

Independent auditors' report

To the members of Tomkins plc

We have audited the individual financial statements of Tomkins plc ("the Company") for the year ended 3 January 2009 ("the Company's financial statements") which comprise the Company's balance sheet and the related notes 1 to 19. These financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the consolidated financial statements of Tomkins plc and its subsidiaries for the year ended 3 January 2009 and on the information in the Remuneration Committee report that is described as having been audited.

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

The Directors' responsibilities for preparing the Annual Report, the Company's financial statements and the Remuneration Committee report in accordance with applicable law and United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice ("UK GAAP")) are set out in the statement of Directors' responsibilities on page 61.

Our responsibility is to audit the Company's financial statements and the part of the Remuneration Committee report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Company's financial statements give a true and fair view and whether they have been properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion, the Directors' report is consistent with the Company's financial statements.

In addition, we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read the other information contained in the Annual Report and consider whether it is consistent with the Company's financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Company's financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Company's financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the Company's financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, 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 Company's 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 Company's financial statements.

Opinion

In our opinion:

- the Company's financial statements give a true and fair view, in accordance with UK GAAP, of the state of the Company's affairs as at 3 January 2009;
- the Company's financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' report is consistent with the Company's financial statements.

Deloitte LLP

Chartered Accountants and Registered Auditors
London

24 February 2009

Company balance sheet

	Note	As at 3 January 2009 \$ million	As at 29 December 2007 \$ million
Fixed assets			
Tangible assets	6	0.6	0.8
Investments in subsidiaries	7	3,129.5	3,146.0
		3,130.1	3,146.8
Current assets			
Debtors:			
– Amounts falling due within one year	8	1.4	9.0
– Amounts falling due after more than one year	8	204.6	348.2
		206.0	357.2
Creditors: amounts falling due within one year	9	(47.8)	(35.1)
Net current assets		158.2	322.1
Total assets less current liabilities		3,288.3	3,468.9
Creditors: amounts falling due after more than one year	10	(330.8)	(589.1)
Net assets before net pension liability		2,957.5	2,879.8
Net pension liability	12	(5.5)	(11.8)
Net assets		2,952.0	2,868.0
Capital and reserves			
Ordinary share capital	15	79.6	65.5
Share premium account	15	799.1	679.4
Deferred shares	16	0.1	–
Own shares	17	(14.9)	(18.9)
Capital redemption reserve	18	921.7	718.8
Merger reserve	18	230.0	165.1
Capital reserve	18	112.6	80.9
Currency translation reserve	18	–	599.9
Profit and loss account reserve	18	823.8	577.3
Shareholders' funds		2,952.0	2,868.0

Approved by the Board on 24 February 2009 and signed on its behalf by:

J Nicol Director

J W Zimmerman Director

Notes to the financial statements

1. Principal accounting policies

A. Basis of preparation

The financial statements of Tomkins plc have been prepared in accordance with the Companies Act 1985 and applicable UK accounting standards (United Kingdom Generally Accepted Accounting Practice), and, except as described under the heading "Financial instruments", under the historical cost convention.

The Company's principal accounting policies are unchanged compared with the year ended 29 December 2007.

The Company is exempt from applying FRS 29 "Financial Instruments: Disclosures" because the required disclosures are provided in the consolidated financial statements of the Company and its subsidiaries.

The Company's annual financial statements are drawn up to the Saturday nearest 31 December. These financial statements cover the 53 week period from 30 December 2007 to 3 January 2009 ("2008") with comparative figures for the 52 week period from 31 December 2006 to 29 December 2007 ("2007").

B. Investments in subsidiaries

A subsidiary is an entity controlled, either directly or indirectly, by the Company, where control is the power to govern the financial and operating policies of the entity so as to obtain benefit from its activities. Investments in subsidiaries represent interests in the Company's subsidiaries that are directly owned by the Company and are stated at cost less any provision for impairment.

C. Foreign currency translation

Transactions denominated in foreign currencies are translated into the Company's functional currency at the exchange rate ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rate ruling on the balance sheet date. Currency translation differences are recognised in the profit and loss account.

D. Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and any provision for impairment. Plant, equipment and vehicles are depreciated on a straight-line basis over their expected useful lives, which are in the range 2 to 20 years.

E. Financial instruments

(i) Bank and other loans

Bank and other loans are initially measured at fair value, net of directly attributable transaction costs, if any, and are subsequently measured at amortised cost using the effective interest rate method.

(ii) Derivative financial instruments

The Company uses derivative financial instruments to manage its exposure to exchange rate and interest rate movements. The Company does not hold or issue derivatives for speculative or trading purposes.

Derivative financial instruments are recognised as assets and liabilities measured at their fair values at the balance sheet date. Changes in their fair values are recognised in the profit and loss account and this is likely to cause volatility in situations where the carrying value of the hedged item is either not adjusted to reflect fair value changes arising from the hedged risk or is so adjusted but that adjustment is not recognised in the profit and loss account.

Provided the conditions specified by FRS 26 "Financial Instruments: Recognition and Measurement" are met, hedge accounting may be used to mitigate such volatility.

Management has designated certain hedging relationships as fair value hedges whereby the carrying amount of the hedged asset or liability is adjusted by the increase or decrease in its fair value attributable to the hedged risk and the resulting gain or loss is recognised in the profit and loss account where, to the extent that the hedge is effective, it offsets the change in the fair value of the hedging instrument.

Derivative financial instruments are classified as current assets or liabilities unless they qualify for hedge accounting under FRS 26 and the hedged item is classified as a non-current asset or liability.

(iii) Financial guarantee contracts

Financial guarantees issued by the Company to third parties in respect of the obligations of certain of its subsidiaries are measured at fair value on initial recognition. Over the term of the guarantee, the initial fair value is recognised as revenue. Subsequent to initial recognition, guarantees are measured at the higher of their initial fair value less amounts recognised as revenue and the best estimate of the amount that the Company will be required to pay to settle the obligation.

Notes to the financial statements (continued)

1. Principal accounting policies (continued)

E. Financial instruments (continued)

(iv) Embedded derivatives

Derivatives embedded in non-derivative host contracts are recognised separately as derivative financial instruments when their risks and characteristics are not closely related to those of the host contract and the host contract is not stated at its fair value with changes in its fair value recognised in the profit and loss account.

(v) Own shares

Own shares represent the Company's ordinary shares that are held by the Company and sponsored ESOP trusts in relation to the Group's employee share schemes. Own shares are deducted at cost in arriving at shareholders' funds and gains and losses on their sale or transfer are recognised directly in reserves.

F. Retirement benefits

Retirement benefits comprise pension benefits provided to employees in the UK.

For defined contribution plans, the pension cost represents the Company's contributions to the plans and is recognised in the profit and loss account in the period in which the contributions fall due.

For defined benefit plans, the pension cost is determined based on actuarial valuations of each of the plans that are carried out annually at the Company's balance sheet date by independent qualified actuaries. Plan assets are measured at their fair value at the balance sheet date. Benefit obligations are measured using the projected unit credit method.

The cost of defined benefit plans recognised in the profit and loss account comprises the net total of the current service cost, the past service cost, the expected return on plan assets, the interest cost and the effect of curtailments or settlements. The current service cost represents the increase in the present value of the plan liabilities expected to arise from employee service in the current period. Past service costs resulting from enhanced benefits are recognised in the profit and loss account on a straight-line basis over the vesting period, or immediately if the benefits have vested. The expected return on plan assets is based on market expectations, at the beginning of the period, of future returns over the life of the benefit obligation. The interest cost represents the increase in the benefit obligation due to the passage of time.

The discount rate used is determined at the balance sheet date by reference to market yields on high-quality corporate bonds. Gains or losses on curtailments or settlements are recognised in the profit and loss account in the period in which the curtailment or settlement occurs.

Actuarial gains and losses, which represent differences between the expected and actual returns on the plan assets and the effect of changes in actuarial assumptions, are included in other recognised gains and losses in the period in which they occur.

The net pension liability or asset recognised in the balance sheet comprises the net total for each plan of the present value of the benefit obligation at the balance sheet date, minus any past service costs not yet recognised, minus the fair value of the plan assets, if any, at the balance sheet date and is stated net of deferred tax. Where a plan is in surplus, the asset recognised is limited to the present value of any amounts that the Company expects to recover by way of refunds or a reduction in future contributions.

G. Share-based incentives

Share-based incentives are provided to certain employees under the Company's share option, bonus and other share award schemes. The Company recognises a compensation expense in respect of these schemes that is based on the fair value of the awards, where appropriate measured using an option-pricing model. Fair value is determined at the date of grant and is not subsequently remeasured unless the conditions on which the award was granted are modified. Generally, the compensation expense is recognised on a straight-line basis over the vesting period. Adjustments are made to reflect expected and actual forfeitures during the vesting period due to failure to satisfy service conditions or non-market performance conditions. In the event of a cancellation, the compensation expense that would have been recognised over the remainder of the vesting period is recognised immediately in the profit and loss account.

In accordance with the transitional provisions of FRS 20 "Share-based Payment", the Company has not applied this policy to awards that were granted on or before 7 November 2002.

H. Taxation

Deferred tax is recognised on a full provision basis on timing differences between the recognition of gains and losses in the financial statements and their recognition for tax purposes. Deferred tax assets are recognised only to the extent that it is considered more likely than not that future taxable profits will be available against which the asset can be utilised. Deferred tax is determined using the tax rates that have been enacted or substantially enacted at the balance sheet date and are expected to apply in the periods in which the timing differences are expected to reverse. Deferred tax assets and liabilities are not discounted.

I. Dividends on ordinary shares

Dividends payable on ordinary shares are recognised in the financial statements when they have been appropriately authorised and are no longer at the Company's discretion. Accordingly, interim dividends are recognised when they are paid and final dividends are recognised when they are declared following approval by shareholders at the Company's AGM. Dividends on ordinary shares are recognised as an appropriation of shareholders' funds.

2. Transition to reporting in US dollars

Over recent years, the focus of the acquisition activity of the Group has been overseas and there has been a reduction in the relative importance of its UK operations. The Group's principal operations are based in the US and the majority of the Group's profit is generated in US dollars. Against this background, the Directors consider that the Company's functional currency changed from sterling to the US dollar at the beginning of 2008.

Consistent with the change in its functional currency, the Company changed its presentation currency from sterling to the US dollar with effect from the beginning of 2008. Comparative figures for 2007 have been re-presented in US dollars.

The change of the Company's presentation currency and that of the Company's functional currency were accounted for in accordance with FRS 23 (IAS 21) "The Effects of Changes in Foreign Exchange Rates".

On the change of the Company's presentation currency, comparative figures for 2007 previously reported in sterling were translated into US dollars as follows:

- income and expenses were translated at the average exchange rate for the relevant period;
- assets and liabilities were translated at the closing exchange rate on the relevant balance sheet date; and
- equity items were translated at historical exchange rates.

The exchange rates used were as follows:

	2007 £1=\$
Average rate	2.00
Closing rate	1.99

As a result of the change of the Company's presentation currency, a currency translation difference of \$599.9 million was recognised in equity as at 29 December 2007 which represented the difference between the Company's assets and liabilities translated from sterling into US dollars at the closing exchange rate on that date and the Company's equity items that were translated from sterling into US dollars at historical exchange rates.

The currency translation difference arose as follows:

	\$ million
Ordinary share capital	(22.6)
Share premium account	(112.4)
Own shares	3.4
Capital redemption reserve	(202.9)
Merger reserve	(64.9)
Capital reserve	(31.7)
Profit and loss account reserve	(168.8)
	(599.9)

The change of the Company's functional currency was accounted for prospectively from the beginning of 2008. Accordingly, the assets, liabilities and equity items of the Company as at 29 December 2007 were translated from sterling into US dollars at the closing exchange rate on that date of £1=\$1.99.

As a consequence of applying the closing exchange rate rather than historical exchange rates to the Company's equity items, the currency translation difference arising on the change of the Company's presentation currency was transferred from the currency translation reserve back to the Company's equity items.

Notes to the financial statements (continued)

3. Profit for the period

As permitted by section 230 of the Companies Act 1985, the Directors have elected not to present the profit and loss account of the Company. The Company's profit for the period was \$322.4 million (2007: \$425.6 million).

4. Dividends on ordinary shares

	Year ended 3 January 2009 per share	Year ended 29 December 2007 per share
Paid or proposed in respect of the period		
Interim dividend	11.02c	11.02c
Final dividend	2.00c	16.66c
	13.02c	27.68c
	Year ended 3 January 2009 \$ million	Year ended 29 December 2007 \$ million
Recognised in the period		
Interim dividend for the period of 11.02c (2007: 11.02c) per share	97.1	97.0
Final dividend for the prior period of 16.66c (2007: 17.13c) per share	149.1	150.3
	246.2	247.3

Following the redenomination of the Company's share capital from sterling to US dollars, which became effective on 22 May 2008, the Company's dividends are declared in US dollars. Dividends in respect of 2007 and prior years were declared and paid in sterling and have been translated into US dollars at the exchange rate ruling on their respective payment dates.

The Directors propose a final dividend for 2008 of 2.00c per share that, subject to approval by shareholders, will be paid on 10 June 2009 to shareholders on the register on 8 May 2009.

Based on the number of ordinary shares currently in issue, the final dividend for 2008 is expected to absorb \$17.6 million.

5. Auditors' remuneration

Fees payable to the Company's auditors, Deloitte LLP, in respect of the audit of the Company's accounts were \$65,000 (2007: \$60,000).

Fees payable to Deloitte LLP in respect of the audit of the Company's associated pension schemes were \$51,600 (2007: \$43,000).

Fees payable to Deloitte LLP and its associates for non-audit services to the Company and its associated pension schemes are not presented in these accounts because they are included in the disclosures that are presented in the Group's consolidated financial statements.

6. Tangible fixed assets

	Long leasehold property \$ million	Plant, equipment and vehicles \$ million	Total \$ million
Cost			
As at 29 December 2007	0.2	4.4	4.6
Additions	–	0.2	0.2
Disposals	–	(0.2)	(0.2)
As at 3 January 2009	0.2	4.4	4.6
Accumulated depreciation			
As at 29 December 2007	–	3.8	3.8
Depreciation charge for the period	–	0.4	0.4
Disposals	–	(0.2)	(0.2)
As at 3 January 2009	–	4.0	4.0
Net book value			
As at 29 December 2007	0.2	0.6	0.8
As at 3 January 2009	0.2	0.4	0.6

7. Investments in subsidiaries

	\$ million
Cost and net book value	
As at 29 December 2007	3,146.0
Additions	57.2
Disposals	(73.7)
As at 3 January 2009	3,129.5

Details of the Company's principal trading subsidiaries are set out on page 152. A complete list of the Company's subsidiaries will be filed with the Company's next annual return.

8. Debtors

	As at 3 January 2009 \$ million	As at 29 December 2007 \$ million
Amounts falling due within one year		
Amounts owed by subsidiaries	0.2	5.8
Other taxes and social security	0.1	0.4
Prepayments and accrued income	0.5	2.2
Other debtors	0.6	0.6
	1.4	9.0
Amounts falling due after more than one year		
Amounts owed by subsidiaries	188.5	346.0
Derivative financial instruments (note 11)	16.1	2.2
	204.6	348.2
	206.0	357.2

The amounts owed by subsidiaries classified as falling due after more than one year have no specified terms of repayment and are intended to be settled on a net basis. The Company has given an undertaking to the counterparties that it will not require settlement within one year of the balance sheet date. Generally, these amounts bear interest at floating rates based on prevailing market interest rates applicable to the currencies in which they are denominated.

Notes to the financial statements (continued)

9. Creditors: amounts falling due within one year

	As at 3 January 2009 \$ million	As at 29 December 2007 \$ million
Trade creditors	0.5	1.8
Bank overdrafts – unsecured	1.0	1.2
Loan notes – unsecured	0.3	0.4
Other loans – unsecured (note 10)	1.6	1.8
Amounts owed to subsidiaries	16.6	1.4
Other taxes and social security	0.3	0.8
Accruals and deferred income	14.9	9.2
Other creditors	12.6	18.5
	47.8	35.1

The loan notes must be repaid at par, by the Company on 30 June 2012. Until that time, the noteholders have the right to require full or part repayment, at par, half-yearly on 30 June and 31 December and for this reason they are classified as current liabilities.

10. Creditors: amounts falling due after more than one year

	As at 3 January 2009 \$ million	As at 29 December 2007 \$ million
Other loans – unsecured	231.8	295.1
Amounts owed to subsidiaries	94.1	276.0
Accruals and deferred income	4.9	18.0
	330.8	589.1

Other loans

Other loans comprise a £150 million bond drawn down by the Company under the Group's EMTN Programme. The bond is repayable at par on 20 December 2011 and bears interest at a fixed rate of 8% per annum.

The carrying amount of other loans may be analysed as follows:

	As at 3 January 2009 \$ million	As at 29 December 2007 \$ million
Principal amount	219.2	298.9
Accrued interest payable	0.7	0.6
Unamortised transaction costs	(0.3)	(0.6)
Carrying amount before hedge accounting	219.6	298.9
Fair value hedge adjustment	13.8	(2.0)
Carrying amount	233.4	296.9
	As at 3 January 2009 \$ million	As at 29 December 2007 \$ million
Maturity analysis:		
– Within one year	1.6	1.8
– Between one and two years	0.9	1.2
– Between two and five years	230.9	293.9
	233.4	296.9

Amounts owed to subsidiaries

Amounts owed to subsidiaries classified as falling due after more than one year have no specified terms of repayment and are intended to be settled on a net basis. The Company has received an undertaking from the counterparties that they will not require settlement within one year of the balance sheet date. Generally, these amounts bear interest at floating rates based on prevailing market interest rates applicable to the currencies in which they are denominated.

11. Derivative financial instruments

The Company holds derivative financial instruments in accordance with the Group's policy in relation to financial risk management. Details of that policy are set out in note 33 of the Group's consolidated financial statements.

The carrying value of derivative financial instruments held by the Company was as follows:

	As at 3 January 2009		As at 29 December 2007	
	Assets \$ million	Liabilities \$ million	Assets \$ million	Liabilities \$ million
Carrying value				
Interest rate swaps	16.1	–	2.2	–

Interest rate swaps are used to swap borrowings by the Company under the Group's EMTN Programme from fixed interest rates to floating interest rates. These contracts have been designated and are effective as fair value hedges in relation to the borrowings.

During 2008, the Company recognised a fair value gain of \$18.9 million (2007: gain of \$2.8 million) in relation to these contracts and the carrying amount of the hedged borrowings was increased by \$20.1 million (2007: increased by \$1.4 million) to reflect the change in the fair value of the borrowings attributable to the hedged risk and the amortisation of the transitional adjustment that was recognised on adoption of FRS 26. During 2008, a net loss of \$1.2 million (2007: net gain of \$1.4 million) was therefore recognised in the profit and loss account in relation to these hedges.

The profile of interest rate swaps held by the Company was as follows:

	Notional principal amount million	Interest rate		Variable rate index
		Payable	Receivable	
		Variable	Fixed	
As at 3 January 2009				
Maturity date – December 2011	£150.0	5.7%	8.0%	6 month LIBOR
As at 29 December 2007				
Maturity date – December 2011	£150.0	8.6%	8.0%	6 month LIBOR

12. Pensions**A. Defined contribution schemes**

The Company provides defined contribution pension benefits to those of its employees who are not eligible to participate in its defined benefit pension plans. The expense recognised in the profit and loss account in respect of those plans represents the contributions payable by the Company for the period at rates that are specified in the rules of the plans. At the balance sheet date, the Company had paid over all contributions due to the plans.

B. Defined benefit schemes

The Company operates a number of funded defined benefit pension plans in the UK that provide benefits based upon final pensionable salary and the period of service of the individual employees. The plan assets are held separately from the Company's assets in funds that are under the control of trustees. Day-to-day management of the plan assets is carried out by independent investment managers who, at the request of the Company, are prohibited by the trustees from investing directly in the Company.

Certain employees and former employees whose pension benefits exceed the maximum that may be provided from the Company's defined benefit pension plans are entitled to an additional unfunded pension payable directly by the Company after their retirement.

The defined benefit pension plans operated by the Company are closed to new entrants.

Notes to the financial statements (continued)

12. Pensions (continued)

B. Defined benefit schemes (continued)

The principal assumptions used in the actuarial valuations of the defined benefit pension plans were as follows:

	As at 3 January 2009 % per annum	As at 29 December 2007 % per annum
Salary increases	4.00%	4.25%
Increase to pensions in payment	3.00%	3.25%
Increase to deferred pensions	3.00%	3.25%
Long-term rate of return on plan assets	6.31%	5.00% – 7.00%
Discount rate	6.50%	5.75%
Inflation rate	3.00%	3.25%

The current life expectancies underlying the value of accrued liabilities were as follows:

	As at 3 January 2009	As at 29 December 2007
Current pensioners (at age 65) – male	21.5 years	20.5 years
– female	24.5 years	23.4 years
Future pensioners (at age 65) – male	22.5 years	22.2 years
– female	25.5 years	25.0 years

The fair value of the plan assets and the expected rates of return were as follows:

	As at 3 January 2009		As at 29 December 2007		As at 30 December 2006	
	Long-term expected rate of return % per annum	Fair value \$ million	Long-term expected rate of return % per annum	Fair value \$ million	Long-term expected rate of return % per annum	Fair value \$ million
Equities	8.00%	100.9	7.95%	160.0	7.80%–8.00%	160.1
Bonds	5.15%	106.8	5.25%–5.75%	153.7	5.00%	139.3
Other assets	4.30%	0.6	4.85%	1.2	4.20%	1.2
		208.3		314.9		300.6

The net pension liability may be analysed as follows:

	As at 3 January 2009 \$ million	As at 29 December 2007 \$ million
Present value of plan liabilities:		
– Funded	193.0	290.4
– Unfunded	0.1	0.2
Fair value of plan assets	193.1 (208.3)	290.6 (314.9)
Surplus in the plans	(15.2)	(24.3)
Effect of the asset ceiling	20.7	36.1
Net pension liability	5.5	11.8

Changes in the present value of the benefit obligation were as follows:

	As at 3 January 2009 \$ million	As at 29 December 2007 \$ million
At the beginning of the period	290.6	302.4
Current service cost	0.9	0.8
Interest cost	15.7	15.6
Settlements and curtailments	–	(1.4)
Net actuarial gain	(22.4)	(20.1)
	284.8	297.3
Employees' contributions	0.1	0.2
Benefits paid	(13.5)	(14.2)
Transfer of pension plan from a subsidiary	–	1.8
Foreign currency translation	(78.3)	5.5
At the end of the period	193.1	290.6

Changes in the fair value of plan assets were as follows:

	As at 3 January 2009 \$ million	As at 29 December 2007 \$ million
At the beginning of the period	314.9	300.6
Expected return on plan assets	16.1	16.4
Settlements and curtailments	–	(1.4)
Net actuarial (loss)/gain	(32.1)	0.6
	298.9	316.2
Employer's contributions	5.6	7.2
Employees' contributions	0.1	0.2
Benefits paid	(13.5)	(14.2)
Foreign currency translation	(82.8)	5.5
At the end of the period	208.3	314.9

Plan assets do not include any of the Company's or the Group's own financial instruments, nor any property, or other assets used by the Company or the Group.

The return and risk expectations for each asset class incorporate assumptions about historical return relationships, current financial market conditions and the degree of global capital market integration. The assumptions used have been derived from rigorous historical performance analysis combined with forward-looking views of the financial markets as revealed through the yield on long-term bonds and the price earnings ratios of the major stock market indices. The actuaries review analyses of historical risk and the correlation of the return on asset classes and apply subjective judgment based on their knowledge of the Company's plans. The result of this analysis is incorporated into a risk matrix from which expected long-term risk premiums for each asset class are developed. The nominal return expectations are determined by combining the asset class risk premiums with expected inflation and real risk-free rate assumptions. As a final consideration, the nominal return assumptions are blended with current market conditions to develop long-term equilibrium expectations.

The actual loss on plan assets was 5.1% (2007: gain of 5.7%).

Notes to the financial statements (continued)

12. Pensions (continued)**B. Defined benefit schemes (continued)**

Actuarial gains and losses recognised in relation to the defined benefit plans were as follows:

	Year ended 3 January 2009 \$ million	Year ended 29 December 2007 \$ million	Year ended 30 December 2006 \$ million	Year ended 31 December 2005 \$ million	Year ended 1 January 2005 \$ million
At the end of the period					
Present value of the benefit obligation	193.1	290.6	302.4	276.9	270.5
Fair value of plan assets	(208.3)	(314.9)	(300.6)	(260.8)	(256.3)
(Surplus)/deficit in the plan	(15.2)	(24.3)	1.8	16.1	14.2
Recognised in the period					
Net actuarial (loss)/gain on plan assets	(32.1)	0.6	(3.3)	21.5	2.5
Net actuarial gain/(loss) on benefit obligation	22.4	20.1	12.9	(32.4)	(17.1)
	(9.7)	20.7	9.6	(10.9)	(14.6)

As at 3 January 2009, the cumulative net actuarial loss recognised in the statement of total recognised gains and losses amounted to \$15.5 million (2007: \$5.8 million).

The Company expects to contribute approximately \$6.8 million to the defined benefit pension plans in 2009.

13. Share-based incentives**A. Background**

The Company operates a number of share-based compensation arrangements to provide incentives to the Group's senior executives and other eligible employees. Details of the schemes in respect of which options and awards are outstanding are set out in the Remuneration Committee report.

Although the Company's ordinary shares are now denominated in US dollars, they continue to be quoted in sterling on the London Stock Exchange.

The information provided below relates only to options and awards that were granted to persons who are employees of the Company.

B. Share options

Following a review by the Board in 2004, it was decided that the Company's executive share option schemes would not be renewed when they lapsed for the purposes of new awards in May 2005. Awards granted under these schemes were subject to a performance condition that the rate of increase in the Group's earnings per share must exceed the growth in the UK Retail Prices Index by an average of 2% per annum over any three-year period after the options were granted. The final unvested options under these schemes vested during 2007.

Options continue to be granted from time to time under the Company's Sharesave scheme, which is restricted to employees who are resident for tax purposes in the UK. It offers eligible employees the option to buy ordinary shares in Tomkins plc after a period of three, five or seven years funded from the proceeds of a savings contract to which employees may contribute up to £250 per month.

In 2008, the compensation expense recognised in respect of share options was \$nil (2007: \$1.0 million).

Changes in the total number of share options outstanding to employees of the Company during the period were as follows:

	Year ended 3 January 2009		Year ended 29 December 2007	
	Options Number	Weighted average exercise price Pence	Options Number	Weighted average exercise price Pence
Outstanding at the beginning of the period	10,602,911	243.06	10,708,870	243.30
Granted during the period	117,551	140.20	28,727	211.40
Forfeited during the period	(127,304)	215.33	(30,840)	226.57
Exercised during the period	–	–	(103,846)	263.46
Lapsed during the period	(790,500)	253.57	–	–
Outstanding at the end of the period	9,802,658	241.34	10,602,911	243.06
Exercisable at the end of the period	9,623,128	242.73	4,787,486	241.74

No options were exercised during 2008. On the dates on which options were exercised during 2007, the weighted average market price of the Company's ordinary shares was 287.47p per share.

The fair value of options granted under the Sharesave scheme was measured at their respective grant dates using the Black-Scholes option-pricing formula based on the following assumptions:

	Year ended 3 January 2009	Year ended 29 December 2007
Weighted average fair value	37.66p	69.34p
Weighted average assumptions:		
– Share price	176.75p	264.25p
– Exercise price	140.20p	211.40p
– Expected volatility	24.46%	24.08%
– Expected life	4.47 years	3.96 years
– Risk-free interest rate	4.55%	5.29%
– Expected dividends	13.89p	13.89p

Expected volatility was determined based on the historical volatility of the market price of the Company's ordinary shares over the shorter of the expected life of the options and the period since the beginning of the Company's financial year ended 30 April 2002 when, following a period of significant demerger activity, the Group was refocused on its remaining core businesses. Adjustments have been made to the expected life used in the model to reflect the effects of non-transferability, exercise restrictions and behavioural considerations.

The weighted average contractual life of share options outstanding to the Company's employees at the end of the period was as follows:

	As at 3 January 2009		As at 29 December 2007	
	Outstanding Number	Weighted average remaining contractual life Years	Outstanding Number	Weighted average remaining contractual life Years
Range of exercise prices:				
– 100p to 150p	107,948	4.16	–	–
– 151p to 200p	3,088,072	3.10	3,088,072	4.12
– 201p to 250p	2,832,842	4.84	3,424,635	5.88
– 251p to 300p	2,758,568	3.92	3,074,976	4.85
– 301p and higher	1,015,228	3.10	1,015,228	4.12
Total	9,802,658		10,602,911	

Notes to the financial statements (continued)

13. Share-based incentives (continued)**C. Other awards**

The Company's principal ongoing share-based compensation arrangements are the Annual Bonus Incentive Plan and the Performance Share Plan. Both are restricted to the Company's senior executives.

ABIP provides an award of bonus shares and deferred shares based on the profit of the business for which the participants have responsibility. Bonus shares are restricted and vest after a period of three years. Dividends are paid on the bonus shares. Deferred shares vest after a period of three years conditional on the participant's continued employment with the Group. Dividends are not paid on the deferred shares until they have vested. During 2008, awards were granted over 180,348 ordinary shares (2007: 399,854 ordinary shares) under the ABIP.

PSP provides awards of shares which vest after a period of three years conditional on the Group's total shareholder return relative to its cost of equity over the vesting period and the participant's continued employment with the Group. During 2008, awards were granted over 2,103,039 ordinary shares under the PSP (2007: 2,295,249 ordinary shares).

The fair value of awards made under the ABIP is measured based on the market price of the Company's ordinary shares on the date of the award. Where the awards do not attract dividends during the vesting period, the market price is reduced by the present value of the dividends expected to be paid during the expected life of the awards. The weighted average fair value of awards made under these schemes during the period was 129.34p (2007: 215.68p).

The fair value of awards made under the PSP was measured at their respective grant dates using the Monte-Carlo valuation model based on the following assumptions:

	Year ended 3 January 2009	Year ended 29 December 2007
Weighted average fair value	34.20p	42.87p
Weighted average assumptions:		
– Expected volatility	37.49%	28.73%
– Expected life	3.00 years	3.00 years
– Risk-free interest rate	4.57%	4.44%
– Dividend yield	9.97%	5.00%

Expected volatility was determined based on the historical volatility of the market price of the Company's ordinary shares over the expected life of the awards.

In 2008, the compensation expense recognised in respect of other awards was \$2.3 million (2007: \$4.2 million).

14. Deferred tax

At present, the Company does not recognise deferred tax assets because their future recoverability is uncertain due to the extent of forecast tax losses available for surrender within the UK tax group to which the Company belongs. Deferred tax assets will be recognised when it is considered more likely than not that they will be recovered.

Deferred tax assets not recognised were as follows:

	As at 3 January 2009 \$ million	As at 29 December 2007 \$ million
Depreciation in excess of tax allowances	1.6	1.8
Share-based incentives	0.3	0.6
Pensions	1.5	3.2
Other timing differences	1.5	0.2
	4.9	5.8

15. Ordinary shares

A. Authorised shares

	Ordinary shares of 9c each		Ordinary shares of 5p each	
	Number of shares	Nominal value \$ million	Number of shares	Nominal value £ million
As at 29 December 2007	–	–	1,585,164,220	79.2
Redenomination on 22 May 2008:				
– Cancellation of ordinary shares of 5p each	–	–	(1,585,164,220)	(79.2)
– Authorisation of ordinary shares of 9c each	1,585,164,220	142.7	–	–
As at 3 January 2009	1,585,164,220	142.7	–	–

On 22 May 2008, the Company's ordinary shares were redenominated from sterling to US dollars by way of a reduction of capital under section 135 of the Companies Act 1985. Following approval by the Company's shareholders and pursuant to an Order of the High Court of Justice in England and Wales, the share capital of the Company was reduced by cancelling and extinguishing all of the issued and unissued ordinary shares of 5 pence each. The amount standing to the credit of share capital was transferred to a specially created cancellation reserve where it was retranslated into US dollars at the exchange rate ruling at the close of business in London on 21 May 2008 of £1=\$1.96 giving rise to a currency translation loss of \$1.3 million. The cancellation reserve was then applied by issuing new ordinary shares of 9 cents each to holders of the cancelled ordinary shares of 5 pence each on a one-for-one basis.

The redenomination did not affect the rights of the holders of ordinary shares.

B. Allotted, issued and fully paid shares

	Number of shares	Ordinary share capital \$ million	Cancellation reserve \$ million	Share premium account \$ million	Total \$ million
As at 29 December 2007	884,106,772	65.5	–	679.4	744.9
Transfer of currency translation difference on change of functional currency (note 2)	–	22.6	–	112.4	135.0
	884,106,772	88.1	–	791.8	879.9
Shares issued before redenomination:					
– Exercise of employee share options	45,000	–	–	0.2	0.2
As at 22 May 2008	884,151,772	88.1	–	792.0	880.1
Redenomination:					
– Cancellation of ordinary shares of 5p each	(884,151,772)	(88.1)	88.1	–	–
– Currency translation difference on redenomination	–	–	(1.3)	–	(1.3)
– Issue of deferred shares of £1 each	–	–	–	(0.1)	(0.1)
– Issue of ordinary shares of 9c each	884,151,772	79.6	(79.6)	–	–
– Transfer to share premium account	–	–	(7.2)	7.2	–
	–	(8.5)	–	7.1	(1.4)
As at 3 January 2009	884,151,772	79.6	–	799.1	878.7

Notes to the financial statements (continued)

16. Deferred shares

	Authorised		Allotted, issued and fully paid	
	Number of shares	Nominal value £	Number of shares	Share capital \$ million
Deferred shares of £1 each				
As at 29 December 2007	–	–	–	–
Authorised and issued on redenomination of ordinary shares	50,000	50,000	50,000	0.1
As at 3 January 2009	50,000	50,000	50,000	0.1

Under section 118 of the Companies Act 1985, the Company must have a minimum share capital of £50,000 denominated in sterling. Accordingly, immediately upon the reduction of capital and before the issue and allotment of the new ordinary shares, the Company increased its capital by £50,000 by the creation of 50,000 deferred shares of £1 each which were paid up in full at par by capitalisation of the equivalent amount standing to the credit of the Company's share premium account. The deferred shares are not listed on any investment exchange and have extremely limited rights such that they effectively have no value. It is intended that the deferred shares will be held by either the Company Secretary or by a Director of the Company (they are currently held by the Company Secretary).

Following the implementation of section 542 of the Companies Act 2006 on 1 October 2009, the Company will no longer be required to have any share capital denominated in sterling. Accordingly, the Company intends to buy back and cancel the deferred shares as soon as practicable after 1 October 2009.

17. Own shares

	Year ended 3 January 2009		Year ended 29 December 2007	
	Number of shares	\$ million	Number of shares	\$ million
At the beginning of the period	4,205,841	18.9	4,205,248	19.8
Transfer of currency translation difference on change of functional currency (note 2)	–	3.4	–	–
Own shares purchased	1,506,518	4.7	1,597,500	6.9
Sale or transfer of own shares	(2,053,809)	(12.1)	(1,596,907)	(7.8)
At the end of the period	3,658,550	14.9	4,205,841	18.9

Own shares represent the cost of the Company's ordinary shares acquired to meet the Group's expected obligations under the employee share schemes. Dividends relating to own shares held have been waived with the exception of those that are payable to participants in the relevant schemes.

As at 3 January 2009, 1,143,076 ordinary shares (29 December 2007: 1,376,975 ordinary shares) were held in trust and 2,515,474 ordinary shares (29 December 2007: 2,828,866 ordinary shares) were held as treasury shares.

As at 3 January 2009, the market value of own shares held was \$7.1 million (29 December 2007: \$15.1 million).

18. Other reserves

	Capital redemption reserve \$ million	Merger reserve \$ million	Capital reserve \$ million	Currency translation reserve \$ million	Profit and loss account reserve \$ million	Total \$ million
As at 29 December 2007	718.8	165.1	80.9	599.9	577.3	2,142.0
Transfer of currency translation difference on change of functional currency (note 2)	202.9	64.9	31.7	(599.9)	168.8	(131.6)
	921.7	230.0	112.6	–	746.1	2,010.4
Profit for the period attributable to equity shareholders	–	–	–	–	322.4	322.4
Other recognised gains and losses:						
– Retirement benefits						
Net actuarial loss	–	–	–	–	(9.7)	(9.7)
Adjustment for unrecoverable surplus	–	–	–	–	9.6	9.6
	–	–	–	–	(0.1)	(0.1)
Total recognised gains and losses	–	–	–	–	322.3	322.3
Other changes in shareholders' funds:						
– Currency translation difference on redenomination of ordinary shares (note 15)	–	–	–	–	1.3	1.3
– Transfer of own shares	–	–	–	–	(2.2)	(2.2)
– Cost of share-based incentives	–	–	–	–	2.5	2.5
– Dividends paid on ordinary shares	–	–	–	–	(246.2)	(246.2)
	–	–	–	–	(244.6)	(244.6)
As at 3 January 2009	921.7	230.0	112.6	–	823.8	2,088.1

The Company's distributable reserves as at 3 January 2009 amounted to \$936.4 million.

19. Guarantees

The Company has guaranteed the borrowing facilities of certain subsidiaries. As at 3 January 2009, these facilities totalled \$1,348.3 million (29 December 2007: \$1,733.4 million) against which \$676.0 million (29 December 2007: \$653.1 million) had been drawn.

The Company has also guaranteed certain property leases and performance bonds entered into in the ordinary course of business by certain of its subsidiaries.

Principal subsidiaries and associates

Details of the Company's principal trading subsidiaries and associates as at 3 January 2009 are set out below. Each entity is wholly owned by the Group and is registered in England and Wales, unless otherwise stated. A complete list of the Company's subsidiaries and associates will be filed with the Company's annual return.

Industrial & Automotive

A.E. Hydraulic (Pte) Ltd
Hydraulic and industrial hose solutions and services
Singapore

Dexter Axle Company Inc
Manufactured housing, mobile home and trailer products
US

Dexter Chassis Group Inc.
Recreational vehicle frames
US

Eifeler Maschinenbau GmbH
Hydraulic tube fittings
Germany

Epicor Industries Inc
Hose clamps
US

Formflo Limited
Powertrain components, systems and assemblies

Gates GmbH
Belts
Germany

Gates SAS
Belts, hose and couplings
France

Gates Argentina SA
Belt and hose distributor
Argentina

Gates Australia Pty Ltd
Belt and hose distributor
Australia

Gates do Brasil Industria e Comercio Ltda
Belts and hose
Brazil

Gates Canada Inc
Belts and hose
Canada

Gates Europe NV
Belts and hose
Belgium

Gates Fleximak Ltd
Flexible fluid transfer products
British Virgin Islands

Gates (India) Private Ltd
Hose
India

Gates Korea Company Ltd
(ordinary shares – 51% owned)
Belts
Korea

Gates Mectrol Inc
Belts
US

Gates de Mexico SA de CV
Belts and hose
Mexico

Gates Polska S.p.z.o.o.
Belts
Poland

Gates PT Spain SA
Belts and hose
Spain

The Gates Corporation
Belts and hose
US

Gates Rubber Company (NSW) Pty Ltd
Hose
Australia

Gates Rubber Company (Singapore) Pte Ltd
Hose distributor
Singapore

Gates Rubber (Shanghai) Co Ltd
Hose distributor
China

Gates (U.K.) Ltd
Belts and couplings
Scotland

Gates Unitta Asia Kabushikikaishu
(ordinary shares – 51% owned)
Belts
Japan

Gates Unitta Asia Trading Company Pte Ltd
(ordinary shares – 51% owned)
Belts
Singapore

Gates Unitta India Company Private Ltd
(ordinary shares – 51% owned)
Belts
India

Gates Unitta Korea Company Ltd
(ordinary shares – 51% owned)
Belts
Korea

Gates Unitta Power Transmission (Shanghai) Ltd
(ordinary shares – 51% owned)
Belts
China

Gates Unitta Power Transmission (Suzhou) Ltd
(ordinary shares – 51% owned)
Belts
China

Gates Unitta (Thailand) Company Ltd
(ordinary shares – 51% owned)
Belts
Thailand

Gates Winhere Automotive Pump Products (Yantai) Co Ltd
(ordinary shares – 60% owned)
Automotive pumps
China

Ideal Internacional SA*
(ordinary shares – 40% owned)
Hose clamps
Mexico

Plews Inc
Lubrication tools
US

Pyung Hwa CMB Co Ltd*
(ordinary shares – 21% owned)
Belts
Korea

Schrader SAS
Valves and fittings
France

Schrader Bridgeport Brasil Ltda
Valves and fittings
Brazil

Schrader-Bridgeport International Inc
Valves and fittings
US

Schrader Duncan Ltd*
(ordinary shares – 50% owned)
Valves and fittings
India

Schrader Electronics Ltd
Automotive electronics
Northern Ireland

Schrader Engineered Products (Kunshan) Co Ltd
Valves and fittings
China

Stackpole Limited
Powertrain components, systems and assemblies
Canada

Building Products

Air System Components Inc
Heating, ventilating and air conditioning components
US

Aquatic Industries Inc
Whirlpools
US

Hart & Cooley Inc
Heating, ventilating and air conditioning components
US

Lasco Bathware Inc
Fibreglass and acrylic baths and whirlpools
US

NRG Industries Inc
Commercial air conditioning components
US

Philips Products Inc
Aluminium, wood and vinyl windows, vinyl clad steel doors and ventilating devices
US

Rolastar Pvt Ltd
(ordinary shares – 60% owned)
Duct manufacturer
India

Ruskin Company
Air, fire and smoke dampers, louvres and fibreglass products
US

Ruskin Air Management Ltd
Air handling products and louvred windows
US

Ruskin (Thailand) Co Ltd
Commercial and industrial air, fire/smoke and control dampers
Thailand

Selkirk Americas LP
Chimney, venting and air distribution products
US

*Associate