Chairman's statement and Chief Executive's review

Dear shareholder,

2008 was a challenging year for all of Tomkins' businesses. In the first half of the year, automotive OE and residential construction markets were the weakest, while industrial, automotive aftermarket and non-residential construction all posted good results. During the second half, all of our markets weakened, with the speed of decline accelerating towards the end of the year. All of our geographic markets have experienced a slowdown, with the worst declines concentrated in the western economies, most notably the US and Europe. Two of our end markets, US automotive OE and residential construction, saw their third year of significant decline. Housing starts (as measured by the NAHB) and North American automotive production (as measured by CSM, light vehicle unit volumes) fell by 33% and 16% respectively over 2008. Emerging economies also experienced a slowdown, affected by declines in consumer confidence and the availability of credit.

In February 2008, Tomkins initiated Project Eagle, a three-year performance improvement programme to address the cost base and improve competitiveness. In light of the current and expected market conditions, we have announced more extensive actions to reset our manufacturing footprint to lower-cost locations and further take advantage of opportunities in higher growth markets. These initiatives are referred to as Project Cheetah.

Earlier in 2008, we announced our decision to present the Group's financial statements in US dollars, commencing in 2008. This is the first Annual Report presented in this manner.

Results

Sales from continuing operations decreased by 6.3% to $5,515.9 million (2007: $5,886.1 million) and adjusted operating profit fell by 24.0% to $403.4 million (2007: $530.5 million). Adjusted operating margin was 7.3% (2007: 9.0%).

Cash generated from operations was $628.7 million (2007: $638.7 million). Operating cash flow increased by $1.0 million to $442.8 million (2007: $441.8 million).

In 2008, the Group incurred a diluted loss per share on continuing operations of 7.29 cents (2007: earnings per share of 40.91 cents). Adjusted diluted earnings per share were 26.02 cents (2007: 37.14 cents).

Dividend

In these difficult economic conditions, the Board considers that it is important to strike a balance between preserving balance sheet strength and providing a return to shareholders. Accordingly, the Board has decided to propose a final dividend for 2008 of 2.00 cents per share, making a total dividend for the year of 13.02 cents per share. For 2009, the Board has decided to target a total dividend of around 10 cents per share, subject to the prevailing conditions and market outlook. Looking forward, the Board will seek to resume its progressive dividend policy from this rebased level as soon as results and market conditions allow.

Subject to approval by shareholders at the AGM on 1 June 2009, the final dividend will be paid on 10 June 2009 to ordinary shareholders on the register as at the close of business on 8 May 2009.

Highlights 2008

The Group made good progress against its key priorities:

- Completed the divestment of the non-core businesses, Stant and Standard-Thomson.
- Completed three acquisitions: in India, Singapore and the US (the latter with operations in China). Signed a joint venture agreement in the Middle East for the manufacture and distribution of non-residential Air Systems Components products.
- Announced and commenced implementation of our performance improvement initiative, Project Eagle, incorporating outsourcing of central functions, low-cost country sourcing, expansion of existing restructuring initiatives and strategic pricing initiatives.
- Identified further opportunities for restructuring our manufacturing footprint under a new initiative, Project Cheetah, to better position the Group for the future.
- Introduced and expanded our range of new products including the energy recovery ventilator, the electro-mechanical drive and the two speed variable vane oil pumps.
- Maintained a strong balance sheet, supported by good working capital management and reductions in capital expenditure.

David Newlands
Chairman

James Nicol
Chief Executive

Strategy

We continue to focus on developing energy-saving products. With a focus on service to our customers and distribution of our products, our capabilities and geographic footprint continue to expand across the globe. A summary of our strategic priorities and progress is set out on page 3.

Outlook

The current economic and market conditions remain challenging and uncertain, reducing visibility and making forecasting extremely difficult.

Industrial

- North America (18.7% of Group sales)
  North American industrial markets, which remained strong in the first half of 2008 but deteriorated in the second half and particularly the last quarter of 2008, are expected to continue to decline due to reduced economic and industrial activity.
- Europe (5.6% of Group sales)
  Industrial activity in Europe is expected to worsen further, with many European countries entering or continuing in recession, coupled with continuing declines in export demand.
- Rest of the world (5.8% of Group sales)
  Industrial activity across the remainder of Tomkins' geographic markets is expected to weaken further, as all regions continue to be affected by reduced global demand. Markets in China, India and Brazil are expected to continue to grow, albeit at a lower level than in recent years.

Automotive aftermarket

- North America (10.3% of Group sales)
  The automotive aftermarket is expected to be broadly flat in 2009, with the effect of lower miles driven being mitigated to some extent by lower gasoline prices and the ageing vehicle population which requires a higher level of maintenance and expenditure on repair.
- Europe (5.7% of Group sales)
  European markets are expected to experience similar trends to North American markets.
- Rest of the world (2.6% of Group sales)
  The Group's other geographic markets, most notably China and Brazil, are expected to soften and post single-digit growth rates in 2009.

Automotive OE

- North America (9.7% of Group sales)
  Automotive OE production is currently expected to decline by around 25% in 2009.
- Europe (5.9% of Group sales)
  European automotive OE production is currently expected to decline by around 20% in 2009.
- Rest of the world (7.7% of Group sales)
  The Group's other geographic markets, most notably China, India and Brazil, are expected to post single-digit growth rates in 2009.

Non-residential construction (15.7% of Group sales)

- US non-residential construction is expected to decline by around 20% on a square foot basis and around 15% on a value basis in 2009.

Residential construction (9.0% of Group sales)

- US residential construction is expected to continue its decline, with housing starts expected to decrease by around 30% in 2009.

Other markets include manufactured housing and recreational vehicles and in total account for around 3.3% of Group sales.

As a consequence of the market conditions, our trading in early 2009 has been adversely affected.

We believe that our strong market positions and the resilience of our managers in cutting costs and improving efficiencies, coupled with our strong balance sheet will enable us to continue to mitigate the impact of these difficult end markets and generate cash whilst positioning the Group for an eventual recovery in end markets.

Impairment

In June 2008, as a result of the continued deterioration in North American automotive OE and US residential construction markets, the Group recognised a non-cash impairment of $175.1 million. Management subsequently reviewed the recoverability of assets of the Group's businesses in light of the continued weakness in the Group's end markets, which was compounded by an increase in the discount rates that are required to be used for the purpose of the impairment tests. Additional fixed asset impairments were taken as a part of the decision to implement Project Cheetah to restructure the manufacturing footprint of the Group. As a consequence of these developments, a further non-cash impairment of $167.3 million was recognised in the second half of 2008.

As a result, the total impairment recognised during 2008 was $342.4 million, of which $228.6 million related to goodwill and $113.8 million to property, plant and equipment. Goodwill allocated to Stackpole ($157.2 million) and to Gates Mectrol ($37.4 million) was written off in its entirety, and goodwill allocated to Selkirk was written down by $34.0 million to $38.3 million. Stackpole's property, plant and equipment was written down by $65.9 million. Of the remaining $47.9 million impairment of property, plant and equipment, $36.9 million related to other Industrial & Automotive businesses and $11.0 million to Building Products businesses.

Customers, investors and employees

On behalf of the Board, we would like to thank all of our customers, suppliers, business partners and investors for their continued support, especially under these difficult market conditions. We look forward to continuing these strong relationships over the forthcoming year.

The continued commitment and dedication of our employees enables us to achieve our objectives and we would like to thank them for their hard work and commitment during the past year.

David Newlands
Chairman

James Nicol
Chief Executive