

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 2 January 2010 ('the Company's financial statements') which comprise the Company's balance sheet and the related notes 1 to 18. These financial statements have been prepared in accordance with applicable law and United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the Company's financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the Company's financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the Company's financial statements

An audit involves obtaining evidence about the amounts and disclosures in the Company's financial statements sufficient to give reasonable assurance that the Company's financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the Company's financial statements.

Opinion on the Company's financial statements

In our opinion the Company's financial statements:

- give a true and fair view of the state of the Company's affairs as at 2 January 2010;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Remuneration Committee report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the Company's financial statements are prepared is consistent with those financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company's financial statements and the part of the Remuneration Committee report required to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the consolidated financial statements of Tomkins plc and its subsidiaries for the year ended 2 January 2010.

John Murphy (Senior Statutory Auditor)

for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom

26 February 2010

COMPANY BALANCE SHEET

	Note	As at 2 January 2010 \$ million	As at 3 January 2009 \$ million
Fixed assets			
Tangible assets	5	0.3	0.6
Investments in subsidiaries	6	3,154.0	3,129.5
		3,154.3	3,130.1
Current assets			
Debtors:			
– Amounts falling due within one year	7	14.0	1.4
– Amounts falling due after more than one year	7	22.5	204.6
		36.5	206.0
Creditors: amounts falling due within one year	8	(21.5)	(47.8)
Net current assets		15.0	158.2
Total assets less current liabilities		3,169.3	3,288.3
Creditors: amounts falling due after more than one year	9	(276.9)	(330.8)
Net assets before net pension liability		2,892.4	2,957.5
Net pension liability	11	(12.1)	(5.5)
Net assets		2,880.3	2,952.0
Capital and reserves			
Ordinary share capital	14	79.6	79.6
Share premium account	14	799.2	799.1
Deferred shares	15	–	0.1
Own shares	16	(8.2)	(14.9)
Capital redemption reserve	17	921.8	921.7
Merger reserve	17	230.0	230.0
Capital reserve	17	112.6	112.6
Profit and loss account reserve	17	745.3	823.8
Shareholders' funds		2,880.3	2,952.0

Approved by the Board on 26 February 2010 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 on a going concern basis in accordance with applicable law and United Kingdom accounting standards ('UK GAAP') and, except as described under the heading 'Financial instruments', under the historical cost convention.

Except as noted below, the Company's principal accounting policies are unchanged compared with the year ended 3 January 2009.

At the beginning of the current period, the Company adopted the following pronouncements that are relevant to its operations, none of which had any significant impact on its results or financial position:

- Amendments to FRS 8 'Related Party Disclosures'
- Amendment to FRS 20 'Share-based Payment – Vesting Conditions and Cancellations'
- 'Improvements to Financial Reporting Standards 2008'

Retrospective application of the amendment to FRS 20 had the effect of decreasing profit for the period by \$0.1 million to \$322.3 million in 2008, and there was a corresponding increase in the credit to equity in relation to share-based incentives (there were no tax effects).

The Company is exempt from applying FRS 29 (IFRS 7) 'Financial Instruments: Disclosures' because the required disclosures are provided in the consolidated financial statements of the Company and its subsidiaries.

B. Accounting period

The Company's annual financial statements are drawn up to the Saturday nearest 31 December. These financial statements cover the 52-week period from 4 January 2009 to 2 January 2010 ('2009') with comparative figures for the 53-week period from 30 December 2007 to 3 January 2009 ('2008').

C. 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.

D. 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.

E. 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.

F. 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 purposes.

Derivative financial instruments are recognised as assets and liabilities measured at their fair value at the balance sheet date. Changes in their fair value 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 not normally adjusted to reflect fair value changes arising from the hedged risk. Provided the conditions specified by FRS 26 (IAS 39) '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 change 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.

(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 in treasury or by sponsored ESOP trusts in relation to the Group's employee share schemes. Own shares are measured at cost and are presented as a deduction from shareholders' funds. Gains or losses on the sale or transfer of own shares are recognised directly in reserves.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Principal accounting policies (continued)

G. 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 on an actuarial basis 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. The past service cost is the change in the benefit obligation that results from changes in the benefits payable in respect of employee service in prior periods. The past service cost may be either positive or negative and is 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, 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.

H. 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, measured using either the Black-Scholes option-pricing formula or the Monte Carlo valuation model. Fair value is determined at the date of grant and reflects market performance conditions and all non-vesting conditions. Fair value 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 a service condition or a non-market performance condition. In the event of a cancellation, whether by the Company or by a participating employee, the compensation expense that would have been recognised over the remainder of the vesting period is recognised immediately in the profit and loss account.

When the Company grants rights over its own shares to the employees of a subsidiary, it recognises the compensation expense recognised by the subsidiary, less any amounts charged to the subsidiary, as a capital contribution to the subsidiary.

I. 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.

J. 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. Profit for the period

As permitted by section 408 of the Companies Act 2006, the Directors have elected not to present the profit and loss account of the Company. The Company's loss for the period was \$35.5 million (2008: profit of \$322.3 million).

3. Dividends on ordinary shares

	Year ended 2 January 2010 per share	Year ended 3 January 2009 per share
Paid or proposed in respect of the period		
Interim dividend	3.50c	11.02c
Final dividend	6.50c	2.00c
	10.00c	13.02c
	Year ended 2 January 2010 \$ million	Year ended 3 January 2009 \$ million
Recognised in the period		
Interim dividend for the period of 3.50c (2008: 11.02c) per share	30.9	97.1
Final dividend for the prior period of 2.00c (2008: 16.66c) per share	17.4	149.1
	48.3	246.2

Since 2008, the Company's dividends have been declared in US dollars. The final dividend for 2007 was declared and paid in sterling and has been translated into US dollars at the exchange rate on the date of payment.

The Directors propose a final dividend for 2009 of 6.50c per share that, subject to approval by shareholders, will be paid on 10 June 2010 to shareholders on the register on 7 May 2010.

Based on the number of ordinary shares currently in issue, the final dividend for 2009 is expected to amount to \$57.4 million.

4. Auditors' remuneration

Fees payable to the Company's auditors, Deloitte LLP, in respect of the audit of the Company's accounts were \$60,000 (2008: \$65,000).

Fees payable to Deloitte LLP in respect of the audit of the Company's associated pension schemes were \$48,800 (2008: \$51,600).

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 consolidated financial statements of the Company and its subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. Tangible fixed assets

	Long leasehold property \$ million	Plant, equipment and vehicles \$ million	Total \$ million
Cost			
As at 3 January 2009 and 2 January 2010	0.2	4.4	4.6
Accumulated depreciation			
As at 3 January 2009	–	4.0	4.0
Depreciation charge for the period	–	0.3	0.3
As at 2 January 2010	–	4.3	4.3
Net book value			
As at 3 January 2009	0.2	0.4	0.6
As at 2 January 2010	0.2	0.1	0.3

6. Investments in subsidiaries

	\$ million
Cost and net book value	
As at 3 January 2009	3,129.5
Additions	24.5
As at 2 January 2010	3,154.0

Details of the Company's principal subsidiaries are set out on page 150. A complete list of the Company's subsidiaries will be filed with the Company's next annual return.

7. Debtors

	As at 2 January 2010 \$ million	As at 3 January 2009 \$ million
Amounts falling due within one year		
Amounts owed by subsidiaries	13.0	0.2
Other taxes and social security	0.2	0.1
Prepayments and accrued income	0.5	0.5
Other debtors	0.3	0.6
	14.0	1.4
Amounts falling due after more than one year		
Amounts owed by subsidiaries	5.9	188.5
Derivative financial instruments (see note 10)	16.6	16.1
	22.5	204.6
	36.5	206.0

The amounts owed by Group undertakings 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.

8. Creditors: amounts falling due within one year

	As at 2 January 2010 \$ million	As at 3 January 2009 \$ million
Trade creditors	1.1	0.5
Bank overdrafts – unsecured	1.0	1.0
Loan notes – unsecured	0.3	0.3
Other loans – unsecured (see note 9)	1.8	1.6
Amounts owed to subsidiaries	–	16.6
Other taxes and social security	0.3	0.3
Accruals and deferred income	10.3	14.9
Other creditors	6.7	12.6
	21.5	47.8

The loan notes must be repaid at par, by the Company on 30 June 2012. Until that time, in certain circumstances, 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.

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

	As at 2 January 2010 \$ million	As at 3 January 2009 \$ million
Other loans – unsecured	254.7	231.8
Amounts owed to subsidiaries	12.5	94.1
Accruals and deferred income	5.3	4.9
Other creditors	4.4	–
	276.9	330.8

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 2 January 2010 \$ million	As at 3 January 2009 \$ million
Maturity analysis:		
– Within one year	1.8	1.6
– Between one and two years	254.7	0.9
– Between two and five years	–	230.9
	256.5	233.4

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. Creditors: amounts falling due after more than one year (continued)

The carrying amount of other loans may be reconciled to the principal amount outstanding as follows:

	As at 2 January 2010 \$ million	As at 3 January 2009 \$ million
Carrying amount	256.5	233.4
Accrued interest payable	(0.7)	(0.7)
Unamortised transaction costs	0.2	0.3
Fair value hedge adjustment (see note 10)	(14.1)	(13.8)
Principal amount	241.9	219.2

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.

10. 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 consolidated financial statements of the Company and its subsidiaries.

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

	As at 2 January 2010		As at 3 January 2009	
	Assets \$ million	Liabilities \$ million	Assets \$ million	Liabilities \$ million
Carrying value				
Interest rate swaps	16.6	–	16.1	–

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 as fair value hedges in relation to the borrowings but they ceased to be effective for accounting purposes during 2009.

During 2009, the Company recognised a fair value loss of \$1.4 million (2008: gain of \$18.9 million) in relation to these contracts and the carrying amount of the hedged borrowings was decreased by \$1.1 million (2008: increased by \$20.1 million) to reflect the change in the fair value of the borrowings attributable to the hedged risk while the hedges were effective and the amortisation of the transitional adjustment that was recognised on adoption of FRS 26. During 2009, a net loss of \$0.3 million (2008: net loss of \$1.2 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	Payable Variable	Receivable Fixed	Interest rate
				Variable rate index
As at 2 January 2010				
Maturity date – December 2011	150.0	3.4%	8.0%	6 month LIBOR
As at 3 January 2009				
Maturity date – December 2011	150.0	5.7%	8.0%	6 month LIBOR

11. Pensions

A. Defined benefit plans

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.

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

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

	As at 2 January 2010 % per annum	As at 3 January 2009 % per annum
Salary increases	4.50%	4.00%
Increase to pensions in payment	3.50%	3.00%
Increase to deferred pensions	3.50%	3.00%
Long-term rate of return on plan assets	6.31%	6.31%
Discount rate	5.75%	6.50%
Inflation rate	3.50%	3.00%

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

	As at 2 January 2010	As at 3 January 2009
Current pensioners (at age 65) – male	21.5 years	21.5 years
– female	24.5 years	24.5 years
Future pensioners (at age 65) – male	22.5 years	22.5 years
– female	25.5 years	25.5 years

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

	As at 2 January 2010		As at 3 January 2009		As at 29 December 2007	
	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	7.80%	108.9	8.00%	100.9	7.95%	160.0
Bonds	5.00%	139.1	5.15%	106.8	5.25% – 5.75%	153.7
Other assets	4.20%	–	4.30%	0.6	4.85%	1.2
		248.0		208.3		314.9

The actual return on plan assets was 7.7% (2008: loss of 5.1%).

The net pension liability may be analysed as follows:

	As at 2 January 2010 \$ million	As at 3 January 2009 \$ million
Present value of plan liabilities:		
– Funded	251.4	193.0
– Unfunded	0.1	0.1
	251.5	193.1
Fair value of plan assets	(248.0)	(208.3)
Deficit/(surplus) in the plans	3.5	(15.2)
Unrecognised surplus	8.6	20.7
Net pension liability	12.1	5.5

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. Pensions (continued)**A. Defined benefit plans (continued)**

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

	Year ended 2 January 2010 \$ million	Year ended 3 January 2009 \$ million
At the beginning of the period	193.1	290.6
Current service cost	0.5	0.9
Interest cost	13.4	15.7
Net actuarial loss/(gain)	36.4	(22.4)
	243.4	284.8
Employees' contributions	0.1	0.1
Benefits paid	(11.9)	(13.5)
Foreign currency translation	19.9	(78.3)
At the end of the period	251.5	193.1

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

	Year ended 2 January 2010 \$ million	Year ended 3 January 2009 \$ million
At the beginning of the period	208.3	314.9
Expected return on plan assets	13.1	16.1
Net actuarial gain/(loss)	2.9	(32.1)
	224.3	298.9
Employer's contributions	12.6	5.6
Employees' contributions	-	0.1
Benefits paid	(11.9)	(13.5)
Foreign currency translation	23.0	(82.8)
At the end of the period	248.0	208.3

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.

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

	Year ended 2 January 2010 \$ million	Year ended 3 January 2009 \$ million	Year ended 29 December 2007 \$ million	Year ended 30 December 2006 \$ million	Year ended 31 December 2005 \$ million
At the end of the period					
Present value of the benefit obligation	251.5	193.1	290.6	302.4	276.9
Fair value of plan assets	(248.0)	(208.3)	(314.9)	(300.6)	(260.8)
Deficit/(surplus) in the plan	3.5	(15.2)	(24.3)	1.8	16.1
Recognised in the period					
Net actuarial gain/(loss) on plan assets	2.9	(32.1)	0.6	(3.3)	21.5
Net actuarial (loss)/gain on benefit obligation	(36.4)	22.4	20.1	12.9	(32.4)
	(33.5)	(9.7)	20.7	9.6	(10.9)

As at 2 January 2010, the cumulative net actuarial loss recognised in the statement of total recognised gains and losses amounted to \$49.0 million (3 January 2009: \$15.5 million).

The Company expects to contribute approximately \$12.5 million to the defined benefit pension plans in 2010.

B. Defined contribution schemes

The Company makes contributions to the personal pension arrangements of employees who are not eligible, or chose not, to participate in its deferred benefit plans. Contributions payable by the Company to these arrangements amounted to \$0.1 million (2008: \$nil). At the balance sheet date, the Group had not paid over to the plans contributions due amounting to \$0.1 million (3 January 2009: \$nil). All amounts due for the period were paid over subsequent to the balance sheet date.

12. 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 denominated in US dollars, they are 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. Share-based incentives (continued)

B. Share options (continued)

In 2009, the compensation expense recognised in respect of share options was \$0.1 million (2008: \$nil).

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

	Year ended 2 January 2010		Year ended 3 January 2009	
	Options Number	Weighted average exercise price Pence	Options Number	Weighted average exercise price Pence
Outstanding at the beginning of the period	9,802,658	241.34	10,602,911	243.06
Granted during the period	220,281	96.00	117,551	140.20
Forfeited during the period	–	–	(32,872)	225.28
Cancelled during the period	(103,473)	138.56	(76,406)	208.47
Lapsed during the period	(58,628)	205.39	(808,526)	252.96
Outstanding at the end of the period	9,860,838	239.39	9,802,658	241.34
Exercisable at the end of the period	9,623,128	242.73	9,623,128	242.73

No options were exercised during 2009 or 2008.

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 2 January 2010	Year ended 3 January 2009
Weighted average fair value	68.20p	37.66p
Weighted average assumptions:		
– Share price	161.75p	176.75p
– Exercise price	96.00p	140.20p
– Expected volatility	33.39%	24.46%
– Expected life	4.42 years	4.47 years
– Risk-free interest rate	3.74%	4.55%
– Expected dividends	6.25p	13.89p

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 options. 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 2 January 2010		As at 3 January 2009	
	Outstanding Number	Weighted average remaining contractual life Years	Outstanding Number	Weighted average remaining contractual life Years
Range of exercise prices:				
– Less than 100p	203,979	4.02	–	–
– 100p to 150p	27,426	2.76	107,948	4.16
– 151p to 200p	3,088,072	2.11	3,088,072	3.10
– 201p to 250p	2,769,411	3.93	2,832,842	4.84
– 251p to 300p	2,756,722	2.93	2,758,568	3.92
– 301p and higher	1,015,228	2.11	1,015,228	3.10
	9,860,838		9,802,658	

C. Other awards

The Company's principal ongoing share-based compensation arrangements are the ABIP and the PSP. Both are restricted to the Company's senior executives. In 2009, the IBP was introduced as a temporary, one-year substitute for the ABIP.

The ABIP provides awards of Restricted Award Shares and Deferred Award Shares based on the 'bonusable profit' of the business for which the participants have responsibility. Restricted Award Shares normally vest after a period of three years. Dividends are paid on the Restricted Award Shares. Deferred Award Shares normally vest after a period of three years, conditional on the participant's continued employment with the Group. Dividends are not paid on the Deferred Award Shares until they have vested. During 2009, awards were granted over 173,711 ordinary shares (2008: 180,348 ordinary shares) under the ABIP in relation to bonuses earned in 2008. The IBP differs from the ABIP only in that awards made under the plan are based on the trading cash flow of the business for which the participants have responsibility and on the attainment of strategic achievement milestones that are set for each of the participants. Awards over shares under the IBP are expected to be made in March 2010. In 2009, an accrual of \$0.4 million was recognised in respect of the Restricted Award Shares to be awarded under the IBP.

The 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 2009, awards were granted over 1,838,839 ordinary shares under the PSP (2008: 2,103,039 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 130.46p (2008: 129.34p).

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 2 January 2010	Year ended 3 January 2009
Weighted average fair value	53.40p	34.20p
Weighted average assumptions:		
– Expected volatility	46.38%	37.49%
– Expected life	3.00 years	3.00 years
– Risk-free interest rate	2.17%	4.57%
– Dividend yield	3.88%	9.97%

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 2009, the compensation expense recognised in respect of other awards was \$2.4 million (2008: \$2.3 million).

13. 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 2 January 2010 \$ million	As at 3 January 2009 \$ million
Depreciation in excess of tax allowances	1.2	1.6
Share-based incentives	0.4	0.3
Pensions	3.4	1.5
Other timing differences	1.2	1.5
	6.2	4.9

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. Ordinary shares

	Number of shares	Nominal value \$ million
Ordinary shares of 9c each		
Authorised		
As at 3 January 2009 and 2 January 2010	1,585,164,220	142.7

Allotted, issued and fully paid shares

	Number of shares	Ordinary share capital \$ million	Share premium account \$ million	Total \$ million
As at 3 January 2009	884,151,772	79.6	799.1	878.7
Shares issued during the period:				
– Exercise of employee share options	45,000	–	0.1	0.1
As at 2 January 2010	884,196,772	79.6	799.2	878.8

15. Deferred shares

	Number of shares	Authorised Nominal value £	Allotted, issued and fully paid	
			Number of shares	Share capital \$ million
Deferred shares of £1 each				
As at 3 January 2009	50,000	50,000	50,000	0.1
Cancellation of deferred shares	(50,000)	(50,000)	(50,000)	(0.1)
As at 2 January 2010	–	–	–	–

When the Company redenominated its ordinary shares from sterling to US dollars in 2008, it was required by law to have a minimum share capital of £50,000 denominated in sterling. The deferred shares were issued to meet this requirement, which was removed on the implementation of section 542 of the Companies Act 2006 on 1 October 2009. Accordingly, the Company bought back and cancelled the deferred shares on 16 December 2009 and transferred the nominal amount of the shares to the capital redemption reserve in accordance with the applicable capital maintenance rules.

16. Own shares

	Number of shares	\$ million
As at 3 January 2009	3,658,550	14.9
Own shares purchased	636,762	1.4
Transfer of own shares	(1,752,118)	(8.1)
As at 2 January 2010	2,543,194	8.2

Own shares represent the cost of the Company's ordinary shares acquired to meet the Group's expected obligations under 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 2 January 2010, 904,632 ordinary shares (3 January 2009: 1,143,076 ordinary shares) were held in trust and 1,638,562 ordinary shares (3 January 2009: 2,515,474 ordinary shares) were held as treasury shares.

As at 2 January 2010, the market value of own shares held was \$7.9 million (3 January 2009: \$7.1 million).

17. Other reserves

	Capital redemption reserve \$ million	Merger reserve \$ million	Capital reserve \$ million	Profit and loss account reserve \$ million	Total \$ million
As at 3 January 2009	921.7	230.0	112.6	823.8	2,088.1
Loss for the period attributable to equity shareholders	–	–	–	(35.5)	(35.5)
Other recognised gains and losses:					
– Retirement benefits					
Net actuarial loss	–	–	–	(33.5)	(33.5)
Adjustment for unrecognised surplus	–	–	–	15.2	15.2
	–	–	–	(18.3)	(18.3)
Total recognised gains and losses	–	–	–	(53.8)	(53.8)
Other changes in shareholders' funds:					
– Transfer of own shares	–	–	–	(2.0)	(2.0)
– Loss on cancellation of deferred shares	0.1	–	–	–	0.1
– Cost of share-based incentives	–	–	–	2.5	2.5
– Capital contribution to subsidiaries	–	–	–	23.1	23.1
– Dividends paid on ordinary shares	–	–	–	(48.3)	(48.3)
	0.1	–	–	(24.7)	(24.6)
As at 2 January 2010	921.8	230.0	112.6	745.3	2,009.7

18. Guarantees

The Company has guaranteed the borrowing facilities of certain subsidiaries. As at 2 January 2010, these facilities totalled \$1,371.1 million (3 January 2009: \$1,348.3 million) against which \$509.8 million (3 January 2009: \$676.0 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 2 January 2010 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

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, hose, and powertrain components, systems and assemblies
Canada

Gates Europe NV
Belts and hose
Belgium

Gates Fleximak Ltd
Flexible fluid transfer products
British Virgin Islands

Gates Fluid Power Technologies (Changzhou) Ltd
Hose
China

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 Powertrain Plastik Metal ve Makina Sanayi ve Ticaret Limited Sirketi
Oil pumps and tensioners
Turkey

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

Hydrolink Co. LLC
Fluid engineering services provider
United Arab Emirates

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 Ltd
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

Building Products

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

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

Aquatic Co. (formerly Lasco Bathware Inc)
Fibreglass and acrylic baths and whirlpools
US

NRG Industries Inc
Commercial air conditioning components
US

Rolastar Pvt Ltd
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