

# Sector review

## Infrastructure Sensors

We make products which detect hazards to protect assets and people in public and commercial buildings. Infrastructure Sensors contributed 41% of Group revenue (£186m) and 39% (£33m) of Group profit\*. Our principal products are sensors for fire, security, automatic doors and elevator safety. There are four sub-sectors.

<b>STRATEGIC ACHIEVEMENTS</b>	<ul style="list-style-type: none"> <li>&gt; Organic revenue and profit growth</li> <li>&gt; Benefits from recent reorganisation in Security and Elevator Safety</li> <li>&gt; Major new product launches in Automatic Door Sensors and Elevator Safety</li> <li>&gt; Disposal of South African Security Sensor business assets</li> <li>&gt; Product margins maintained</li> </ul>				
<b>STRATEGIC DIRECTIONS</b>	<ul style="list-style-type: none"> <li>&gt; Organic profit and revenue growth</li> <li>&gt; Expansion in Asia</li> <li>&gt; New technology through internal/external collaboration</li> <li>&gt; Relentless manufacturing efficiency improvement</li> <li>&gt; Maintaining profitability through focussed cost control</li> </ul>				
<b>KPIs</b>	Revenue growth <sup>1</sup>	Profit growth <sup>1</sup>	Return on sales <sup>2</sup>	ROCE <sup>3</sup>	R&D <sup>4</sup>
Sector performance	<b>11%</b>	<b>16%</b>	<b>17.7%</b>	<b>63%</b>	<b>5.5%</b>
Group target	>5%	>5%	~18%	>45%	>4%
<b>GROWTH DRIVERS</b>	<ul style="list-style-type: none"> <li>&gt; Growth in population, ageing and urbanisation</li> <li>&gt; Increasing regulation and rising expectations of health and safety</li> <li>&gt; New technology</li> </ul>				

### WHERE WE OPERATE

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



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

\* See note 1 to the accounts

## SUB-SECTORS



FIRE DETECTION

SECURITY SENSORS

AUTOMATIC  
DOOR SENSORS

ELEVATOR SAFETY

## MARKET TRENDS AND GROWTH DRIVERS

Our Infrastructure Sensor products are primarily used in non-residential buildings such as schools, hospitals, retail stores, offices, airports and hotels. These markets are driven by strong underlying population growth and urbanisation combined with increased health and safety regulation. Purchasing in these sectors tends to be non-discretionary, often dictated by public safety legislation. Our defensive position is strengthened by a high proportion of revenue from products fitted to existing buildings rather than new construction.

While these market characteristics provide some buffering against the current economic downturn, we expect the worldwide slowdown in commercial construction projects to continue. In some territories government spending on infrastructure projects within economic stimulus programmes may boost demand.

Legislation driven, worldwide demand for our Fire detectors has been relatively resilient, though we saw sales growth softening towards the end of 2008/09. Tightening of Chinese fire product standards is forcing out some local competitors and we anticipate continued growth in China during 2009/10. The trend towards increasingly rigorous fire safety regulations is unabated and customers continue to migrate toward more sophisticated fire detection technology. Our fire products have very low exposure to the residential sector.

Our Security Sensors sell into a global market we estimate to be worth in excess of £2 billion annually. We provide open-platform intruder detection sensors for alarm systems capable of scaling from family homes up to commercial and industrial properties. Our latest sensors meet the growing need for detection outside buildings, in a standalone role or integrated with CCTV. Market forecasts suggest growth of 5% in the medium to long term, although the current economic situation has introduced volatility in the short term varying from country to country. We are well positioned to take market share from competitors on the basis of value and service.

We continue to forecast medium-term Automatic Door Sensor market growth of 3% to 4% annually, although growth may be lower in the short term. During 2008/09 we won several major new customers and European sales rose faster than the global market rate. In the USA we have diversified into security and industrial markets to counter weaker demand to the pedestrian door sector.

During the first half of 2008/09 the Elevator market maintained an annual growth rate of about 5%. The Asian economies accounted for most new elevator construction with the European and US markets (which represent over 70% of our Elevator Safety revenues) driven more by service and upgrading. Towards the end of the financial year demand for new elevators declined significantly, particularly in China. In Europe and North America demand from service and modernisation projects remained strong. Adoption of EN81 elevator safety regulations in more territories is driving demand especially for door sensors and emergency communications products where we are the market leader.

## SECTOR STRATEGY

Our primary strategic goal in this sector is to be the world's leading supplier of safety-critical sensor products and supporting technology for infrastructure monitoring in non-residential buildings. We focus on safety-critical niches, like fire detectors and safety products for elevators and automatic doors, because these are non-discretionary purchases mandated by public safety and building regulations. The large majority of our sales are to the non-residential building sector, although our security products currently have some exposure to the residential market.

We are positioned as independent, expert suppliers of safety-critical components, not as complete system suppliers or installers. This stance avoids competition with our customers – the global businesses that install and maintain complete building monitoring systems.

International Fire Detection product approvals continue to be an important requirement for success, and manufacturing improvements have enhanced competitive advantage. During 2008/09 we spent almost £2m on approvals for products sold into the fire market. Our technology and



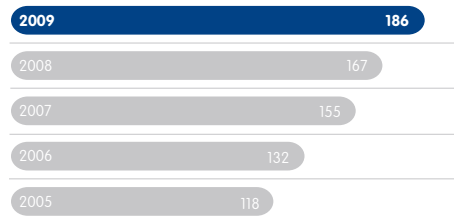
## QUEEN'S AWARD

Export sales success at Fire Fighting Enterprises was recognised by a Queen's Award for Enterprise 2009 in the International Trade category.

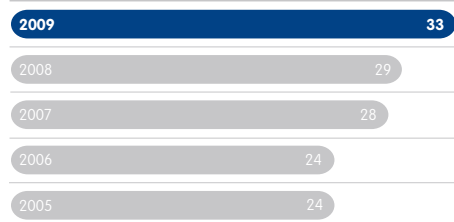
## Sector review (continued)

REVENUE  
£million

£186m +11%

PROFIT  
£million

£33m +16%



development pipeline will carry the business forward well into the next decade. Our planned £2.5m investment in a Chinese joint venture to develop our fire detection business did not proceed after it was agreed that our mutual objectives could be achieved without a formal JV arrangement.

In the **Security Sensors** sector, our strategy is to reposition the business in line with our other three Infrastructure Sensor activities. We will develop a more diverse geographical customer base in North America, Eastern Europe and Asia Pacific; increase the proportion of non-residential sales; and grow OEM business. As expected, product approvals are slowly becoming a barrier to entry in the security industry adding protection against new market entrants. We sold our multi-branch South African wholesale security product distribution business (part of the 2005 acquisition of Texecom) to management in January 2009. Our new strategy in South Africa is to sell just our own products through this newly formed management-owned distributor.

We remain the dominant world supplier of **Automatic Door Sensors** for pedestrian doors and have increased our penetration of the industrial door market. The launch of a new laser-based activation sensor for automatic doors is a world first and confirms our market leadership. This new technology platform will be a key feature of future innovative product development. In addition, streamlined logistics channels will improve customer service and efficiency.

In 2006/07 we reorganised our five **Elevator** companies into three regionally focused businesses so that they could work collaboratively on a global scale. The basis of the strategy is to build a worldwide sales presence for the full range of our elevator products. Increased R&D investment has resulted in the launch of important new products in emergency communications, information displays and touch-sensitive elevator controls.

## SECTOR PERFORMANCE

2008/09 was a good year overall, with double-digit growth in revenue and profits.

We set new records for **Fire Detection** sector revenue and profit during 2008/09. We achieved double-digit sales growth in point fire detectors both in the UK and overseas and continued to gain market share, notably in Europe.

In **Security Sensors**, the benefits of last year's reorganisation delivered improved profit despite a market headwind. Strong export growth did not compensate for falling demand in the UK, our largest market. Competitive pricing and investment in lean process engineering held margins.

In the **Automatic Door Sensors** market we continued to grow sales and profits boosted by double-digit growth in industrial applications.

The new global **Elevator** sales strategy and expansion of sales offices during the past two years led to good revenue growth. Our Elevator business achieved operating cost savings during the year which not only boosted 2008/09 profits but also positioned it for a challenging market in 2009/10.

## SECTOR OUTLOOK

Overall, we anticipate slower growth in our Infrastructure Sensors markets during 2009/10, but we are managing our businesses to at least maintain profits at current levels. Developing nations are becoming increasingly aware of life safety issues and are adopting US and European safety regulations and product approvals.

The recession in the developed world economies, together with slower growth in the developing world, has reduced investment in new commercial construction projects. However, in some economies, government fiscal stimulus spending may offset the impact of this contraction.

Continuing consolidation among **Fire Detection** manufacturers and a shift towards Asian manufacture will continue to challenge operating margins. We will continue to innovate in our manufacturing processes and in product development. The significant cost and scale of continuous investment in worldwide product approvals also defends our margins against potential market entrants.

Whilst the demand for **Security Sensors** products in the UK may respond to a predicted increase in crime, we anticipate tough market conditions mitigated somewhat by us growing market share in both the UK and new export markets.

Increasing regulation continues to drive growth for our **Automatic Door Sensors**. Our ongoing commitment to achieving worldwide product approvals, a continuous stream of new products and establishment of local resources in our global markets are key to us sustaining returns in the coming year.

Current demand from **Elevator** service and modernisation customers remains stable; this niche has proved resilient during previous economic downturns. In the short term, we expect to see reduced demand for products built into new elevators, particularly in China and Dubai. On the plus side, significant new products will extend our offering and increased cross-selling between our businesses offers opportunities for sales growth, particularly in the USA and Europe which represent 70% of our Elevator product revenues.

WE ADD VALUE THROUGH

# Providing EXPERTISE



Within weeks of acquiring Riester, Halma specialists were working on the shopfloor to radically transform the production process. Involving all staff, the reorganisation has boosted productivity by up to 44%, lead times have been halved, inventory is down by 25% and the production area required for the same level of revenue has been reduced by 30%.

Production is now more flexible and the business reacts faster to customers' needs.

"With guidance from Halma, we have raised efficiency, cut waste, reduced costs, improved customer service and freed up resources and factory space for future expansion."

**Thomas Hölle**  
Operations Director Rudolf Riester

## Sector review (continued)

# Health and Analysis

We make products used to improve personal and public health. We develop technologies and products which are used for analysis in safety, life sciences and environmental markets, including water. Health and Analysis contributed 36% (£165m) of total revenue and 34% (£29m) of total profit\*. There are four sub-sectors.

<b>STRATEGIC ACHIEVEMENTS</b>	<ul style="list-style-type: none"> <li>&gt; Organic revenue growth</li> <li>&gt; Extra sales resources and strong growth in developing markets</li> <li>&gt; Acquisition of Fiberguide, Inc and Oerlikon Optics USA Inc. (Colorado)</li> <li>&gt; Manufacture start-up in China</li> <li>&gt; US product validations and licensing deal for water UV</li> <li>&gt; Increased collaborative R&amp;D and marketing</li> </ul>				
<b>STRATEGIC DIRECTIONS</b>	<ul style="list-style-type: none"> <li>&gt; Organic revenue and profit growth</li> <li>&gt; Control overheads to increase profitability</li> <li>&gt; Extend intercompany R&amp;D and marketing collaboration</li> <li>&gt; Extend global sales channels</li> <li>&gt; Increase manufacturing in local markets</li> <li>&gt; High R&amp;D to maintain technology leadership</li> <li>&gt; Seek value-enhancing acquisitions</li> </ul>				
<b>KPIs</b>	Revenue growth <sup>1</sup>	Profit growth <sup>1</sup>	Return on sales <sup>2</sup>	ROCE <sup>3</sup>	R&D <sup>4</sup>
Sector performance	<b>23%</b>	<b>3%</b>	<b>17.4%</b>	<b>45%</b>	<b>5.3%</b>
Group target	>5%	>5%	~18%	>45%	>4%
<b>GROWTH DRIVERS</b>	<ul style="list-style-type: none"> <li>&gt; Demand for energy and water resources</li> <li>&gt; Growth in population, ageing and urbanisation</li> <li>&gt; Increasing demand for healthcare</li> <li>&gt; Increasing regulation and rising expectations of health and safety</li> <li>&gt; New technology</li> </ul>				

### WHERE WE OPERATE

Australia  
 China  
 France  
 Germany  
 Holland  
 Japan

Malaysia  
 South Korea  
 Switzerland  
 UK  
 USA



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\* See note 1 to the accounts

## SUB-SECTORS



WATER

PHOTONICS

HEALTH OPTICS

FLUID TECHNOLOGY

**MARKET TRENDS AND GROWTH DRIVERS**

During the past year demand trends in our Health and Analysis markets were variable. Sales have declined in some niches, particularly where customers reduced inventory levels, while in others demand was resilient.

There was a delay in [Water](#) customers' capital investment spending in the second half of 2008/09 as utilities waited for governments to announce economic stimulus funding. This added to the anticipated reduced investment in the UK, where utilities are towards the end of their 5-year spending cycle. In both the municipal and industrial water UV treatment sectors the underlying trend remains positive. Equipment validations from independent test labs and government agencies are becoming more important and US validations are increasingly required globally. This will favour those businesses who, like us, can afford to make the upfront investment in product approvals.

Our [Photonics](#) products sell into diversified markets including life sciences, medical, research, space, defence and homeland security. About two-thirds of our Photonics sales are in the USA, with many niches dependent on government-sector budgets. Short-term demand patterns in these niches are expected to be uneven, although the diversity of our markets should ensure growth remains available to us.

Increasing environmental monitoring, product performance testing (particularly the growth of solid-state low energy lighting) and food safety regulation are examples of markets offering promising growth prospects for our Photonics products which measure and analyse light. The photonics industry is expected to benefit from the US Government's injection of billions of dollars into science research under the Stimulus Plan<sup>1</sup>.

The long-term trends of increasing life expectancy in the developed world, combined with rising incomes and increased healthcare access in developing countries, provides stable demand for our [Health Optics](#) products. In the coming year, sales of our products to individual ophthalmic specialists are expected to be more resilient than sales of general medical instruments to hospitals.

Continuing consolidation among [Fluid Technology](#) customers disrupted demand patterns during 2008 particularly where it resulted in inventory reduction. However, we expect continued strong underlying demand for medical and environmental monitoring instrumentation and anticipate a return to better revenue growth as we move through 2009/10.

**SECTOR STRATEGY**

Our Health and Analysis sector has grown strongly in previous years both organically and through acquisitions. Its current focus is on critical technology for the health, scientific and environmental markets where we see excellent opportunities for sustainable long-term growth. It contains some of our most advanced technology and has a relatively high R&D spend. Unlike our other two sectors, payback on R&D projects can be swift although the development risk is higher too. Our Health and Analysis businesses have traditionally been strong in Europe and the USA but weaker elsewhere. In recent years we have successfully targeted significant growth in developing regions.

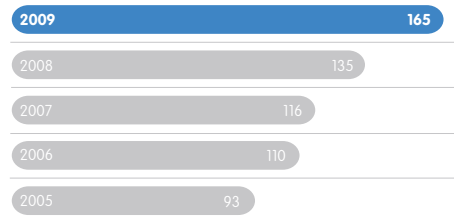
Our [Water](#) business makes products for water UV treatment, leakage control and quality testing. We are the world leader in leakage control instrumentation and aim to strengthen this position through continued new product development and building strong sales distribution in developing countries. Our Water UV treatment businesses develop products for both the drinking water and wastewater markets. A new licensing agreement will allow us to access the drinking water market segment whilst recent North American product approvals will allow us to compete in the growing wastewater recycling sector. We manufacture our own UV lamps and continue to pay close attention to emerging UV light source technologies.

Through strong organic growth and closely targeted acquisitions, we have built a strong presence in the global [Photonics](#) components market. This strategy will continue as we seek to deepen our product range and broaden our international presence. R&D and new technology are significant growth drivers and need to be targeted at those markets offering the best returns rather than the most interesting technical challenge. Photonics technology is used widely across the Halma group

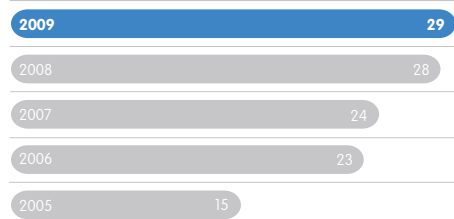
## Sector review (continued)

REVENUE  
£million

£165m +23%

PROFIT  
£million

£29m +3%



and there are many opportunities for internal collaboration. In April 2009, we created a new business by merging the newly acquired Colorado assets of Oerlikon Optics USA Inc. with Ocean Thin Films (part of the Ocean Optics business). This new entity will be focused on providing high value optical thin film coatings.

Our **Health Optics** business has three strong global brands making high quality instruments for health applications - Keeler, Volk and Riester. In recent years, incremental product development has resulted in healthy organic growth and this pragmatic approach to R&D will continue. The acquisition of Riester in 2007 added greater diversity to our geographic footprint and our Health Optics businesses continue to collaborate to grow revenues in regions where they have historically been weaker. In 2008/09, sales outside the USA and Europe represented 36% of revenues compared with 26% the prior year.

In **Fluid Technology** we make critical components for scientific, medical and environmental instrument manufacturers. Our growth strategy is to extend our product range and increase penetration of new and developing markets via organic growth and acquisitions. We have developed unique technology to solve individual customer needs and are working hard to offer these solutions to a wider customer base, particularly in Europe and Asia.

## SECTOR PERFORMANCE

Our Health and Analysis sector had a relatively disappointing year with profits up by 3% despite achieving revenue growth of 23%. Good progress in Health Optics and Fluid Technology was more than offset by profit declines in Water and Photonics.

Despite growing revenues, profits in **Water** declined with our water leak businesses experiencing very weak demand from UK water utilities. International growth was satisfactory for all water products and useful progress continues to be made in Asia, in particular. Operating costs were reduced in early 2009 to improve profitability in anticipation of continued short-term weakness in the market.

**Photonics** profits declined on higher sales. Operating costs increased at a higher rate than revenue due partly to delayed new product introductions. Action has been taken to reduce costs and improve profitability in 2009/10. Following their acquisition in 2008, new management teams are in place at Fiberguide and Oerlikon Optics (now merged with Ocean Thin Films) and both will be earnings enhancing in 2009/10.

Our **Health Optics** businesses achieved record revenues and profits benefiting from strong growth in international markets and from recently launched new products.

Record revenues and profits were once again achieved by our **Fluid Technology** businesses supported by continued investment in distribution channels and R&D. Some reduction in demand from existing customers during the year was offset by the addition of new customers.

## SECTOR OUTLOOK

We anticipate that demand in our Health and Analysis niche markets during 2009/10 will be relatively resilient, but not immune from the unfavourable economic environment.

We expect continuing weak demand in 2009 in the UK municipal **Water** sector, offset by increasing demand in export markets. Worldwide, government spending via economic stimulus packages may help us, with the USA alone planning to spend \$7.5 billion on water programmes. The industrial water customers will offer growth opportunities underpinned by rising health and safety regulation. Increasing regulation in China governing drinking water, wastewater discharge and the environment will also stimulate growth in the medium term.

We foresee continued strong demand in several key **Photonics** markets offset by softening in others. The US Stimulus Plan<sup>1</sup> will inject \$13 billion into science and R&D investment via government agencies and drive demand for our products in the medium term. In the short term our major focus is on improving profitability through much improved control of operating costs.

We expect a flattening of demand for our **Health Optics** products in the developed world during 2009. Growth will therefore be achieved through revenue increases in developing regions, like Eastern Europe and Asia, plus market share growth through improved products, quality and customer service levels.

Our **Fluid Technology** business has opportunities to grow through international market development, new product introduction and market-leading customer service levels. A significant element of our revenue goes to OEM scientific instrument manufacturers and demand amongst those customers has been volatile during 2008. However, there were signs of improved stability during early 2009/10 and we are well placed to exploit this if it continues.

<sup>1</sup> US Stimulus Plan – in February 2009 US President Barack Obama signed into law an economic stimulus plan worth about £550bn aimed at boosting the US economy. <http://news.bbc.co.uk/1/hi/business/7874407.stm>

WE ADD VALUE THROUGH

# Developing PEOPLE



Apollo's significant investment in training is key to delivering improved customer service levels through manufacturing excellence. In the past 12 months 71 Apollo shop floor operators have completed the NVQ level 2 programme in Business Improvement Techniques.

Five Apollo directors have completed our internal Halma Executive Development Programme, and nine managers have completed the Halma Management Development Programme.

Apollo won the Halma Company award for people development in 2009.

"People development is a key strategic goal for all Halma businesses. During the past year 377 Apollo Fire Detectors employees have benefited from sponsored training and internal management skills programmes."

**Danny Burns, Managing Director**  
Apollo Fire Detectors

## Sector review (continued)

# Industrial Safety

We make products which protect assets and people at work. Industrial Safety contributed 23% of Group revenue (£105m) and 27% of Group profit\* (£22m). There are four sub-sectors.

<b>STRATEGIC ACHIEVEMENTS</b>	<ul style="list-style-type: none"> <li>&gt; Organic revenue and profit growth in all sub-sectors</li> <li>&gt; Coordinated strategy implemented for Bursting Disks businesses</li> <li>&gt; Fortress Australia power resistors business sold</li> <li>&gt; Cross-sector product development</li> <li>&gt; Improvement in customer service and manufacturing</li> </ul>				
<b>STRATEGIC DIRECTIONS</b>	<ul style="list-style-type: none"> <li>&gt; Organic growth and improved cost control</li> <li>&gt; Sales expansion into Asia and Eastern Europe</li> <li>&gt; Manufacturing of products in developing markets for local sale</li> <li>&gt; Improved manufacturing operations</li> <li>&gt; New products and new technology for safety markets</li> </ul>				
<b>KPIs</b>	Revenue growth <sup>1</sup>	Profit growth <sup>1</sup>	Return on sales <sup>2</sup>	ROCE <sup>3</sup>	R&D <sup>4</sup>
Sector performance	<b>12%</b>	<b>14%</b>	<b>21.1%</b>	<b>67%</b>	<b>3.8%</b>
Group target	>5%	>5%	~18%	>45%	>4%
<b>GROWTH DRIVERS</b>	<ul style="list-style-type: none"> <li>&gt; Demand for energy and water resources</li> <li>&gt; Growth in population, ageing and urbanisation</li> <li>&gt; Increasing regulation and rising expectations of health and safety</li> <li>&gt; New technology</li> </ul>				

### WHERE WE OPERATE

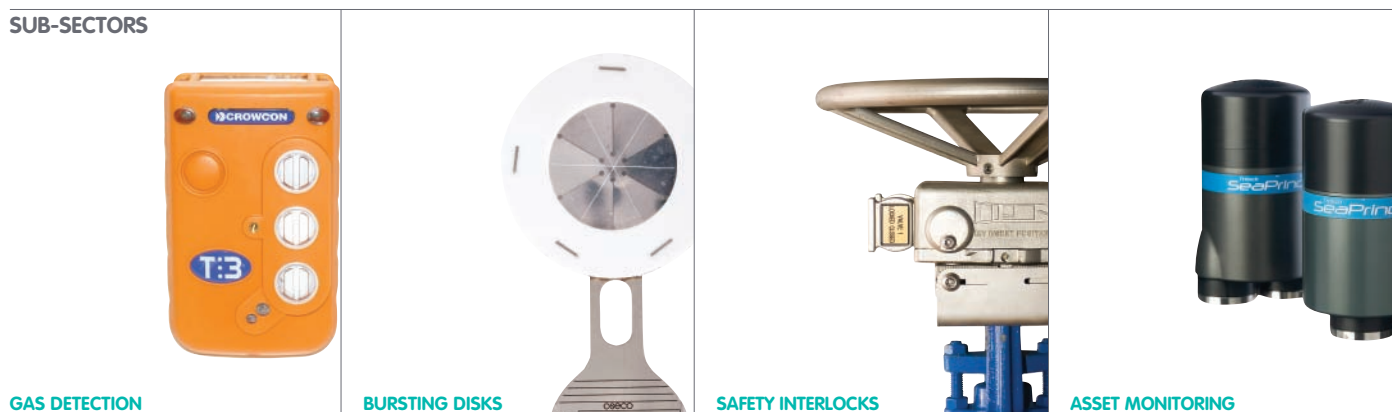
Australia	Italy
Bahrain	Poland
Chile	Singapore
China	Sweden
France	Tunisia
Germany	UK
Holland	USA
India	



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## SUB-SECTORS



GAS DETECTION

BURSTING DISKS

SAFETY INTERLOCKS

ASSET MONITORING

**MARKET TRENDS AND GROWTH DRIVERS**

Demand for our Industrial Safety products is driven predominantly by health and safety requirements and best practice in industry.

Our assessment is that the global **Gas Detection** markets we target are worth £420m annually with a growth rate in the medium term of 4%. Demand for gas detection products is governed by regulatory requirements which continue to expand across worldwide markets. The developing world is fast adopting Western gas safety standards.

Internal research suggests that the market for **Bursting Disks** will grow in the medium term by 4% annually with the developing economies increasing at a higher rate. Despite being largely driven by safety regulation, our markets have not been immune to the current economic downturn and demand has been slowing, particularly in the oil and gas and chemical processing sectors. However, we have continued to grow market share and our addressable market through capital investment and improved customer service levels. The growing technical sophistication of our bursting disks now offers the market a cost-effective alternative to pressure relief valves, a more expensive and complex technology.

In recent years, there has been growing demand for **Safety Interlocks** in most sectors and regions with strong growth focused on the oil and gas market. The industrial sectors feeding growth in China and India, such as metals mining/refining, raw materials production and utilities projects have also been favourable. We benefit from the steady evolution towards stricter health and safety regimes in the still-expanding Asian economies, whilst in the West the legal enforcement of increasing safety legislation provides relative resilience during tougher economic conditions.

Rising global demand for capturing data relating to energy and water usage, and relating to the condition or location of high value infrastructure assets, drives growth for our **Asset Monitoring** businesses. Some of our products are used in subsea applications for the oil and gas industry. Whilst some of these projects have been delayed for the short term, our long-term prospects remain positive as manned oil and gas exploration or maintenance work is replaced with remotely operated technology, particularly in the most hazardous environments.

**SECTOR STRATEGY**

Global competition in **Gas Detection** has been met by continuous investment in new products coupled with major improvements in manufacturing processes and procurement. Our new Chinese manufacturing hub and Indian technology resource centre complement UK manufacturing and development activity.

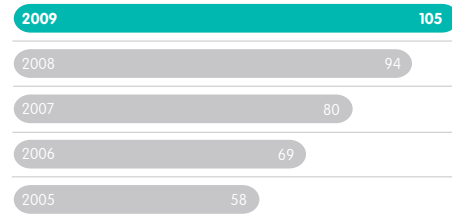
Reorganisation of our UK and US **Bursting Disk** businesses has resulted in a more collaborative and effective global sales operation. Recent capital investment in manufacturing has made establishing an operation in Asia for local demand a real opportunity. We are expanding our international direct sales presence, including a Far East office. OEM solutions for multinational businesses in the safety and utility markets is a growth area, again opened to us through our improved manufacturing capabilities.

Our primary **Safety Interlocks** strategy is to protect our strong market share by focusing on customers' needs for high quality sales and applications engineering support coupled with market-leading product quality and delivery. We are extending our sales and production presence in developing markets including our newly established manufacturing hub in Shanghai, China. While we continue to invest in new product development, this is an inherently conservative market with long product life-cycles.

## Sector review (continued)

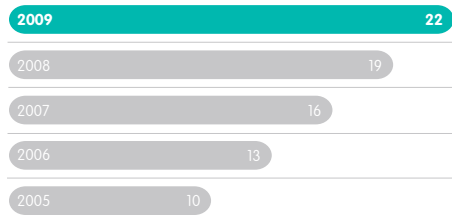
### REVENUE £million

£105m +12%



### PROFIT £million

£22m +14%



We have positioned our **Asset Monitoring** business to satisfy the growing worldwide demand for remote monitoring of valuable or safety-critical assets, particularly in hazardous or remote locations. Our companies develop novel technology to capture data or images and to transmit the information to the customer wherever they are in the world. We specialise in technology for data capture in two hostile environments: beneath the sea and underground. Our wireless communication technology is used already by other Halma companies and there are opportunities for further collaboration in the future.

### SECTOR PERFORMANCE

Industrial Safety achieved organic revenue and profit growth during 2008/09. Weakness in the UK was more than compensated by strong growth elsewhere, particularly in Asia Pacific and Australasia.

In **Gas Detection** we achieved strong revenue growth significantly above market rates and set a new organic profit record.

Our **Bursting Disks** business achieved record revenue and profit. Growth exceeded the market rate due to market share growth driven by improved technology and customer service levels.

Our **Safety Interlocks** business also achieved record sales and profit with our oil and gas products continuing to sell strongly.

Although revenue rose in 2008/09, our **Asset Monitoring** businesses had a challenging year. A strong first half performance was followed by a decline in demand in the second half which affected our subsea business in particular.

### SECTOR OUTLOOK

While the demand drivers in industrial safety markets are relatively resilient, demand patterns for safety products will not be immune to the extent and duration of the current economic downturn. This was demonstrated in 2008/09 where a very strong first half was followed by a weaker second half. Action has been taken to reduce costs and protect profitability in anticipation of a tougher year in 2009/10.

Although there is slowing demand in the oil and gas sector, the outlook for **Gas Detection** is reasonably resilient. We anticipate continued growth based on our track record of out-performing the market and the constantly evolving legislative drivers which underpin industrial safety markets.

While current positive demand trends for **Bursting Disks** should continue in the oil and gas sector, demand in the chemical processing industries is likely to be lower. Medium to long-term growth is underpinned by continuous strengthening of industrial safety legislation and rising expectations of safe working practices worldwide.

We anticipate continued strong demand for our **Safety Interlock** products in the oil and gas market, with a slow but steady increase in contribution from China and India. Underlying demand for interlocks in the worldwide manufacturing sector is expected to be flat.

We anticipate that the UK market will continue to be challenging for our **Asset Monitoring** products in 2009, particularly in the North Sea oil and gas industry. Whilst there are opportunities for growth in new market segments in the medium term we have taken a pragmatic view of short-term prospects and reduced operating costs to protect profitability for 2009/10.

WE ADD VALUE THROUGH

# Leveraging OUR RESOURCES



Halma companies benefit from having access to management and financial resources not usually available to smaller businesses.

Since being acquired by the Group in 2004 Ocean Thin Films has benefited from the investment of over \$3m in new coating facilities. In 2008 the Group acquired part of Oerlikon Optics to add new technology, assets and customers.

"Halma backed our plan to spin off Ocean Thin Films as a standalone business with substantial capital investment in state-of-the-art production equipment. It positions us as a key player in the expanding thin films sector of the photonics market."

**Phil Buchsbaum, President**  
Ocean Thin Films