

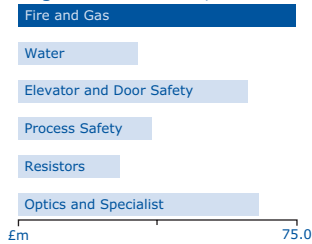
Fire and Gas turnover

2005	£75.5m
2004	£75.0m

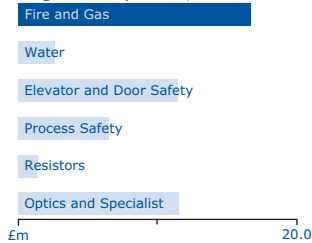
Fire and Gas profit\*

2005	£16.7m
2004	£16.6m

Segmental turnover, 2005



Segmental profit\*, 2005



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

Sector Overview

We are world leaders in sensors that detect life-threatening fire and gas hazards. Our products warn people of imminent danger and give them time to escape. Now sold in 80 countries, our fire detectors protect people and buildings from the risk of fire. Our gas detectors safeguard the lives of industrial workers by alerting them to the presence of toxic or explosive gases. We also make specialist products for conditioning gas samples. The principal sales channels for fire detectors are distributors and fire alarm installers; gas detector customers range from lone contractors to multinationals. During 2004/05 our Fire and Gas sector companies produced 25% of Group turnover and 33% of operating profit\*.

Our businesses in the Fire and Gas sector achieved record sales during 2004/05, with profits slightly ahead. The fire detector market is a very competitive environment mostly dominated by large multinationals. During 2004/05 there were many competitor acquisitions and consolidations. Despite such market pressures, we increased market share and remain the second largest maker of commercial grade fire detectors worldwide.

We achieved double-digit fire detector sales growth in Eastern Europe and major increases in the Middle East, India and the Far East. This compensated for subdued sales in Central Europe. A key differentiator for our fire products companies is industry-leading customer service. To reinforce this competitive advantage, in 2004/05 we set up technical centres in Spain, the US, Ireland, India and China.

Increasing regulatory product testing

and approval is a major driver in the fire industry (and a powerful barrier to market entry). Our businesses invest considerable time in maintaining close relations with approval and regulatory authorities. To sell fire detectors on a worldwide basis, we hold 1500 product approvals. An important recent project has been product development to satisfy the new EU Construction Products Directive. This applies to all 25 member states from June 2005.

Continuous product innovation is a key sales growth factor in this sector. Alongside new fire detector ranges, we launched new emergency evacuation products, including directional and programmable sounders, and devices to guide people out of smoke-filled buildings.

Gas detector profits continued to rise, supported by new product launches in the portable and fixed systems markets. Gasman, a single gas detection instrument and market leader in terms of size, weight and performance, is a key new product.

Last year's restructuring of our European gas detector sales operations delivered improved sales and profits. We strengthened our sales routes in the US, producing record revenues and an excellent platform for future growth. Pricing pressure, particularly in portable gas detectors, remained strong, but operational improvements ensured an increase in gross margins.

The small-scale power generation market based on fuel cells is now commercialised and sales of gas conditioning products are growing. However, most business continues to be for prototyping projects. Within this market, our hydrogen humidification systems are being extended to handle high pressure fuel cells as developers attempt to produce more efficient, lower cost systems. This is a long-term growth opportunity.



Our fire and gas products protect people and plant worldwide.

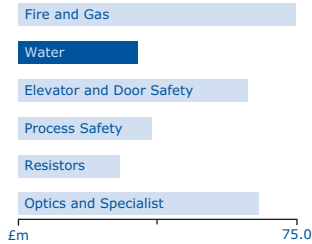
Water turnover



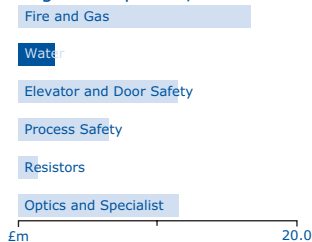
Water profit\*



Segmental turnover, 2005



Segmental profit\*, 2005



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

Sector Overview

We own world-leading businesses in three water industry sectors: ultraviolet light (UV) water treatment, instruments for monitoring and controlling water distribution, and water quality analysis. These markets are global and we make substantial sales worldwide. Our principal customers are drinking water supply companies, municipal authorities, food manufacturers and the process industries. Based in the UK, the Netherlands, France and the US, during 2004/05 our Water sector companies produced 11% of Group turnover and 5% of operating profit\*.

While Water sector sales were maintained at a slightly reduced level, profits in this sector were substantially below the prior year.

During 2004/05 we saw significant changes in the market for instruments to conserve water in distribution networks. Our water supply customers faced pressures to cut costs. This created demand for lower margin instruments to monitor and control water networks in a preventative way, in addition to diagnostic leak location instruments. In response, we restructured the product ranges and organisation of several companies in this sector. As part of this process we upgraded a number of products in the field which led to some stock write-offs. This involved substantial costs but has produced a much stronger base for growth. An important contract for leak detection equipment in the city of El Paso, Texas, was smaller in scale than the very successful Las Vegas contract in the previous year. However, it represented useful progress in a market where we continue to make a significant investment in anticipation of future returns. Acquisition of data logging and data transmission

businesses in recent years has led to a 50% increase in sales of these instruments in 2004/05 and allowed us to penetrate the fast-growing market for monitoring wastewater and flow.

Sales of UV equipment outside of the US market returned to growth. However, delays in closing US contracts led to a decline in total UV equipment sales. We won an important contract, phase II of the Houston CrossFlow drinking water project. A reorganisation of the US sales operation has started to deliver major improvements, with the 2005/06 order book substantially ahead.

Outbreaks of water-borne disease create demand for our disinfection technology. Following an outbreak of giardiasis in the Norwegian city of Bergen’s drinking water supply, we won a significant order. UV sales to the swimming pool sector, where our companies are dominant, continued strongly, benefiting from increased awareness of health risks from chlorination by-products. Continued investment in product approvals has created an excellent foundation for securing future drinking water projects. We believe we are the first company with medium pressure UV technology that complies with the new European testing criteria. UV sales to South East Asia continued to grow because our equipment provides significant performance advantages and lower capital costs than competing systems. Further capital investment expanded our UV lamp manufacturing capacity to meet growing demand.

Sales and profits at our water testing business reached record levels. We launched an innovative new product, called Cool Pool Tester. This transfers advanced photometric water analysis technology developed for professional laboratory users into the domestic swimming pool market.



We are the world leader in  
UV treatment of swimming  
pool water.

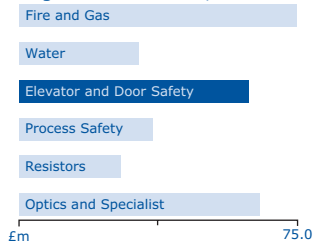
**Elevator and Door Safety turnover**



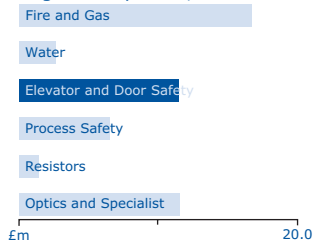
**Elevator and Door Safety profit\***



**Segmental turnover, 2005**



**Segmental profit\*, 2005**



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

**Sector Overview**

Our businesses in this sector are world leaders in products that protect people using elevators and automatic doors from harm. We make infrared and microwave based sensors that control the operation of elevator doors and automatic pedestrian and industrial doors. They safeguard users, improve accessibility for the disabled and optimise traffic flow. We also make voice communication and display products for elevators. These businesses are based in Belgium, the UK, New Zealand, the US, Singapore and China.

The elevator and automatic door markets separate into new construction and building refurbishment, with our sales equally split between the two. Customers in the new-build sector are generally multinational elevator and door manufacturers. Refurbishment customers tend to be local contractors. During 2004/05, this sector produced 21% of Group turnover and 23% of operating profit\*.

Although overall sales and profit in this sector fell slightly, we generated significant sales growth in the core elevator and door product groups, particularly in Asia and Europe. An underlying sector-wide advance in sales and profit was offset by unfavourable currency movements and a disappointing performance by our emergency telecoms business. With less than 10% of sales in this sector in the UK, its headline performance is vulnerable to Sterling exchange rates.

We maintained our market share in automatic door control sensors despite lower door control sales in the US (due to a large refurbishment contract in 2003/04). Record profits were achieved, aided by rising sales in China

and also in Japan where we now have three sales offices.

We won worthwhile new business from the New York City Transit Authority for station platforms emergency communications systems, most of which will be shipped in 2005/06. However, voice communication equipment sales fell significantly. To turn this around, we have merged this telecoms business with our US elevator safety products company to benefit from its strong sales management skills and well developed sales channels.

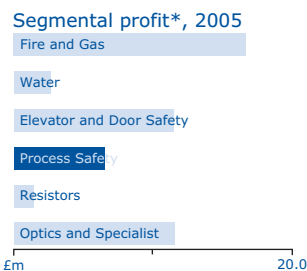
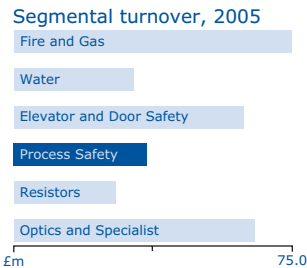
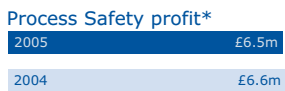
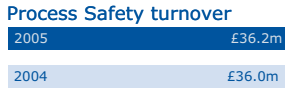
Recent European legislation mandates that elevators must be fitted with emergency voice communication systems. This has created a valuable new market; we estimate that 90,000 new elevators are commissioned every year in the EU. We have developed a new elevator telephone system which enables building operators to comply fully with the new regulations. We have also opened a new sales office in Italy where an estimated 90% of elevators do not meet EU standards.

The more prominent risk in this sector relative to others is the unpredictable impact of the proposed Chinese currency revaluation. A significant proportion of our elevator and door products are made in China and a revaluation of the Yuan may increase production costs and squeeze margins.

Given continued global economic development, market prospects for elevator and automatic door safety products are positive in the long term. The key drivers are urbanisation, population growth and accessibility for the disabled. These factors create demand for high rise buildings, requiring elevator controls, and also large buildings with automatic doors. Demand for our products is continually rising due to concern in most countries about public safety.



At the Jin Mao Tower, Shanghai, visitors are protected by our door safety products.



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

**Sector Overview**

Our Process Safety businesses help customers protect their human and capital assets. We create safe workplaces where employees are safeguarded from injury and plant is protected from damage. We are world leaders in access control products called trapped-key interlocks. These separate people from hazards, such as moving machinery, and prevent dangerous operation of industrial equipment. Our second Process Safety specialism is bursting discs. These products minimise explosion risks, for example in chemical plants, protecting workers and capital investment, and preventing environmental pollution. Customers for Process Safety products range from one-man businesses to multinational corporations; the markets are global. Based in the UK, the US, Mainland Europe and Australia, our Process Safety companies generated 12% of Group turnover and 13% of operating profit\* in 2004/05.

Overall sectoral performance was in line with the prior year. Bursting disc sales moved significantly ahead, benefiting from last year's reorganisation and investment. Interlock sales in the US and France were disappointing although in the UK and the rest of Europe they grew modestly. Our growth strategy in this sector centres on increasing sales of our established technologies into the new markets of the developing world, where increased safety awareness and health and safety legislation is following industrial expansion. We aim to maintain our position of niche market leadership in the mature industrial markets through innovative new products and new applications.

The oil and gas business is an important market where our products

safeguard exploration, production and refining operations worldwide. We are the world leader in valve interlock control systems and satisfy a significant percentage of total world demand. With steady global economic development, demand for oil and gas will continue to rise, with production set to double by 2020. Gas flaring, where gas from oil wells is simply burned, will be outlawed worldwide by 2008 and new infrastructure projects should underwrite long-term market growth.

In the general industrial market, sales and profit growth will be achieved by product innovation and penetration of new markets. The Chinese process safety market is growing, but not as fast as more developed parts of Eastern Europe. Our Salvo safety system is an example of product innovation and entry into a completely new market. This product ensures that a vehicle cannot leave a loading bay until it is safe to do so, preventing potentially fatal accidents to fork-lift operators. Salvo has generated substantial sales in its first year, in a market sector with significant potential.

With double-digit profit growth our bursting disc businesses had an excellent year. Further growth will come from extending sales into high growth markets in Eastern Europe and Asia.

A slowdown or reverse in global economic development, or slow adoption of health and safety legislation in Eastern Europe and Asia, could delay progress in this sector, as could a downturn in key markets. However, we believe that prospects for steady growth in this sector still exist. With continued global economic development, and rapid industrial development in the enlarged EU and China, the longer term market drivers remain.

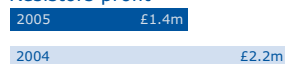


Our valve interlocks help ensure that oil and gas plants are operated safely.

Resistors turnover



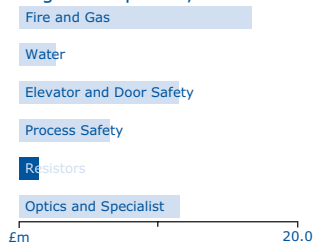
Resistors profit\*



Segmental turnover, 2005



Segmental profit\*, 2005



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

Sector Overview

Our high power resistors are used to dissipate excess electrical energy, control the speed of large electric motors, protect electrical power distribution systems from damage and for electrical safety.

The combined engineering and marketing resources of our five businesses in this sector make us the world leader in power resistors. Our customers in this sector are mainly in power generation, the process industries and transit systems manufacturers. Large contracts, won via competitive tendering, account for a higher than average proportion of sales. Based in the US, Canada, Australia and the UK, our Resistor businesses contributed 9% of Group sales and 3% of operating profit\* in 2004/05.

While overall sales edged 7% ahead in this sector, profits fell back. This was partly due to a steep rise in stainless steel raw materials costs. We were able to increase prices, but part of the steel price rise had to be absorbed and margins suffered. Together with the impact of unfavourable exchange rate movements, these factors hindered any underlying profit progress. Our long-term goal of reducing dependency on the US market by increasing the proportion of US export sales is succeeding. Resistor exports rose by 40% in 2004/05 and non-US sales now contribute 51% of sectoral sales.

A major growth target is the development of new markets and products to safeguard workers and protect capital equipment from damage caused by electrical earth faults. Recognition of the danger posed by earth faults is growing among heavy electrical users and our products are the most efficient method of mitigating this hazard. A positive trend

is the adoption of this technology in hospitals and data centres. Sales into this market rose 15% in 2004/05 and we sold earth fault protection systems into South East Asia for the first time.

During 2004/05 sales of transit resistors, which are used to control braking on locomotives and trams, generated poor margins. We took action to cut overheads and increase manufacturing efficiency by consolidating all transit resistor production at a single US location. However, a combination of competitive pricing and margin volatility due to unpredictable raw material costs has made this niche market relatively unattractive. We may consider withdrawing from transit resistor production during 2005.

A market targeted for growth two years ago, braking resistors on the huge trucks used to transport ore in open-cast mines, is now generating significant sales. We are now the established leader in the replacement aftermarket and we are working with several truck makers to become the original equipment supplier too.

We plan to maintain sales growth in 2005/06, focussing on the launch of innovative dynamic braking and electronic ground fault relay products. We will also aim to grow sales of filter resistors which are used by power companies to control the quality of their electrical supplies. Our primary geographical growth target is Asia, particularly China where we have established a local partnership.

While returns and prospects for Resistors are still good by peer standards, the sector is under particular scrutiny as part of our normal strategic reviews.



Internet switching and data centres are a growing market for our resistor systems.

**Optics and Specialist turnover**



**Optics and Specialist profit\***



**Segmental turnover, 2005**



**Segmental profit\*, 2005**



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

**Sector Overview**

We are world leaders in two areas of optical technology. We make ophthalmic instruments and special lenses for the medical market. These test eyesight, diagnose ocular disease and enable eye surgery. Our second optical specialism is electro-optical instruments (spectrometers) mainly used for colour measurement and material analysis. We sell our optical products into global markets and exports are a high proportion of sales. Our other main focus in this sector is on high precision, miniature fluid control products used in analytical instrumentation. These fluid technology products are sold primarily to high tech instrument manufacturers. Based in the US and the UK our Optics and Specialist companies contributed 22% of Group turnover and 23% of operating profit\*.

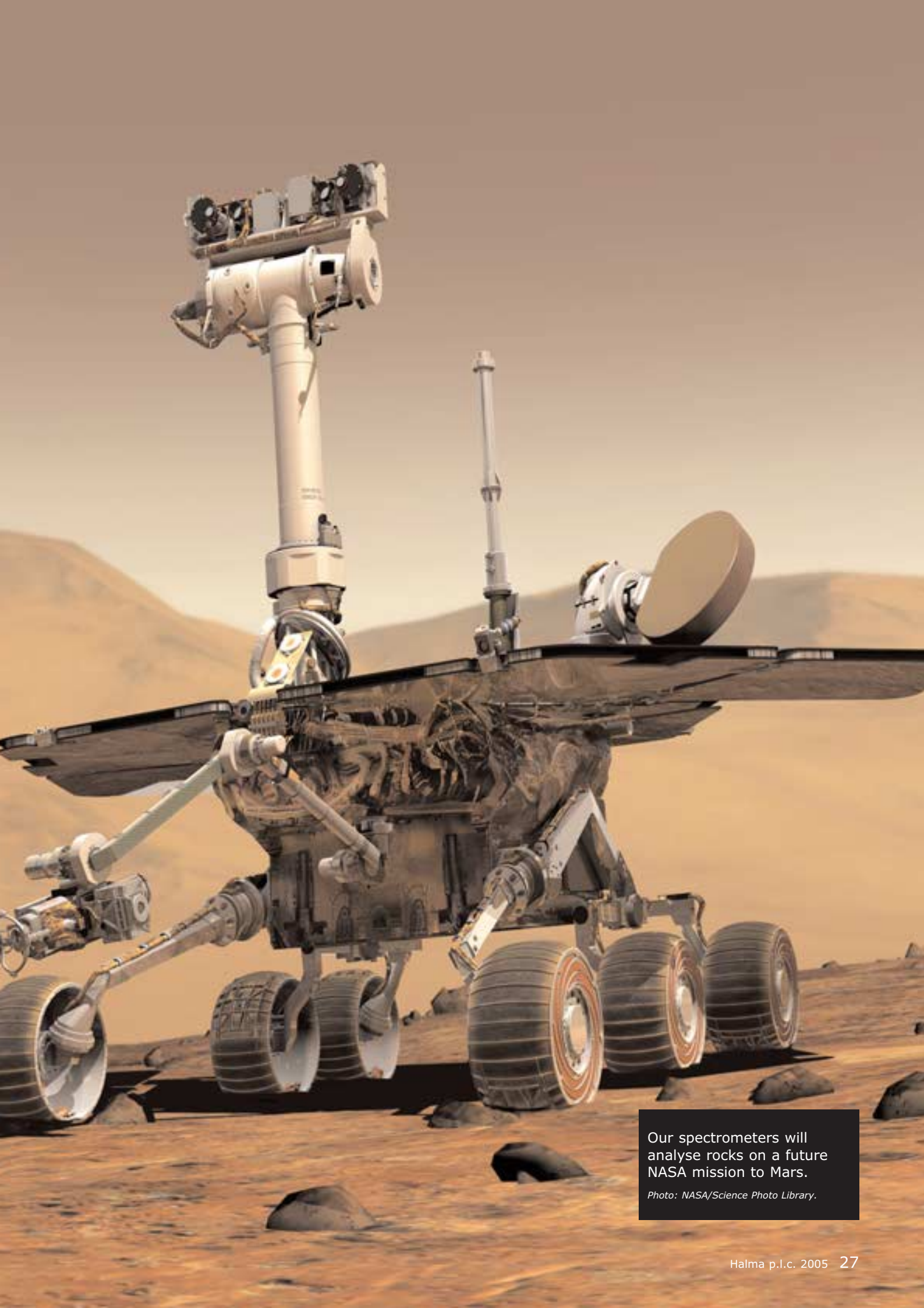
The Optics and Specialist businesses produced excellent results, establishing new sales and profit records. Overall sectoral profit growth was reduced by increased corporate management charges which are included as part of this sector and a lower level of performance from certain Specialist businesses.

Our ophthalmic optics companies benefited from market expansion due to global population growth and produced strong results. Export sales grew significantly; future export growth is targeted on Asia. Ophthalmic lens sales produced record profits, aided by a very successful new product launch. Demand for ophthalmic instruments was boosted by a new cordless, battery-powered indirect ophthalmoscope. A unique product, it continues to sell very well in the US, its target market. Close relationships with leading ophthalmologists help us develop new products that complement medical advances.

Our fluid technology companies maintained growth in core markets and in new applications, delivering record sales. The primary market, life science instrumentation, continues to grow in the high single digit range. We expect this growth pattern to continue, driven by increased testing and discovery requirements due to increases in population, and both pharmaceutical and biotech research. During 2004/05 the United States Postal Service completed installation of biological hazard detection equipment containing our components, creating an ongoing spares business. The acquisition of Diba Industries in May 2004 strengthened our presence in this market. The company continues to perform to expectations and recently won an important contract to supply a world-leading manufacturer of blood analysis instruments, with deliveries starting in 2005/06.

Since its acquisition in June 2004, spectrometer manufacturer Ocean Optics has achieved record sales and profits, exceeding expectations at the time of acquisition. Strong growth continued in all export markets, including Europe and Japan. This company has maintained its market position of “disruptive innovator”, extending the analytical capability of its core product line.

During 2004/05 we launched an unrivalled optical colour changing system for theatrical and entertainment industry lighting based on patented thin film coating technology. Significant sales were achieved into research laboratories of products based on an advanced analytical technique which uses lasers to vaporise samples for analysis. The product line is now being developed for volume production to open up this market in 2005/06. Our spectrometers will be built into a forthcoming NASA space project designed to search for signs of life on the planet Mars.



Our spectrometers will analyse rocks on a future NASA mission to Mars.  
*Photo: NASA/Science Photo Library.*