessible to people with disabilities and optimise traffic within buildings. We also make control systems, voice communication and visual display equipment for elevators. These businesses are based in Belgium, the UK, New Zealand, the US, Singapore and China.

Both the elevator and automatic door markets split into new-build and refurbishment sectors. The new-build sector is dominated by a small number of multinational elevator and door manufacturers, whereas refurbishment projects are usually handled by relatively small local contractors. During 2003/04, this sector produced 23% of continuing Group turnover and 24% of operating profit\*.

We saw a large rise in both sales and profits from the Elevator and Door sector in 2003/04. This followed inclusion of the first full year of trading at Belgian door sensor specialist BEA, which we acquired in October 2002. Our other companies in this sector delivered good overall organic growth despite adverse currency movements, reinforcing BEA’s excellent progress.

Sales growth in Asia was exceptionally strong, with major volume increases in China, Japan and Australia. We now have two manufacturing facilities in China and satisfy half of the entire Chinese market for both elevator door sensors and automatic door sensors. Sales of in-elevator LCD display panels also achieved substantial growth aided by the Group’s worldwide distribution network.

One fundamental driver affecting demand for door automation products is the global trend towards urbanisation. Increasing population densities in cities require high rise office and residential buildings, and also large public access buildings where automatic doors are commonly used.

Population growth is declining in many countries. This demographic shift is creating an ageing population more likely to benefit from elevators and automated doors. New legislation that improves access to public buildings for people with disabilities continually raises demand for our door safety and emergency communication products. We are the clear leader in the US market for automatic door sensors. A new elevator intercom product was introduced mid-year designed to meet new US building codes and sales have been very promising.

New European regulations covering elevator door safety and emergency communications should also help drive up demand in 2004/05. European sales of elevator emergency telephones almost doubled last year and we are rapidly establishing market leadership for these products in the UK.

One in ten of our employees in this sector works on research and development. Innovative new products protect market share where we are dominant and provide leverage into new markets. An entirely new type of visual safety product launched recently warns when elevator doors are closing. This is a unique product that is creating a new market. Another new product that controls pedestrian access barriers in retail and transport facilities is already selling well in Europe.



Visitors to The Louvre Museum, Paris, are protected by our elevator safety and door control products.

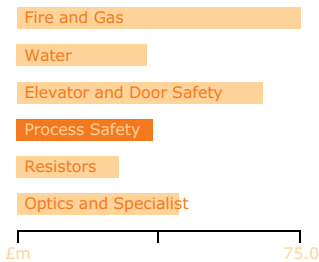
Process Safety turnover



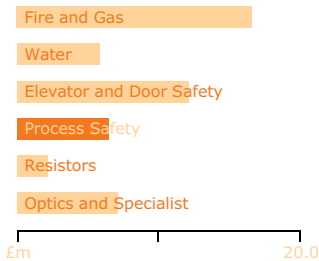
Process Safety profit\*



Segmental turnover, 2004



Segmental profit, 2004\*



\*before interest, tax and goodwill amortisation – see note 1 on the Accounts

Sector Overview

In this sector we make two types of industrial safety products. Our companies are world leaders in safety interlocks, products that safeguard dangerous machinery and process equipment. They protect industrial workers from death or injury and prevent damage to plant. Our second process safety speciality is bursting discs. These devices prevent excessive pressure and protect people, the environment and process equipment from the risk of explosion. Process safety markets are global, but demand varies from one country to another due to wide variation in safety legislation. Customers for our process safety systems range from very small businesses up to the world's largest corporations. Operating from the UK, the US and France, Process Safety generated 13% of continuing Group turnover and 13% of operating profit\* in 2003/04.

During 2003/04 buoyancy of the petrochemicals market has been at an all time high, and is still rising. Growth is fuelled by the quest for new energy sources, particularly by China, Japan and the US. High oil prices encourage capital expenditure in petrochemicals exploration and processing which, in turn, creates demand for our process safety products.

We are seeing a worldwide trend towards raising local safety standards to match the best international practice. Oil companies are increasingly adopting the best practices from their worldwide exploration and production sites and applying them globally. This raises safety standards in many territories and strengthens underlying demand for our products. Recent UK and EU safety legislation also continues to exert a positive influence on demand, particularly in the operation of pipelines

and pressurised process plant.

Sales of safety interlocks for controlling valves in the petrochemicals sector increased significantly. However, sector performance overall was flat. Increased UK export sales to the enlarged EU offset a decline in UK demand. We responded by developing new, technically innovative products, due for launch in 2004/05, and through diversification.

We have recently launched a unique, patented product, targeted at the growing retail logistics market, which prevents accidents to fork lift truck operators. The initial reaction from some of the UK's largest retailers and logistics companies is very positive. During 2004/05 we will also launch a new generation of industrial access and control products, with benefits far ahead of any competitor, and create sales opportunities in new areas of manufacturing industry worldwide.

Our two bursting disc manufacturers maintained market share during 2003/04. Over the past 3 years, our bursting disc businesses have been restructured; production costs have been cut, new managers have been recruited and new methods of servicing the European market are now in place. The end result is higher product quality, lower cost products, improved delivery and a stream of innovative new products that should increase market share.



Our process safety products prevent accidents and explosions at chemical and petrochemical plants worldwide.

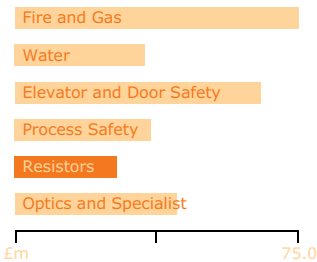
Resistors turnover



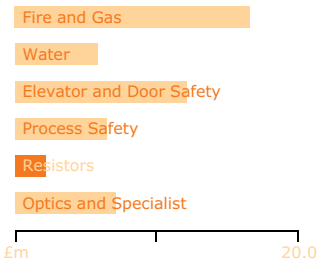
Resistors profit\*



Segmental turnover, 2004



Segmental profit, 2004\*



\*before interest, tax and goodwill amortisation – see note 1 on the Accounts

Sector Overview

The high power resistor market is global, with demand subject to macroeconomic trends. The principal applications are in rail transport, the process industries and power distribution where our products are used to safely dissipate electrical energy. Our strategy to maintain world leadership in this sector is to continuously innovate and develop resistor products with global sales potential.

Our six resistor makers, based in the US, Canada, Australia and the UK, contributed 10% of continuing Group sales and 5% of operating profit\* in 2003/04.

We succeeded in growing exports in this sector and saw strong sales growth in transit and power filtration markets during 2003/04. However, overall resistor sales were flat and profits declined. The impact of Dollar/Sterling exchange rate movements disguises our North American performance; an 8% Dollar increase in resistor sales translated into a 1% Sterling decline.

Competition in this sector is tougher than it has ever been. We are protecting market share and margins through innovation, overhead cost reduction and raised productivity. With a US economic upturn, the trend of declining demand could reverse. Expansion in key resistor markets, notably mining, metals refining and oil and gas processing, should lead to rising demand.

Sales of filter resistors increased due to rising capital investment by metals processing industries in response to commodity price rises. Tighter US emissions regulations for diesel locomotives, coming into force in 2005, could stimulate rolling stock replacement and restore transit resistor demand to the normal historical level. We supply both of the US diesel

locomotive builders. Predictions of higher fuel costs for cars, together with increased government spending on mass transport infrastructure, also suggest that transit sector demand will rise.

New US safety legislation designed to protect industrial workers from electrical arc flash hazards should stimulate demand for high resistance grounding systems in the future. This technology protects workers from injury. It also cuts costs by reducing production stoppages caused by electrical faults. As the market leader in high resistance grounding equipment in North America, we expect to benefit from the new regulations.

We have continued to rationalise manufacturing between production centres to gain efficiency benefits. Manufacture of transit resistors has been concentrated in the US, creating a true world player, well positioned to exploit the huge Chinese market for urban transit systems.

During 2003/04 our resistor businesses took advantage of the growing commercial opportunities in China. Increased raw materials sourcing from Chinese suppliers has helped shield margins from erosion. At the same time, resistor sales into the Chinese market rose substantially. A new partnership project to manufacture our resistors in Shenzhen, China, will add impetus to Asian regional sales growth in 2004/05 and also deliver highly competitive products to sell into our traditional markets.



In the energy sector, our resistor products protect electrical power distribution networks from damage when faults occur.

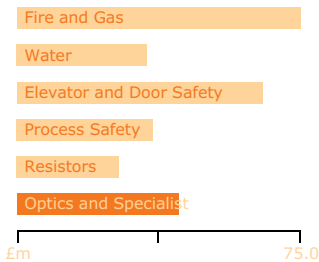
Optics and Specialist turnover



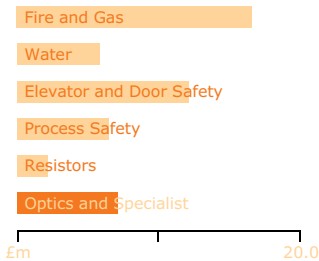
Optics and Specialist profit\*



Segmental turnover, 2004



Segmental profit, 2004\*



\*before interest, tax and goodwill amortisation – see note 1 on the Accounts

Sector Overview

We own two world leading optical technology businesses. We make ophthalmic instruments and lenses, for examining eyesight and diagnosing visual defects, and optical sensing systems for measuring colour, brightness and chemical properties. Our secondary focus in this sector is on high precision fluid control products for use in clinical and analytical instrumentation. Both areas have been strengthened by acquisitions since the year end. We have made several changes in this sector, including selling three non-core businesses.

The market for our optical products is global and exports account for a high proportion of sales. Customers for our fluid technology products are primarily high-tech instrument manufacturers, mostly based in the US or Europe. The companies in this sector are based in the UK and the US, and in 2003/04 contributed 15% of continuing Group turnover and 14% of operating profit\*.

Improved sales and profits at our core optics and fluid technology companies were offset by slightly disappointing performances from some of the specialist businesses in this sector. Head Office company results are reported within this sector, and their income reduced this year. As a result, the Optics and Specialist sector sales performance was flat in 2003/04 and its profit contribution declined.

Both of our ophthalmic optics companies pushed up export sales, with significant growth in the US, Japan and Australia. Our US ophthalmic lens business has been increasingly successful at developing OEM business. Several manufacturers of electro-optical instruments now design our optical components into their products. Two new types of surgical lens will help

protect patients from disease transmission; one format will withstand high temperature sterilisation and another is disposable.

Sales of ophthalmic instruments benefited from a series of new and improved products. The most significant were cordless, battery-powered versions of our indirect ophthalmoscopes, world market leading products. These instruments offer significant benefits to ophthalmologists and initial sales have been encouraging, particularly in the US.

In May 2004 we acquired Ocean Optics, Inc., a manufacturer of optical sensing systems. A world market leader in miniature fibre-optic spectrometers, its specialist measurement instruments are used in consumer electronics, process control, environmental monitoring, life sciences and medical diagnostics. Like other Halma businesses, Ocean Optics has strong positions in niche markets and significant growth opportunities exist for its optical sensor-based products.

Three non-core subsidiaries were sold during 2003/04. They did not achieve our profit growth or return on investment targets due to long-term market changes.

We extended our interests in fluid technology with the acquisition of Diba Industries, Inc. in May 2004. Our specialist fluid technology companies grew sales in two high-tech markets: bio-hazard detection and clinical diagnostics. We won contracts for critical components built into biological hazard detection equipment, a new emerging market. These systems analyse air samples from mail sorting machines and identify anthrax or other terrorist biological threats. The United States Postal Service will use this equipment in mail distribution centres across the US.



Biological hazard detection is an emerging market for our high-precision fluid control and optical sensing products.