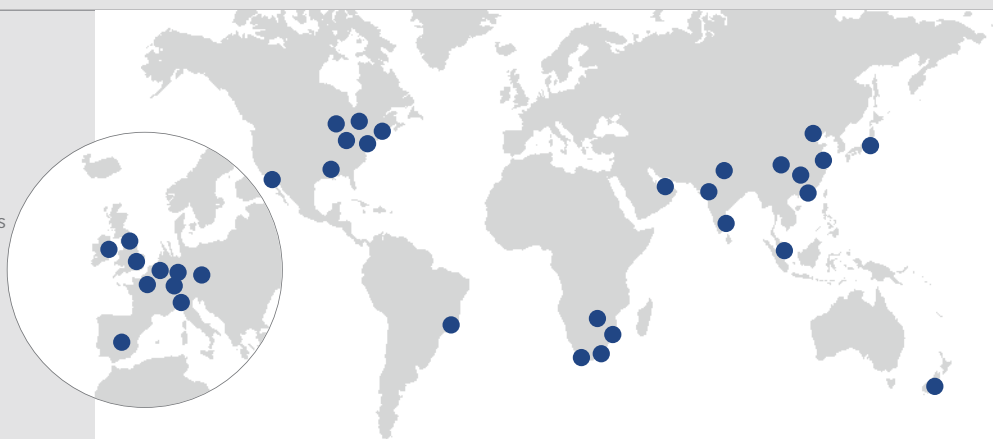


Infrastructure Sensors

We make products which detect hazards to protect people and property in public and commercial buildings. Infrastructure Sensors contributed 42% of Group revenue (£167m) and 38% (£29m) of Group profit*. Our principal products are sensors for fire, security, automatic doors and elevator safety. There are four sub-sectors – see right.

WHERE WE OPERATE

- Belgium
- Brazil
- Canada
- China
- Czech Republic
- France
- Germany
- India
- Italy
- Japan
- New Zealand
- Republic of Ireland
- Singapore
- South Africa
- Spain
- UK
- United Arab Emirates
- USA



STRATEGIC ACHIEVEMENTS

- > Organic revenue and profit growth
- > Successful reorganisation of Elevator and Security businesses
- > New sales offices in Asia, Europe and the USA
- > New Elevator products factory in Czech Republic
- > Created joint venture for Fire products in China
- > Launched over 30 new products

STRATEGIC DIRECTIONS

- > Increase organic profit growth driven by revenue growth
- > Benefit from reorganisation in Elevator and Security businesses
- > Increase regional sales and technical support offices
- > Introduce more new products from R&D and bolt-on acquisitions
- > Relentlessly improve manufacturing efficiency

KPIs	Revenue growth ¹	Profit growth ¹	Return on sales ²	ROCE ³	R&D ⁴
Sector Performance	8%	2%	17.0%	61%	5.1%
Group Target	>5%	>5%	~18%	>45%	>4%

GROWTH DRIVERS

- > Growth in population, ageing and urbanisation
- > Increasing regulation and rising expectations of health and safety
- > New technology

1. Sector revenue and adjusted⁵ sector profit before finance expense are compared to the equivalent prior year figure.
 2. Return on sales is defined as adjusted⁵ profit before finance expense and taxation expressed as a percentage of sector revenue.
 3. Adjusted⁵ sector profit before finance expense expressed as a percentage of sector operating net assets.
 4. Sector research and development expenditure expressed as a percentage of sector revenue.
 5. Adjusted to remove the amortisation of acquired intangible assets.

* See note 1 to the accounts

FIRE DETECTION



SECURITY SENSORS



AUTOMATIC DOOR SENSORS



ELEVATOR SAFETY



Market trends and growth drivers

Legislation remains the primary growth driver in the **Fire** market. There is a continuing global trend towards increasingly rigorous fire safety regulations. In the developing world, fire product standards are often based on North American and European norms, which favour our products. Recent revisions to Chinese fire detector standards are causing several smaller local suppliers to exit the market.

Worldwide, demand for fire detectors is steady with an annual estimated growth rate of just under 5%, predicted to continue until at least 2011. Asia is the fastest growing sector with average annual growth of 6.1%.¹

In the past year we saw continuing fire market consolidation with more independent manufacturers acquired by multinationals. Customers are moving towards more sophisticated fire detection technologies such as addressable detectors, network systems and video-based smoke detection. We work alongside our customers to ensure we are well placed to meet these needs in the future.

Our **Security Sensors** sell into a global security market with a projected annual growth rate to 2012 of 7.8%.² We see opportunities to increase our market share through better product innovation and customer service levels – particularly outside our traditional strongholds, the UK and South Africa.

We estimate the market for **Automatic Door** sensors is growing by 3% to 4% annually.³ However, within this there are geographic and specific application niches which are growing at a faster rate due to rising safety standards – for example industrial door sensors and access for those with disabilities.

Elevators are typically refurbished and upgraded every 15 to 25 years to meet current safety regulations. Worldwide, there is an installed base of 8 million elevators and each year around 400,000 new elevators are installed.⁴

We expect the global elevator market to continue to grow at 5% to 6% annually, but with wide regional variation in the ratio of more profitable modernisation work to new construction. The US market is an even mix of new build and modernisation, concentrated in large cities, where building fire codes are the main sales drivers. The mature European market is mostly modernisation work with demand strongly driven by the EN81⁵ safety standards which continue to be gradually adopted by individual countries. New construction dominates the Asian elevator market, with the notable exception of Japan.

Sector strategy

In this sector our principal strategic goal is to be the leading supplier of safety-critical sensor products and supporting technology for infrastructure monitoring in non-residential buildings. We choose safety-critical products because these are 'non-discretionary' spend items for non-residential buildings driven by regulatory requirements.

Our businesses are positioned as the expert supplier of safety-critical components, not as complete system builders or installers. We aim not to compete with the global businesses that install complete building monitoring systems and position ourselves as an independent supplier to all of them. This demands that we continue to expand our commercial, technical and manufacturing presence internationally.

For example, to increase **Fire** product sales we are strengthening local customer relationships and improving market intelligence. To achieve this, we continue to set up new sales offices in Europe, the USA and Asia. We also plan to increasingly decentralise product development to accelerate new products designed to meet local standards. To defend our market positions, we regularly review our intellectual property portfolio, ensuring global protection and policing our patented technologies.

Sector review (continued)

Infrastructure Sensors

A continuing strategy is to build competitive advantage through manufacturing excellence. The goal is to achieve advances in both quality and productivity so that our customers get market leading service levels consistently – wherever they are located. In early 2008, we agreed a new manufacturing joint venture for Fire sensors in China to help satisfy increasing demand in Asia.

In our **Security** business, we will continue to invest in new products, processes and people to grasp our international expansion opportunities, particularly into North America and Asia. Strategic partners are in place to assist our aim of being a strong global player, complementing our market leadership in the UK and South Africa. We have obtained new international product approvals, improved our manufacturing platform and rationalised our new product development programmes. We are developing new intruder detection systems based on microwave and infrared sensors and have developed novel wireless communications technology for easier system installation and integration.

In addition to strengthening our position as the dominant world supplier of **Automatic Door** sensors for pedestrian doors, we are introducing novel new products to increase our share of the industrial door market. A major new product to be launched in 2008/09, featuring a laser sensor, will reinforce our technology leadership and drive sales growth in this market.

During the past year we completed the implementation of the regional **Elevator** strategic reorganisation started in late 2006. The creation of product focused manufacturing and R&D resources with a regionally aligned sales organisation is aimed at increasing profits through stronger revenue growth. We believe we can shorten product lifecycles, maintain technological leadership via R&D, cut production costs and extend sales channels thereby maintaining a strong competitive advantage even against low cost competitors. An international 'in-country' sales presence is a key differentiator and we now operate 23 elevator sales offices worldwide. Three new offices were opened in France, the USA and India during 2007/08 alone.

Sector performance

Fire sector revenue and profits were at record levels as we continued to gain market share, notably in Europe. Product margins improved due to product design and process innovations.

We achieved record sales of **Security Sensors** despite significant internal reorganisation to ensure success in our future global expansion plans. Underlying profitability improved during the second half of the year indicating that the benefits of these strategic changes are starting to emerge as planned.

Revenue and profit at our **Automatic Door** sensor business also set new records. During 2007/08 we achieved strong progress in the USA and China and more modest progress in Europe. Greater penetration of our products into specialist markets such as hospitals and schools contributed to growth.

Performance of our **Elevator** businesses was flat during the first half of 2007/08 due to higher investment and overhead costs and showed some improvement during the second half.

¹ Confidential market research

² World Security Equipment, The Freedonia Group Inc.

³ Internal market research and confidential industry sources

⁴ Freedonia "Industry Study 2016 – World Elevators" and elevator manufacturers' websites

⁵ BS EN81-80:2003. Rules for the improvement of safety of existing passenger and goods passenger lifts

SECTOR OUTLOOK

Our markets in this sector are underpinned by robust regulatory drivers for non-residential buildings generating demand from both modernisation of existing structures and new construction. Therefore, they have proved to be resilient throughout the macro-economic downturns of the past.

We expect stable trading conditions to continue in our major market, Europe (61% of sector revenue including the UK), whilst our relative exposure to the US market (only 19% of sector revenue) will mitigate the impact on the sector of any major downturn in that region.

New sales channels, investment in worldwide product approvals and new products will create further opportunities in developing regions. The Infrastructure Sensors sector is well placed for continued growth in 2008/09.



The proportion of **urban dwellers** is predicted to rise from 3.2 billion in 2005 to 4.9 billion by 2030, roughly 60% of the world's population*

* World Urbanization Prospects, 2005. United Nations, Department of Economic and Social Affairs, Population Division (2006)

Mumbai, India

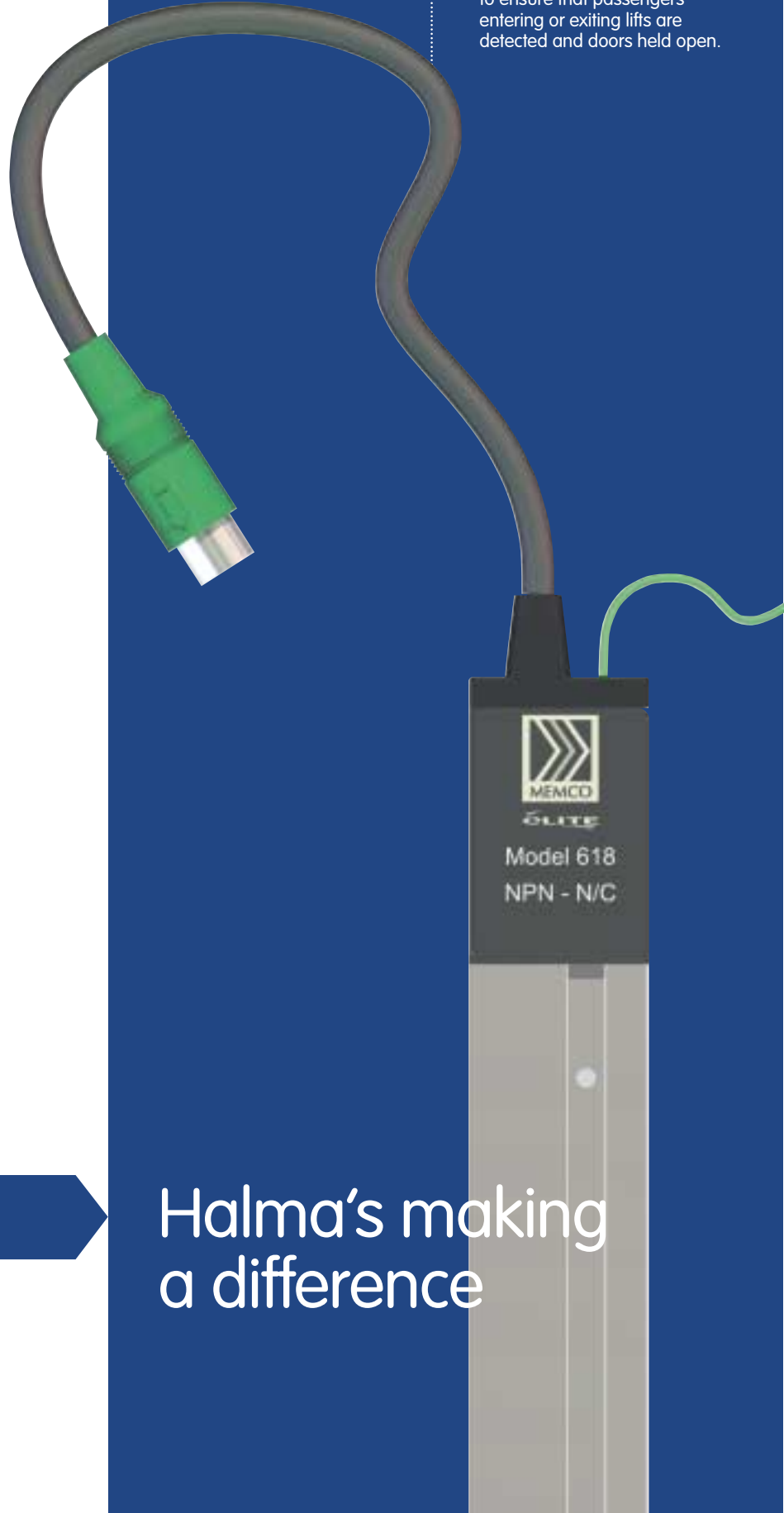


“Infrared light curtains are a very positive product for elevator doors, and ensure the safety of passengers as they enter or leave the elevators.”

Mr C K Pithawalla
Director, Hiranandani Constructions Pvt. Ltd



Our safety systems protect elevator passengers at the Hiranandani Estate, a huge complex within the Mumbai conurbation in India. Halma elevator door sensors use up to 154 infrared beams to ensure that passengers entering or exiting lifts are detected and doors held open.



Public building

Halma's making a difference

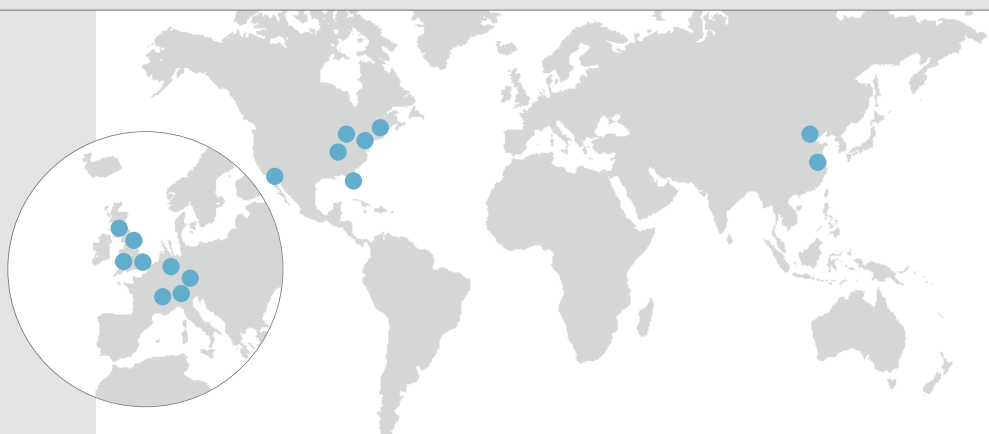
Health and Analysis

We make components and products used to improve personal and public health. We also develop technologies and products which are used for analysis in safety, environmental and leisure related markets, including water. Health and Analysis contributed 34% (£135m) of Group revenue and 37% (£28m) of Group profit*. There are four sub-sectors – see right.

WHERE WE OPERATE

Australia
China
France
Germany
Holland

South Korea
Switzerland
UK
USA



STRATEGIC ACHIEVEMENTS

- > Organic sales and profit growth
- > Acquisition of Riester extending Health Optics
- > Successful integration of Labsphere
- > New sales resources and distributors in export territories
- > More than 40 new product launches
- > Inter-company collaboration producing unique new products
- > Disposal of non-core business, Post Glover Lifelink

STRATEGIC DIRECTIONS

- > Achieve organic profit growth through revenue growth
- > Acquire businesses with familiar technology in similar markets
- > Improve the quantity and quality of new product development
- > Encourage more internal collaboration
- > Accelerate investment in Asia

KPIs	Revenue growth ¹	Profit growth ¹	Return on sales ²	ROCE ³	R&D ⁴
Sector Performance	16%	16%	20.7%	68%	5.0%
Group Target	>5%	>5%	~18%	>45%	>4%

GROWTH DRIVERS

- > Demand for energy and water resources
- > Growth in population, ageing and urbanisation
- > Increasing demand for healthcare
- > Increasing regulation and rising expectations of health and safety
- > New technology

1. Sector revenue and adjusted⁵ sector profit before finance expense are compared to the equivalent prior year figure.
 2. Return on sales is defined as adjusted⁵ profit before finance expense and taxation expressed as a percentage of sector revenue.
 3. Adjusted⁵ sector profit before finance expense expressed as a percentage of sector operating net assets.
 4. Sector research and development expenditure expressed as a percentage of sector revenue.
 5. Adjusted to remove the amortisation of acquired intangible assets.

WATER



PHOTONICS



HEALTH OPTICS



FLUID TECHNOLOGY



Market trends and growth drivers

Demand for **Water** management products is driven by increasing regulatory control and water shortages due to finite resources, population growth and climate change. Estimates suggest that the US water industry is growing at 4% to 6%¹ per year and at even faster rates elsewhere. However, in absolute terms, the major markets remain in the UK and Europe.

Third party patent protection, covering the use of UV to treat drinking water in the USA, ended thereby reopening the US market. Our systems recently achieved NWRIP² validation for wastewater reuse; USEPA³ drinking water validation will follow during 2008/09. System validations are increasingly important, with US validation standards now required by many countries.

Our **Photonics** products sell into highly diverse niche markets. These include biomedical, life sciences, analytical instrumentation, research, education, space, defence, homeland security, semiconductor and industrial applications. At the leading edge of science and technology, our businesses continually spin off new applications and new customers. For example, the widespread change to low-energy lighting, driven by environmental concerns, is creating strong demand for our light measurement products used for quality control, validation and new product development.

We maintained global leadership in light integrating spheres (which capture light) and miniature spectrometers (which analyse light). Whilst we are growing internationally, about two-thirds of Photonics sales are in the USA. Growth depends on government science budgets (for education, defence and homeland security) and corporate spending by our OEM customers. However, demand for products used in health analysis is underpinned by regulatory drivers which make these markets relatively resilient and non-cyclical. We anticipate continued growth even in unfavourable economic conditions due to the flexibility of our technology and the diversity of our end markets.

Demand for our **Health Optics** products continues to grow in response to rising incomes and access to healthcare in the developing world, and an ageing population and rising health expectations in the developed countries. We estimate that the health optics market is growing 5% annually in developed economies and 2% to 3% worldwide. Rising international and local product registration requirements add cost to new healthcare product development but also represent an increasingly high barrier to market entrants reinforcing the strong brand strength we have in our chosen markets. The strength of the Euro boosted export growth for both our US and UK based optics companies to record levels.

In **Fluid Technology**, demand remains strong, especially from the fast-growing medical and environmental monitoring markets. We have seen further consolidation of customers and expect this merger and acquisition trend to continue, and believe this offers us further opportunity for growth.

Sector strategy

To remain the world market leader in **Water** leak reduction instrumentation, our strategy is to offer water utilities worldwide the most comprehensive range of leakage monitoring equipment available from one source supported by strong local sales and technical resources. This requires continual investment in establishing resources in export markets and in new product development, increasingly in close cooperation with our customers.

Our Water UV companies are organised to focus on either municipal or industrial applications. This strategy allows the companies to develop specialist applications experience and deliver enhanced customer service for the precise customer needs in their market segment.

Sector review (continued)

Health and Analysis

In **Photonics** and **Health Optics** our primary strategy is to drive organic profit growth by extending our geographical presence in sales, product development and manufacturing. We will also increase exploitation of our proprietary knowledge and patents. R&D spending will continue at above average rates to maintain technology leadership. We will encourage greater inter-company collaboration and seek complementary acquisitions.

Our **Fluid Technology** strategy is to extend our product portfolio and increase sales representation in new markets via organic growth and acquisitions.

Sector performance

Sales of **Water** products set new records and delivered good organic profit growth. Growth was particularly high in the UK where new products penetrated new wastewater monitoring markets and we also saw useful progress in Europe.

Our **Photonics** businesses achieved record revenue and profit. The new Chinese photonics facility has contributed to sales growth and is now starting to play a key role in procurement and product development.

Our **Health Optics** companies also achieved record revenue aided by expansion of their worldwide distribution network and record numbers of sales staff in overseas markets. There was growth in all major geographic regions. The recent Riester acquisition will help to increase our footprint outside the USA and UK with the expectation that Europe and the Rest of World revenue will grow as the further contribution from Riester comes through in the coming year.

Riester manufacture 'premium' handheld instruments for general medical practitioners. These include blood pressure monitors, ear nose and throat instruments, ophthalmoscopes and stethoscopes. Good collaboration is already underway between Riester and our existing Health Optics businesses. They can sell Riester's instruments to their ophthalmology market and also supply ophthalmoscopes for Riester to sell into their general medical market. Geographically, Riester's strength in South America and other Spanish speaking territories (plus one or two markets in Asia) complements our existing strength in the UK and USA. Riester gives us new distribution into the general medical market which may benefit other businesses in our Health and Analysis sector in the longer term.

Record revenue and profit were achieved by our **Fluid Technology** businesses. This stemmed from continued higher investment in distribution and engineering resources focused on growing market share. Growth came from a strong core business demand plus new customers.

¹ American Water Works Association

² NWRRI – U.S. National Water Research Institute (awaiting validation documents)

³ USEPA – U.S. Environmental Protection Agency

SECTOR OUTLOOK

There are positive, resilient market drivers creating favourable conditions for growth in our Health and Analysis sector. Across this sector increased manufacture, procurement and product development in developing countries will protect margins and enable continued revenue growth.

Increasing demand and regulation to raise **Water** supply efficiency and drinking water quality, plus environmental pressures on wastewater usage, will create favourable conditions for our Water businesses. Increased cooperation on international sales distribution and new product development, between our Water businesses, should deliver continued growth during 2008/09.

In **Photonics**, we expect continued rapid growth in developing markets, particularly China. This growth should more than offset any disruption to US government spending caused by the presidential election in November.

The overall outlook for **Health Optics** is for continuing sales and profit growth at market rates. The first full year of trading at our recent acquisition, Riester, will boost this sub-sector's results in 2008/09.

We expect demand to stay steady for our **Fluid Technology** products and look forward to continuing profit growth in the year ahead. New operations are to be established in China and the Czech Republic to strengthen our presence in Asia and Europe.



Healthcare spending in OECD countries is increasing rapidly and is projected to triple from US\$2.7 trillion in 2002 to US\$10 trillion by 2020*

* PricewaterhouseCoopers HealthCast 2020: Creating a sustainable future, 2006

Liverpool, UK



“We have used Halma ophthalmoscopes for many years. We see over one hundred patients each morning so they receive heavy use. The new, rechargeable, wireless indirect is a great boon and has proved to be very reliable.”

Mr David Wong FRCS FRCOphth, Consultant Ophthalmologist
St Paul's Eye Unit, Royal Liverpool University Hospital



Halma's head-mounted ophthalmoscopes with integral power supplies allow doctors to examine the interior of patients' eyes quickly and efficiently at Royal Liverpool University Hospital, UK. Our latest ophthalmoscopes have brighter, whiter LED light sources that illuminate the retina to reveal greater detail and image clarity.



Eye clinic

Halma's making
a difference

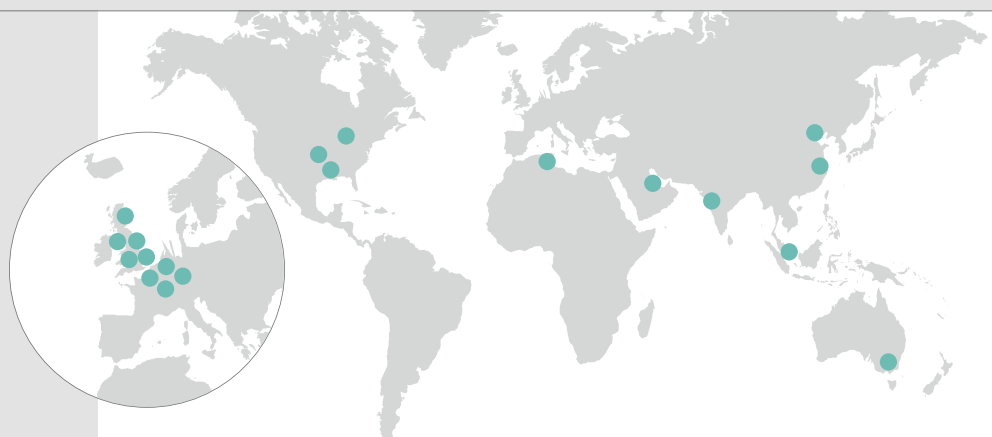
Industrial Safety

We make products which protect property and people at work. Industrial Safety contributed 24% of Group revenue (£94m) and 25% of Group profit* (£19m). There are four sub-sectors – see right.

WHERE WE OPERATE

Australia
China
Germany
France
Holland
India

Saudi Arabia
Singapore
Tunisia
UK
USA



STRATEGIC ACHIEVEMENTS

- > Good organic revenue and profit growth
- > Increased exposure to energy markets drove revenue growth
- > Established manufacturing in China for Gas Detection products
- > Acquired SRD to strengthen Asset Monitoring sub-sector

STRATEGIC DIRECTIONS

- > Increase organic profit growth driven by revenue growth
- > Accelerate new product development, particularly for energy markets
- > Improve manufacturing operations
- > Continue expansion into Asia and Eastern Europe
- > Seek acquisitions to add new products and distribution channels

KPIs	Revenue growth ¹	Profit growth ¹	Return on sales ²	ROCE ³	R&D ⁴
Sector Performance	17%	21%	20.6%	77%	3.6%
Group Target	>5%	>5%	~18%	>45%	>4%

GROWTH DRIVERS

- > Demand for energy and water resources
- > Increasing regulation and rising expectations of health and safety
- > New technology

1. Sector revenue and adjusted⁵ sector profit before finance expense are compared to the equivalent prior year figure.
 2. Return on sales is defined as adjusted² profit before finance expense and taxation expressed as a percentage of sector revenue.
 3. Adjusted² sector profit before finance expense expressed as a percentage of sector operating net assets.
 4. Sector research and development expenditure expressed as a percentage of sector revenue.
 5. Adjusted to remove the amortisation of acquired intangible assets.

* See note 1 to the accounts

GAS DETECTION



BURSTING DISCS



SAFETY INTERLOCKS



ASSET MONITORING



Market trends and growth drivers

Research published in 2007 suggests that the global market for [Gas Detection](#) products was £350m in 2005, estimated to reach £486m in 2012¹. Demand for gas detection products in the developed world remains robust, supported by a relatively high proportion of aftermarket sales. The adoption of enhanced safety standards in the developing economies will drive additional demand.

Internal data suggests [Bursting Disc](#) market growth of about 4% annually with higher rates in the developing world².

Market conditions for our [Safety Interlock](#) businesses were broadly favourable during 2007/08 with particular buoyancy in the global oil and gas market and in the supply chain supporting the expansion of utilities in China and India. Customers are placing orders earlier in the project cycle to 'lock in' supplies and ensure on-time delivery. Industrial safety is not yet fully embedded in Asian legislation but is often driven by engineering best-practice adopted from developed countries. Europe leads the world in worker protection. Signs that the USA is moving towards European industrial safety practice are favourable to us.

We estimate that the global market niches for [Asset Monitoring](#) that our businesses serve is £150m; we expect to see an average annual growth rate of 8% to 10%². Rising global demand for closer monitoring of energy usage and for capturing data relating to high value or sensitive infrastructure assets, offers excellent growth prospects. This sub-sector was strengthened by the acquisition of Sonar Research & Development (SRD) in October 2007. SRD has been fully integrated within our existing Trittech subsea technology business.

Sector strategy

To grow our [Gas Detection](#) business against strong global competition we have a dual strategy of a regular stream of new products and relentless cost reduction of existing ones. From our new base in China we will design and manufacture for the local market and source components for our UK manufacturing base. We have set up a design resource in India to accelerate new product development.

Our strategy for [Bursting Disc](#) growth is to capture significant market share in both developed markets and the high growth BRIC³ economies. We have set up new distribution agreements in Russia and South America, and are exploring expansion opportunities in China and India. Market share gains can also be achieved through superior customer service and we have an active capital investment programme to improve our manufacturing capabilities.

For [Safety Interlocks](#), we aim to protect our strong market position and drive sales growth by increased investment on new product development and establishing a sales and operational presence in developing markets. Leading edge technological innovation is less critical in the safety interlocking market than the ability to adapt existing technology to solve new problems. Customers will pay premium prices in return for responsive sales and engineering support and reliable deliveries.

Sector review (continued)

Industrial Safety

Our **Asset Monitoring** business is positioned to satisfy growing worldwide demand for remote monitoring of valuable or safety-critical assets – particularly those in hazardous or remote locations. Our companies work closely with customers to develop solutions based on customer need rather than technological advancement. We will continue to integrate wireless data capture and communications technology, originally developed for water network management, into other Halma sub-sectors. For example, a unique wireless-monitored bursting disc was recently launched. This strategy of inter-company collaboration and technology exchange has the potential to add value to existing and future products across the Group.

Sector performance

Gas Detection revenue and profit grew above market rates. Revenue grew most strongly in export markets, notably in the USA, Europe, the Middle East and Asia.

Our concentration on global expansion of our **Bursting Disc** sales channels resulted in record revenue and profit with growth rates above the market level.

We achieved record revenue and profit from our **Safety Interlock** businesses with particularly strong growth in Germany and Asia and in those businesses serving the oil and gas markets.

Our **Asset Monitoring** businesses performed well in 2007/08 benefiting from a particularly good performance from our subsea business, Trittech, acquired in late 2006. SRD, acquired in October 2007, was successfully integrated into the Trittech group of companies.

1. Frost & Sullivan, World Gas Sensors, Detectors, Analyzers
2. Internal market analysis including confidential market sources
3. BRIC economies – Brazil, Russia, India and China

SECTOR OUTLOOK

The major demand drivers in our Industrial Safety markets are relatively resilient. There is a worldwide progression towards better protection for industrial workers and increasing safety regulation in all types of workplace. Businesses have to comply with safety legislation even during an economic downturn.

Underpinned by relatively non-cyclical demand drivers, our Industrial Safety businesses have the qualities to maintain growth and outperform the market. Our strategy of new product investment, additional sales offices, and significant investment in manufacturing improvements should ensure that we continue to achieve healthy organic growth in 2008/09.



Each year there are 270 million **work accidents** and almost 2.2 million work-related fatalities worldwide, costing US\$1,250 billion in lost production*

* International Labour Organization, Safety in Numbers, 2003

Shanghai, China



“Halma safety interlocks were recommended by Alcoa engineers in Australia. They are easy to use and protect our employees from hazards. I would certainly recommend them to other companies.”

Li Hongbing
Secure Engineer, Alcoa (Shanghai) Aluminium Products Co Ltd



Halma interlock safety systems at the Alcoa (Shanghai) Aluminium Products Co Ltd factory in China ensure that workers can only access potentially hazardous aluminium foil production machinery under safe conditions. Our trapped key interlocks ensure safety in industrial environments by forcing machine operators through a sequence of safe actions.



Aluminium plant

Halma's making a difference