

Chairman's statement



“The company achieved good progress in 2005, with sales, operating profit and margins all ahead. Actions to restrain overheads, restore profitability in under-performing businesses, improve margins and generate cash were all positive. Levels of demand in the first two months of the year provide encouragement that the company will show further good progress in 2006.”

Overview

As indicated in the trading update in January, sales in 2005 increased by 7%, with all three sectors reporting growth over the previous year and orders in excess of sales. Profits, earnings per share and cash conversion also moved ahead strongly. Growth in Asia, in particular, continued to be vigorous.

Actions taken to improve margins, involving overhead containment, reflected in an unchanged year end headcount, and the elimination of some lower margin sales, began to show benefits. Operating margins improved from 10.5% to 11.2%.

Sales increased by 7% to £655.9 million (2004: £614.1 million). Operating profit increased by 14% to £73.5 million (2004: £64.6 million)*. Earnings per share increased from 31.6p to 36.2p on a tax rate of 27% (2004: 24%). The effects of changes in exchange rates were negligible. Cash conversion was excellent with 107% of operating profit converted into cash, as actions to generate cash on a more consistent basis took effect. Net debt at the year end was £119.9 million compared with £158.9 million twelve months earlier. Interest costs were £12.6 million, giving an annualised interest cover of 5.8 times.

The Board proposes to pay a final dividend of 11.2p which, combined with the interim dividend, gives a total of 15.8p (2004: 14.5p), an increase of 9%. The dividend will be paid on 23 June 2006 to shareholders on the register at 2 June 2006.

Board changes

I am pleased to welcome John O'Higgins, who joined the Board in January 2006, as Chief Executive. John was previously with Honeywell Inc, the US aerospace and technology products multinational, latterly as President of Honeywell Automation and Control Solutions based in Shanghai. John's educational qualifications, track record within the instrumentation and controls industry and business experience, equip him well to lead the company and drive its development. I am also pleased to welcome John Warren, who joins the Board from 7 March as a non-executive director. Non-executive directors Martin Lamb and Professor Leo Murray will be standing down at the AGM and I should like to thank them for their guidance and contribution to the development of the company in recent years.

A handwritten signature in black ink that reads "John Poulter".

John Poulter
Chairman

*Unless otherwise stated, all profit and earnings figures referred to are adjusted measures. See explanatory note on page 1.