

SMITH FLOW CONTROL LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 29 MARCH 2003



The Directors present their annual report and the audited financial statements for the 52 weeks ended 29 March 2003.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the design and manufacture of integral valve interlocks and there has been no significant change in the activities during the period.

RESULTS AND DIVIDENDS

The Profit and Loss Account shows a profit before taxation of £735,623 (2002: £346,768) and the profit after taxation amounts to £514,277 (2002: £240,371). An interim dividend on the Ordinary shares of £500,000 (2002: £200,000) was paid on 29 March 2003.

The Directors do not recommend the payment of a final dividend (2002: £nil).

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The Company is acknowledged as the world's leading supplier of integral valve interlocks. These are specialised safety devices predominately used in the petrochemical and chemical installations. Global demand for these products is set to rise and the Company is well-positioned to benefit from this opportunity.

RESEARCH AND DEVELOPMENT

The Company has a policy of continuing product improvement and development to satisfy customer requirements in process interlocking.

SMITH FLOW CONTROL LIMITED
DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 29 MARCH 2003 (continued)
DIRECTORS AND THEIR INTERESTS

The Directors of the Company during the period were as follows:

N.J. Young
M. D'Anzieri
M.J. Smith
A.J. Stanmore (*resigned 18 October 2002*)

The Company is a wholly-owned subsidiary of Halma p.l.c. In accordance with paragraph 2 of schedule 7 to the Companies Act 1985, the interests of the Directors at 29 March 2003, who were not also Directors of Halma p.l.c., in the Ordinary shares of Halma p.l.c. were as follows:

	<u>at 30 March 2002</u>		<u>at 29 March 2003</u>		<u>during the period</u> (or since appointment)	
	Shares	Options	Shares	Options	Options Granted	Exercised
Directors						
N.J. Young	89,423	266,611	70,423	345,457	78,846	-
M.J. Smith	-	184,681	-	198,140	13,459	-
M. D'Anzieri	4,000	216,958	2,000	230,573	13,615	-
A. J. Stanmore	-	12,700	-	-	-	-

Apart from the interests stated, no Director had any other interest in the shares of the Company or any other Company within the Halma Group during the period.

A.J. Stanmore resigned on 18 October 2002, and in accordance with the rules under which the options were granted, her share options lapsed at that date.

The interests of the directors who are also directors of Halma p.l.c. are disclosed in the accounts of Halma p.l.c.

SMITH FLOW CONTROL LIMITED

DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 29 MARCH 2003 (continued)

RESPONSIBILITIES OF THE DIRECTORS

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss for that period.

The Directors have responsibility for ensuring that proper accounting records are maintained which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

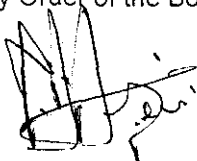
The Directors also have responsibility for the system of internal control, for safeguarding the assets of the company, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors consider that, in preparing the financial statements on pages 5 to 15, appropriate accounting policies have been used, which have been consistently applied and supported by reasonable and prudent judgements and estimates, that all accounting standards which they consider to be applicable have been followed, and that it is appropriate to use a going concern basis.

AUDITORS

PricewaterhouseCoopers have resigned as auditors. The Directors have appointed Deloitte & Touche to fill the casual vacancy created by the resignation. On 1 August 2003, Deloitte & Touche transferred their entire business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The company gives its consent to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 and accordingly the accounts have been signed in the name of Deloitte & Touche LLP. A resolution for the re-appointment of Deloitte & Touche LLP will be proposed at the forthcoming Annual General Meeting.

By Order of the Board



M D'Anzieri
Director

28th October 2003

6 Waterside Business Park, Eastways Industrial Estate, Witham, Essex CM8 3YQ

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SMITH FLOW CONTROL LIMITED

We have audited the financial statements of Smith Flow Control Limited for the year ended 29 March 2003 which comprise the profit and loss account, the balance sheet and the related notes 1 to 17. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit and transactions with the company and other members of the group is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the company, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the company as at 29 March 2003 and of the profit of the company for the period then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Reading

28 October 2003

SMITH FLOW CONTROL LIMITED

**Deloitte
& Touche**PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED 29 MARCH 2003

	Notes	52 weeks ended 29 March 2003		52 weeks ended 30 March 2002	
		£	£	£	£
TURNOVER	2		3,817,002		3,240,645
Cost of sales			(2,549,295)		(2,348,374)
Gross profit			1,267,707		892,271
Distribution costs		(86,912)		(87,802)	
Administrative expenses		(448,047)		(458,016)	
			(534,959)		(545,818)
OPERATING PROFIT	3		732,748		346,453
INTEREST PAYABLE & SIMILAR CHARGES					
Interest payable on overdraft and other bank loans		(9,045)		(10,543)	
Group Loan interest receivable		11,920		10,828	
Other		-		30	
			2,875		315
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			735,623		346,768
Tax on profit on ordinary activities	7		(221,346)		(106,397)
PROFIT FOR THE FINANCIAL YEAR			514,277		240,371
Dividends - Ordinary dividends			(500,000)		(200,000)
RETAINED PROFIT FOR THE PERIOD	15		14,277		40,371

There are no recognised gains and losses in either period other than the profit for that period. Accordingly no statement of total recognised gains and losses is given.

All amounts are derived from continuing operations.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year and their historical cost equivalents.

The notes on pages 7 to 15 form part of these accounts.

SMITH FLOW CONTROL LIMITED
BALANCE SHEET AS AT 29 MARCH 2003

**Deloitte
& Touche**

	Notes	29 March 2003		30 March 2002	
		£	£	£	£
FIXED ASSETS					
Tangible Assets	8		366,684		416,514
CURRENT ASSETS					
Stocks	9	268,533		315,175	
Debtors	10	1,021,220		775,232	
Cash at Bank and in Hand		4,394		182	
		<u>1,294,147</u>		<u>1,090,589</u>	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR					
Bank Overdraft		-		7,093	
Creditors	11	1,328,171		1,181,627	
		<u>1,328,171</u>		<u>1,188,720</u>	
NET CURRENT LIABILITIES			(34,024)		(98,131)
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>332,660</u>		<u>318,383</u>

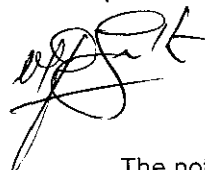
CAPITAL AND RESERVES	29 March 2003		30 March 2002	
	Authorised	Called up, allotted and fully paid	Authorised	Called up, allotted and fully paid
CALLLED UP SHARE CAPITAL				
Equity Capital (Ordinary shares of £1 each)	50,000	50,000	50,000	50,000
	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>
PROFIT AND LOSS ACCOUNT		282,660		268,383
EQUITY SHAREHOLDERS' FUNDS		<u>332,660</u>		<u>318,383</u>

Approved by the Board of Directors 28th October 2003

M. D'Anzieri
Director



M. J. Smith
Director



The notes on pages 7 to 15 form part of these accounts.

SMITH FLOW CONTROL LIMITED

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

Basis of Accounting

The accounts set out on pages 5 to 15 are prepared under the historical cost convention and comp with applicable UK Accounting Standards. The accounting policies have been applied consistently throughout the current and preceding year.

Turnover

Turnover represents sales, less returns, excluding value added tax.

Tangible Fixed Assets and Depreciation

Tangible fixed assets are stated at cost less depreciation.

Depreciation is provided on all tangible fixed assets on the straight line method, each item being written off over its estimated life. The principal annual rates used for this purpose are:

Leasehold properties:

- less than 50 years unexpired	Period of lease
Plant, Machinery and Equipment	8% to 20%
Motor Vehicles	20%
Short Life Tooling	33 1/3 %

Research and Development

Expenditure on Research and Development is written off in the period in which it is incurred.

Leases

The costs of operating leases of property and other assets are charged as incurred.

Deferred Taxation

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

SMITH FLOW CONTROL LIMITED

NOTES TO THE ACCOUNTS (continued)

1. ACCOUNTING POLICIES (continued)

Foreign Currency Translation

Transactions denominated in foreign currencies are translated at the exchange rate ruling on the date of the transaction. Balance Sheet items denominated in foreign currencies are translated at the exchange rate ruling on the Balance Sheet date. Foreign currency exchange differences are dealt with in the Profit and Loss Account.

Stocks

Stocks and Work in Progress are included at the lower of cost and net realisable value. Cost includes the appropriate proportion of production and other overheads considered by the Directors to be attributable to bringing the stock to its location and condition at the period end.

Pensions

The company makes pension contributions to the Halma Group Pension Plan (the Scheme) on behalf of its employees. The scheme is a defined benefit scheme. The Company is unable to determine its share of the underlying assets and liabilities of the scheme and accordingly accounts for the scheme as if it were a defined contribution scheme. Contributions to the scheme are therefore charged to the profit and loss account when incurred.

2. TURNOVER

The geographical analysis of the Company's turnover is as follows:

	<u>2003</u>	<u>2002</u>
	£	£
United Kingdom	956,703	1,059,344
United States of America and Canada	299,880	188,518
Europe excluding UK	1,545,181	1,188,444
Far East and Australasia	555,993	482,561
Africa, Near and Middle East	436,662	319,586
South America	22,583	2,192
	3,817,002	3,240,645

All turnover is derived from the principal activity of the company.

SMITH FLOW CONTROL LIMITED

NOTES TO THE ACCOUNTS (continued)

3. OPERATING PROFIT

Operating profit arises wholly from

continuing activities, and is arrived at after charging:

	<u>2003</u>	<u>2002</u>
	£	£
Depreciation	132,978	159,561
Research and development	36,265	64,271
Auditors' remuneration - audit fees	6,938	8,842
Rentals under operating leases		
Other operating leases	55,778	56,000

4. DIRECTORS' EMOLUMENTS

	<u>2003</u>	<u>2002</u>
	£	£
Aggregate Emoluments (excluding pension contributions)	<u>196,301</u>	<u>199,457</u>

5. PENSIONS

The company participates in the Halma Group Pension Plan, which is a defined benefit pension scheme. The company is unable to identify its share of the underlying assets and liabilities of the scheme and accordingly accounts for the scheme as if it were a defined contribution scheme. The assets of the pension scheme are separately held in trustee administered funds. Retirement benefits are accruing to 2 Directors (2002 : 3) under this scheme.

The total pension cost of the Company was £74,190 (2002: £68,653).

The pension cost relating to the defined benefit scheme is assessed in accordance with the advice of independent qualified actuaries. Independent valuations were carried out as at 1 December 2002.

The assets of the scheme and the expected long-term rates were:

	<u>2003</u>	<u>2002</u>
	£000	£000
Equities	7.50% 32,096	8.25% 38,405
Bonds	4.50% 7,112	5.25% 8,125
Property	6.00% 1,525	6.75% 1,436
Total market value of assets	40,733	47,966
Present value of scheme liabilities	<u>(77,031)</u>	<u>(59,207)</u>
Deficit in the scheme	(36,298)	(11,241)
Related deferred tax	10,889	3,372
Net pension liability	<u>(25,409)</u>	<u>(7,869)</u>

Further disclosure can be found in the accounts of the Halma plc.

NOTES TO THE ACCOUNTS (continued)

6. EMPLOYEE INFORMATION

	<u>2003</u>	<u>2002</u>
The average number of persons employed by the Company during the period was:	36	33

Employee costs of the Company comprised:

	£	£
Wages and salaries	930,907	841,506
Social security costs	83,370	80,565
Other pension costs	74,190	68,653
	<u>1,088,467</u>	<u>990,724</u>

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	<u>2003</u>	<u>2002</u>
	£	£
Current tax:		
UK corporation tax on profits of the period (30%)	226,322	114,394
Adjustments in respect of previous periods	-	592
	<u>226,322</u>	<u>114,986</u>
Foreign tax	-	(959)
Total current tax	<u>226,322</u>	<u>114,027</u>
Deferred tax:		
Origination and reversal of timing differences	(4,976)	(7,630)
Tax on profit on ordinary activities	<u>221,346</u>	<u>106,397</u>

The UK corporation tax assessed for the period is in line with the standard rate of corporation tax in the UK once allowance is made for the factors listed below.

	<u>2003</u>	<u>2002</u>
	£	£
Profit on ordinary activities before tax	735,623	346,768
Applying standard rate of UK corporation tax (30%)	220,687	104,031
Expenses not deductible for tax purposes	3,716	2,733
Depreciation in excess of capital allowances	3,917	7,630
Movement on Pension Accrual	1,060	592
Double tax relief	(3,058)	(959)
Current UK corporation charge	<u>226,322</u>	<u>114,027</u>

NOTES TO THE ACCOUNTS (continued)

8. TANGIBLE ASSETS

	Short Leasehold Property £	Plant, Equipment Vehicles, etc £	TOTAL £
COST OR VALUATION			
At 31 March 2002	136,895	1,173,568	1,310,463
Additions (net of grants)	-	116,200	116,200
Additions other Group Companies	-	2,913	2,913
Disposals	-	(164,807)	(164,807)
At 29 March 2003	136,895	1,127,874	1,264,769
DEPRECIATION			
At 31 March 2002	61,666	832,283	893,949
Charge for the period	7,278	125,700	132,978
Accumulated depreciation on Group additions	-	1,311	1,311
Disposals	-	(130,153)	(130,153)
At 29 March 2003	68,944	829,141	898,085
NET BOOK VALUE			
At 29 March 2003	67,951	298,733	366,684
At 30 March 2002	75,229	341,285	416,514

9. STOCKS

	<u>2003</u> £	<u>2002</u> £
Raw materials and consumables	228,491	236,522
Work in progress	40,042	78,653
	<u>268,533</u>	<u>315,175</u>

NOTES TO THE ACCOUNTS (continued)

10. DEBTORS

	<u>2003</u>	<u>2002</u>
	£	£
Trade debtors	536,811	469,974
Amounts due from Group companies	401,351	261,946
Other debtors	27,804	110
Deferred tax asset (see note 12)	9,260	4,284
Prepayments and accrued income	45,994	38,918
	<u>1,021,220</u>	<u>775,232</u>

11. CREDITORS

(amounts falling due within one year)

	<u>2003</u>	<u>2002</u>
	£	£
Trade creditors	286,364	312,952
Amounts due to Group companies	840,102	722,131
Corporation tax	101,855	61,391
Other taxes and social security	28,691	35,999
Other creditors	1,352	1,941
Accruals and deferred income	69,807	47,213
	<u>1,328,171</u>	<u>1,181,627</u>

NOTES TO THE ACCOUNTS (continued)

12. DEFERRED TAXATION

	<u>2003</u>	<u>2002</u>
	£	£
Accelerated capital allowances	(5,665)	(1,749)
Other timing differences	(3,595)	(2,535)
Deferred tax asset	(9,260)	(4,284)

The deferred tax asset has been transferred to debtors (see note 10)

Deferred tax liabilities have not been discounted.

The movement on deferred taxation comprises:

	£
At 31 March 2002	(4,284)
Credited to profit and loss (Note 7)	(4,976)
At 29 March 2003	(9,260)

13. COMMITMENTS

Capital Commitments:

Capital expenditure authorised and contracted at 29 March 2003 but not provided in these accounts amounts to £13,635 (2002: £415).

Commitments under Operating Leases:

At 29 March 2003 the Company had annual commitments under non-cancellable operating leases expiring as follows:

	Land and Buildings	
	2003	2002
	£	£
After five years	50,000	50,000

SMITH FLOW CONTROL LIMITED

NOTES TO THE ACCOUNTS (continued)

14. RESERVES

	Profit & Loss £
Brought Forward	268,383
Retained Profit for the Financial period	14,277
Carried Forward	<u>282,660</u>

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	52 weeks ended	
	29 March 2003	30 March 2002
	£	£
Profit for the Financial Year	514,277	240,371
Dividends	(500,000)	(200,000)
Net addition to Shareholders' Funds	<u>14,277</u>	<u>40,371</u>
Brought Forward	318,383	278,012
Carried Forward	<u>332,660</u>	<u>318,383</u>

SMITH FLOW CONTROL LIMITED

NOTES TO THE ACCOUNTS (continued)

16. CASH FLOW STATEMENT AND RELATED PARTIES

The Company is a wholly owned subsidiary of Halma p.l.c. and is included in the consolidated financial statements of Halma p.l.c., which are publicly available. Consequently the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS1 (Revised 1996).

The Company is also exempt under the terms of FRS8 from disclosing related party transactions with entities that are part of the Halma group of companies.

17. ULTIMATE PARENT COMPANY

The ultimate parent company and head of the largest and smallest group into which the results of Smith Flow Control Limited are consolidated, is Halma p.l.c., which is also the controlling undertaking. The accounts of Halma p.l.c. can be obtained from the Company Secretary, Misbourne Court, Rectory Way, Amersham, Bucks HP7 0DE.

NOTE 4

(Highest paid Director information not required if Aggregate Emoluments
for all Directors is less than £200,000.)