INDEPENDENT AUDITORS' REPORT

To the members of Tomkins plc

We have audited the consolidated financial statements of Tomkins plc and its subsidiaries (together, 'the Group') for the year ended 2 January 2010 ('the Group's financial statements') which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated cash flow statement, the consolidated balance sheet, the consolidated statement of changes in equity and the related notes 1 to 48. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ('IFRS') as adopted by the European Union.

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 Group's financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the Group'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 Group's financial statements

An audit involves obtaining evidence about the amounts and disclosures in the Group's financial statements sufficient to give reasonable assurance that the Group'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 Group'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 Group's financial statements.

Opinion on the Group's financial statements

In our opinion the Group's financial statements:

- give a true and fair view of the state of the Group's affairs as at 2 January 2010 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Separate opinion in relation to IFRS as issued by the IASB

As explained in note 2 to the Group's financial statements, the Group, in addition to complying with its legal obligation to comply with IFRS as adopted for use in the European Union, has also complied with IFRS as issued by the International Accounting Standards Board ('IASB').

In our opinion the Group's financial statements comply with IFRS as issued by the IASB.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the Group'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:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- 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.

Under the Listing Rules we are required to review:

- the Directors' statement in relation to going concern set out on page 28; and
- the Company's statement relating to its compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Other matter

We have reported separately on the individual financial statements of Tomkins plc for the year ended 2 January 2010 and on the information in the Remuneration Committee report that is described as having been audited.

John Murphy (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom

26 February 2010

CONSOLIDATED INCOME STATEMENT

	Note	**Year ended 2 January 2010 $ million**	Restated* Year ended 3 January 2009 $ million	Restated* Year ended 29 December 2007 $ million
Continuing operations				
Sales	4	**4,180.1**	5,515.9	5,886.1
Cost of sales		**(2,995.9)**	(4,023.7)	(4,284.6)
Gross profit		**1,184.2**	1,492.2	1,601.5
Distribution costs		**(464.8)**	(584.5)	(578.4)
Administrative expenses		**(480.4)**	(513.3)	(500.9)
Impairments	5	**(73.0)**	(342.4)	(0.8)
Restructuring costs	6	**(144.1)**	(26.0)	(27.6)
Net gain on disposals and on the exit of businesses	6	**0.2**	43.0	91.4
Gain on amendment of post-employment benefits	7	**63.0**	–	–
Share of (loss)/profit of associates	22	**(0.4)**	(2.1)	0.8
Operating profit		**84.7**	66.9	586.0
Interest payable	9	**(113.2)**	(137.8)	(142.1)
Investment income	10	**67.2**	87.8	86.8
Other finance expense	11	**(0.3)**	(25.0)	(5.6)
Net finance costs		**(46.3)**	(75.0)	(60.9)
Profit/(loss) before tax		**38.4**	(8.1)	525.1
Income tax expense	12	**(28.5)**	(38.4)	(139.9)
Profit/(loss) for the period from continuing operations		**9.9**	(46.5)	385.2
Discontinued operations				
Loss for the period from discontinued operations	13	**(3.9)**	–	(66.7)
Profit/(loss) for the period	14	**6.0**	(46.5)	318.5
Minority interests		**(21.6)**	(18.1)	(25.0)
(Loss)/profit for the period attributable to equity shareholders		**(15.6)**	(64.6)	293.5
(Loss)/earnings per share				
Basic				
Continuing operations		**(1.33)c**	(7.34)c	41.38 c
Discontinued operations		**(0.44)c**	– c	(7.66)c
Total operations	15	**(1.77)c**	(7.34)c	33.72 c
Diluted				
Continuing operations		**(1.33)c**	(7.34)c	40.88 c
Discontinued operations		**(0.44)c**	– c	(7.54)c
Total operations	15	**(1.77)c**	(7.34)c	33.34 c
Dividends per ordinary share	16	**10.00 c**	13.02 c	27.68 c

* See note 2

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	**Year ended 2 January 2010 $ million**	Restated* Year ended 3 January 2009 $ million	Restated* Year ended 29 December 2007 $ million
Profit/(loss) for the period		**6.0**	(46.5)	318.5
Other comprehensive (loss)/income				
Foreign currency translation:				
– Currency translation differences on foreign operations:				
Subsidiaries		**81.5**	(211.7)	109.2
Associates		**0.8**	(3.2)	0.6
– Currency translation differences on change of presentation currency		**–**	–	36.1
– (Loss)/gain on net investment hedges		**(3.1)**	57.2	(27.2)
– Reclassification to profit or loss of currency translation loss on foreign operations sold		**–**	6.7	28.4
		79.2	(151.0)	147.1
Available-for-sale investments:				
– Gain/(loss) arising in the period		**0.4**	(1.0)	(0.8)
– Reclassification to profit or loss of gain on investments sold		**–**	(1.2)	(0.6)
		0.4	(2.2)	(1.4)
Post-employment benefits:				
– Net actuarial (loss)/gain		**(143.8)**	(98.8)	95.9
– Effect of the asset ceiling		**18.6**	12.3	(43.8)
		(125.2)	(86.5)	52.1
Other comprehensive (loss)/income before tax		**(45.6)**	(239.7)	197.8
Income tax benefit/(expense) on components of other comprehensive (loss)/income	*12*	**26.3**	14.3	(12.4)
Other comprehensive (loss)/income after tax		**(19.3)**	(225.4)	185.4
Comprehensive (loss)/income for the period		**(13.3)**	(271.9)	503.9
Attributable to:				
– Equity shareholders in Tomkins plc		**(36.8)**	(288.3)	474.3
– Minority shareholders in subsidiaries		**23.5**	16.4	29.6
		(13.3)	(271.9)	503.9

* See note 2

CONSOLIDATED CASH FLOW STATEMENT

	Note	**Year ended 2 January 2010 $ million**	Year ended 3 January 2009 $ million	Year ended 29 December 2007 $ million
Operating activities				
Cash generated from operations	*18*	**532.1**	628.7	638.7
Income taxes paid		**(50.3)**	(116.3)	(110.4)
Income taxes received		**31.2**	31.8	24.2
Net cash inflow from operating activities		**513.0**	544.2	552.5
Investing activities				
Purchase of property, plant and equipment		**(115.2)**	(183.2)	(231.3)
Purchase of computer software		**(7.8)**	(10.6)	(5.2)
Capitalisation of development costs		**(0.6)**	(0.6)	(0.4)
Disposal of property, plant and equipment		**12.9**	7.9	39.6
Purchase of available-for-sale investments		**–**	(0.1)	(0.2)
Sale of available-for-sale investments		**–**	1.6	0.6
Investments in associates		**(2.7)**	(10.4)	(3.8)
Purchase of interests in subsidiaries, net of cash acquired	*41*	**(26.5)**	(65.0)	(17.0)
Sale of businesses and subsidiaries, net of cash disposed	*42*	**0.7**	124.6	216.3
Interest received		**3.6**	11.2	12.2
Dividends received from associates		**0.3**	0.6	1.4
Net cash (outflow)/inflow from investing activities		**(135.3)**	(124.0)	12.2
Financing activities				
Issue of ordinary shares		**0.1**	0.2	2.4
Redemption of preference shares		**–**	–	(1.2)
Draw-down of bank and other loans		**2.8**	114.6	8.4
Repayment of bank and other loans		**(164.4)**	(15.6)	(289.9)
Receipts/(payments) on foreign currency derivatives		**39.6**	(178.6)	(16.3)
Capital element of finance lease rental payments		**(2.8)**	(2.8)	(3.2)
Interest element of finance lease rental payments		**(0.4)**	(0.5)	(1.4)
Decrease in collateralised cash		**2.1**	0.7	2.4
Purchase of own shares		**(1.4)**	(4.7)	(6.9)
Interest paid		**(37.5)**	(55.0)	(64.8)
Financing costs paid		**(6.3)**	–	–
Equity dividend paid		**(48.3)**	(246.2)	(247.3)
Preference dividend paid		**–**	–	(2.0)
Investment by a minority shareholder in a subsidiary		**4.7**	0.4	3.8
Dividend paid to a minority shareholder in a subsidiary		**(8.7)**	(13.5)	(14.4)
Net cash outflow from financing activities		**(220.5)**	(401.0)	(630.4)
Increase/(decrease) in net cash and cash equivalents		**157.2**	19.2	(65.7)
Net cash and cash equivalents at the beginning of the period		**278.2**	280.2	326.4
Foreign currency translation		**4.8**	(21.2)	19.5
Net cash and cash equivalents at the end of the period		**440.2**	278.2	280.2

Analysis of net cash and cash equivalents:

	As at 2 January 2010 $ million	As at 3 January 2009 $ million	As at 29 December 2007 $ million
Cash and cash equivalents	**445.0**	291.9	295.9
Bank overdrafts	**(4.8)**	(13.7)	(15.7)
	440.2	278.2	280.2

As at 2 January 2010, the Group's net debt was $207.5 million (3 January 2009: $476.4 million; 29 December 2007: $591.5 million).

A reconciliation of the change in net cash and cash equivalents to the movement in net debt is presented in note 18.

CONSOLIDATED BALANCE SHEET

	Note	As at 2 January 2010 $ million	As at 3 January 2009 $ million
Non-current assets			
Goodwill	19	**436.0**	415.9
Other intangible assets	20	**78.0**	108.8
Property, plant and equipment	21	**1,122.8**	1,167.3
Investments in associates	22	**20.6**	20.3
Trade and other receivables	24	**81.1**	105.9
Deferred tax assets	36	**82.9**	64.8
Post-employment benefit surpluses	34	**1.3**	5.3
		1,822.7	1,888.3
Current assets			
Inventories	23	**590.8**	772.4
Trade and other receivables	24	**753.0**	769.7
Income tax recoverable		**49.0**	47.6
Available-for-sale investments	26	**1.2**	0.8
Cash and cash equivalents	27	**445.0**	291.9
		1,839.0	1,882.4
Assets held for sale	28	**11.9**	–
Total assets		**3,673.6**	3,770.7
Current liabilities			
Bank overdrafts	29	**(4.8)**	(13.7)
Bank and other loans	29	**(11.2)**	(29.5)
Obligations under finance leases	30	**(1.0)**	(1.5)
Trade and other payables	31	**(677.6)**	(650.1)
Income tax liabilities		**(15.2)**	(17.9)
Provisions	37	**(100.3)**	(48.8)
		(810.1)	(761.5)
Non-current liabilities			
Bank and other loans	29	**(687.3)**	(762.9)
Obligations under finance leases	30	**(3.6)**	(5.4)
Trade and other payables	31	**(27.1)**	(51.6)
Post-employment benefit obligations	34	**(343.5)**	(333.6)
Deferred tax liabilities	36	**(25.3)**	(29.7)
Income tax liabilities		**(79.5)**	(63.5)
Provisions	37	**(19.2)**	(23.2)
		(1,185.5)	(1,269.9)
Total liabilities		**(1,995.6)**	(2,031.4)
Net assets		**1,678.0**	1,739.3
Capital and reserves			
Ordinary share capital	38	**79.6**	79.6
Share premium account	38	**799.2**	799.1
Deferred shares	38	**–**	0.1
Own shares	39	**(8.2)**	(14.9)
Capital redemption reserve	38	**921.8**	921.7
Currency translation reserve		**(93.0)**	(169.6)
Available-for-sale reserve		**(0.9)**	(1.0)
Accumulated deficit		**(161.9)**	(4.2)
Shareholders' equity		**1,536.6**	1,610.8
Minority interests		**141.4**	128.5
Total equity		**1,678.0**	1,739.3

Approved by the Board on 26 February 2010 and signed on its behalf by:

J Nicol Director **J W Zimmerman** Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Ordinary share capital (note 38) $ million	Cancellation reserve $ million	Share premium account (note 38) $ million
As at 30 December 2006	62.9	–	549.6
Year ended 29 December 2007			
Profit for the period	–	–	–
Other comprehensive income/(loss)	–	–	–
Total comprehensive income/(loss)	–	–	–
Other changes in shareholders' equity:			
– Conversion of preference shares	2.5	–	127.5
– Issue of ordinary shares	0.1	–	2.3
– Dividends paid on ordinary shares	–	–	–
– Purchase of own shares	–	–	–
– Transfer of own shares	–	–	–
– Cost of share-based incentives (net of tax expense of $0.2 million)	–	–	–
– Dividends paid to minority shareholders	–	–	–
– Purchase of a minority interest	–	–	–
– Shares issued by a subsidiary to minority shareholders	–	–	–
As at 29 December 2007	65.5	–	679.4
Year ended 3 January 2009			
(Loss)/profit for the period	–	–	–
Other comprehensive loss	–	–	–
Total comprehensive (loss)/income	–	–	–
Other changes in shareholders' equity:			
– Transfer of currency translation difference on change of functional currency	22.6	–	112.4
– Issue of ordinary shares before redenomination	–	–	0.2
– Redenomination of ordinary shares:			
Cancellation of ordinary shares of 5p each	(88.1)	88.1	–
Currency translation difference on redenomination	–	(1.3)	–
Issue of deferred shares of £1 each	–	–	(0.1)
Issue of ordinary shares of 9c each	79.6	(79.6)	–
Transfer to the share premium account	–	(7.2)	7.2
	(8.5)	–	7.1
– Dividends paid on ordinary shares	–	–	–
– Purchase of own shares	–	–	–
– Transfer of own shares	–	–	–
– Cost of share-based incentives	–	–	–
– Dividends paid to minority shareholders	–	–	–
– Shares issued by a subsidiary to minority shareholders	–	–	–
– Minority interest on acquisition of a subsidiary	–	–	–
As at 3 January 2009	79.6	–	799.1
Year ended 2 January 2010			
Profit/(loss) for the period	–	–	–
Other comprehensive (loss)/income	–	–	–
Total comprehensive (loss)/income	–	–	–
Other changes in equity:			
– Cancellation of deferred shares	–	–	–
– Issue of ordinary shares	–	–	0.1
– Dividends paid on ordinary shares	–	–	–
– Purchase of own shares	–	–	–
– Transfer of own shares	–	–	–
– Cost of share-based incentives (including a tax benefit of $0.9 million)	–	–	–
– Dividends paid to minority shareholders	–	–	–
– Purchase of a minority interest	–	–	–
– Shares issued by a subsidiary to minority shareholders	–	–	–
As at 2 January 2010	**79.6**	**–**	**799.2**

Deferred shares (note 38) $ million	Own shares (note 39) $ million	Capital redemption reserve (note 38) $ million	Currency translation reserve $ million	Available-for-sale reserve $ million	Retained profit/ (accumulated deficit) $ million	Total shareholders' equity $ million	Minority interests $ million	Total equity $ million
–	(19.8)	717.6	171.4	0.2	287.3	1,769.2	99.0	1,868.2
–	–	–	–	–	293.5	293.5	25.0	318.5
–	–	–	142.3	(0.4)	38.9	180.8	4.6	185.4
–	–	–	142.3	(0.4)	332.4	474.3	29.6	503.9
–	–	1.2	–	–	(1.2)	130.0	–	130.0
–	–	–	–	–	–	2.4	–	2.4
–	–	–	–	–	(247.3)	(247.3)	–	(247.3)
–	(6.9)	–	–	–	–	(6.9)	–	(6.9)
–	7.8	–	–	–	(7.8)	–	–	–
–	–	–	–	–	16.1	16.1	–	16.1
–	–	–	–	–	–	–	(14.4)	(14.4)
–	–	–	–	–	–	–	(1.0)	(1.0)
–	–	–	–	–	–	–	3.8	3.8
–	(18.9)	718.8	313.7	(0.2)	379.5	2,137.8	117.0	2,254.8
–	–	–	–	–	(64.6)	(64.6)	18.1	(46.5)
–	–	–	(150.1)	(0.8)	(72.8)	(223.7)	(1.7)	(225.4)
–	–	–	(150.1)	(0.8)	(137.4)	(288.3)	16.4	(271.9)
–	(3.4)	202.9	(334.5)	–	–	–	–	–
–	–	–	–	–	–	0.2	–	0.2
–	–	–	–	–	–	–	–	–
–	–	–	1.3	–	–	–	–	–
0.1	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–
0.1	–	–	1.3	–	–	–	–	–
–	–	–	–	–	(246.2)	(246.2)	–	(246.2)
–	(4.7)	–	–	–	–	(4.7)	–	(4.7)
–	12.1	–	–	–	(12.1)	–	–	–
–	–	–	–	–	12.0	12.0	–	12.0
–	–	–	–	–	–	–	(13.5)	(13.5)
–	–	–	–	–	–	–	0.4	0.4
–	–	–	–	–	–	–	8.2	8.2
0.1	(14.9)	921.7	(169.6)	(1.0)	(4.2)	1,610.8	128.5	1,739.3
–	–	–	–	–	(15.6)	(15.6)	21.6	6.0
–	–	–	76.6	0.1	(97.9)	(21.2)	1.9	(19.3)
–	–	–	76.6	0.1	(113.5)	(36.8)	23.5	(13.3)
(0.1)	–	0.1	–	–	–	–	–	–
–	–	–	–	–	–	0.1	–	0.1
–	–	–	–	–	(48.3)	(48.3)	–	(48.3)
–	(1.4)	–	–	–	–	(1.4)	–	(1.4)
–	8.1	–	–	–	(8.1)	–	–	–
–	–	–	–	–	12.2	12.2	–	12.2
–	–	–	–	–	–	–	(8.7)	(8.7)
–	–	–	–	–	–	–	(6.6)	(6.6)
–	–	–	–	–	–	–	4.7	4.7
–	**(8.2)**	**921.8**	**(93.0)**	**(0.9)**	**(161.9)**	**1,536.6**	**141.4**	**1,678.0**

NOTES TO THE FINANCIAL STATEMENTS

1. Nature of operations

Tomkins plc and its subsidiaries comprise a global engineering and manufacturing business. As explained in note 4, during 2009, the Group's internal management reports were restructured to distinguish between those of the Group's continuing operations that are ongoing and those that have been exited but do not meet the conditions to be classified as discontinued operations.

The Group is organised for management reporting purposes into two principal business groups: Industrial & Automotive and Building Products.

Industrial & Automotive manufactures a wide range of systems and components for car, truck and industrial equipment manufacturing markets, and industrial and automotive aftermarkets throughout the world. Industrial & Automotive is comprised of four ongoing operating segments: Power Transmission, Fluid Power, Sensors & Valves and Other Industrial & Automotive.

Building Products is comprised of two ongoing operating segments: Air Distribution and Bathware. Air Distribution supplies the industrial and residential heating, ventilation and air conditioning market, mainly in North America. Bathware manufactures baths and whirlpools for the residential, and hotel and resort development markets, mainly in North America.

2. Principal accounting policies

A. Basis of preparation

The consolidated financial statements on pages 64 to 134 have been prepared on a going concern basis in accordance with International Financial Reporting Standards adopted for use in the European Union and, except as described under the heading 'Financial instruments', under the historical cost convention.

From the Group's perspective, there are no applicable differences between IFRS adopted for use in the European Union and IFRS as issued by the IASB and, therefore, the financial statements also comply with IFRS as issued by the IASB.

At the beginning of 2009, the Group adopted the following accounting pronouncements that are relevant to its operations, none of which had any significant impact on its results or financial position:

- IAS 1 Revised (2007) 'Presentation of Financial Statements'.
- IAS 23 Revised (2007) 'Borrowing Costs'.
- Amendments to IFRS 2 'Share-based Payment – Vesting Conditions and Cancellations'.
- Amendments to IFRS 7 'Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments'.
- 'Improvements to IFRSs 2008', except where adoption of an improvement is not permitted without also adopting IAS 27 Revised (2008) 'Consolidated and Separate Financial Statements'.
- IFRIC 16 'Hedges of a Net Investment in a Foreign Operation'.

Retrospective application of the amendment to IFRS 2 had the effect of increasing administrative expenses by $0.5 million to $513.3 million in 2008 and by $0.3 million to $500.9 million in 2007, and there was a corresponding increase in the credit to equity in relation to share-based incentives (there were no tax effects). In 2008, the loss per share from continuing operations was increased by 0.05 cents to 7.34 cents. In 2007, basic earnings per share from continuing operations were reduced by 0.04 cents to 33.72 cents and diluted earnings per share from continuing operations were reduced by 0.03 cents to 33.34 cents. Prior year balance sheets were not affected by this change of accounting policy.

B. Accounting period

The Group'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') and the 52-week period from 31 December 2006 to 29 December 2007 ('2007').

C. Basis of consolidation

The consolidated financial statements include the results, cash flows and assets and liabilities of the Company and its subsidiaries, and the Group's share of the results and net assets of its associates.

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. The results of a subsidiary acquired during the period are included in the Group's results from the effective date of acquisition. The results of a subsidiary sold during the period are included in the Group's results up to the effective date of disposal.

Where accumulated losses applicable to a minority interest in a subsidiary exceed the minority's interest in the equity of the subsidiary, the excess is allocated to the Group's interest in the subsidiary, except to the extent that the minority has a binding obligation and is able to make an additional investment to cover its share of the accumulated losses.

Intra-Group transactions and balances, and any unrealised profits or losses arising from intra-Group transactions, are eliminated on consolidation.

D. Associates

An associate is an entity over which the Company, either directly or indirectly, is in a position to exercise significant influence by participating in, but not controlling or jointly controlling, the financial and operating policies of the entity.

Associates are accounted for using the equity method. Losses of an associate in excess of the Group's interest in the entity are not recognised, except to the extent that the Group has incurred obligations on behalf of the entity. Profits or losses recognised by the Company or its subsidiaries on transactions with an associate are eliminated to the extent of the Group's interest in the associate concerned.

E. Foreign currency translation

At entity level, transactions denominated in foreign currencies are translated into the entity'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 arising at entity level are recognised in profit or loss.

On consolidation, the results of foreign operations are translated into the Group's presentation currency at the average exchange rate for the period and their assets and liabilities are translated into the Group's presentation currency at the exchange rate ruling on the balance sheet date. Currency translation differences arising on consolidation are recognised in other comprehensive income and taken to the currency translation reserve.

In the event that a foreign operation is sold, the gain or loss on disposal recognised in profit or loss is determined after taking into account the cumulative currency translation differences arising on consolidation of the operation. On adoption of IFRS, the Group elected to deem such cumulative currency translation differences to be nil. Accordingly, the gain or loss recognised on disposal of a foreign operation does not include such currency translation differences that arose before 4 January 2004.

In the cash flow statement, the cash flows of foreign operations are translated into the Group's presentation currency at the average exchange rate for the period.

F. Revenue

Revenue from the sale of goods is measured at the invoiced amount net of returns, early settlement discounts, rebates and sales taxes and is recognised only where there is persuasive evidence of a sales agreement, the delivery of goods has occurred and, where there are contractual acceptance provisions, the customer has accepted the goods (or the right to reject them has lapsed), the sale price is fixed or determinable and the collectability of revenue is reasonably assured.

Where a customer has the right to return unwanted goods, future returns are estimated based on historical returns profiles. Settlement discounts that may apply to unpaid invoices are estimated based on the settlement histories of the relevant customers. Rebates that may apply to issued invoices are estimated based on expected total qualifying sales to the relevant customers.

Interest income is accrued on a time basis using the effective interest method.

Dividend income is recognised when payment is received.

G. Restructuring initiatives

Restructuring initiatives comprise expenses incurred in major projects undertaken to rationalise and improve the cost competitiveness of the Group and consequential gains and losses arising on the disposal or exit of businesses or on the disposal of assets.

H. Borrowing costs

Borrowing costs directly attributable to the construction of a production, distribution or administration facility are capitalised as part of the cost of the facility if, at the outset of construction, the facility was expected to take more than 12 months to get ready for its intended use and construction commenced on or after 4 January 2009.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

I. Goodwill

Business combinations are accounted for using the purchase method.

Goodwill arises on the acquisition of interests in subsidiaries and associates. Goodwill represents any excess of the cost of acquisition over the interest acquired by the Group in the fair value of the entity's identifiable assets, liabilities and contingent liabilities at the date of acquisition.

Goodwill in respect of an acquired subsidiary is recognised as an intangible asset and is allocated to the CGU or group of CGUs that are expected to benefit from the synergies of the acquisition. Goodwill is not amortised but tested at least annually for impairment and carried at cost less any recognised impairment.

Goodwill in respect of an acquired interest in an associate is subsumed within investments in associates.

Where the interest acquired by the Group in the fair value of the entity's assets, liabilities and contingent liabilities exceeds the cost of acquisition, the excess is recognised immediately as a gain in profit or loss.

J. Other intangible assets

Other intangible assets are stated at cost less accumulated amortisation and any recognised impairment losses. All intangible assets recognised by the Group are considered to have finite useful lives.

(i) Assets acquired in business combinations
An intangible resource acquired in a business combination is recognised as an intangible asset if it is separable from the acquired business or arises from contractual or legal rights. An acquired intangible asset is amortised on a straight-line basis so as to charge its cost, which represents its fair value at the date of acquisition, to profit or loss over its expected useful life, which is in the range 2 to 15 years.

(ii) Product development costs
All research expenditure is charged to profit or loss in the period in which it is incurred.

Development expenditure is charged to profit or loss in the period in which it is incurred unless it relates to the development of a new or significantly improved product, it is incurred after the technical feasibility of the product has been proven, and customer orders have been received that are expected to provide income sufficient to cover the further development expenditure that will be incurred prior to the product going into full production. Capitalised development expenditure is amortised on a straight-line basis such that it is charged to profit or loss over the expected life of the resulting product.

2. Principal accounting policies (continued)

J. Other intangible assets (continued)

(iii) Computer software
Computer software that is not integral to an item of property, plant and equipment is recognised separately as an intangible asset. Amortisation is provided on a straight-line basis so as to charge the cost of the software to profit or loss over its expected useful life, which is in the range 3 to 5 years.

K. Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any recognised impairment losses.

Freehold land and assets under construction are not depreciated. Depreciation of property, plant and equipment, other than freehold land and assets under construction, is generally provided on a straight-line basis so as to charge the depreciable amount to profit or loss over the expected useful life of the asset concerned, which is in the following ranges:

Freehold buildings and long-leasehold property	50 years
Short-leasehold property	Length of lease
Plant, equipment and vehicles	2 to 20 years

L. Leases

Leases that confer rights and obligations similar to those that attach to owned assets are classified as finance leases. All other leases are classified as operating leases.

Assets held under finance leases are included within property, plant and equipment, initially measured at their fair value or, if lower, the present value of the minimum lease payments, and a corresponding liability is recognised within obligations under finance leases. Subsequently, the assets are depreciated on a basis consistent with similar owned assets or over the term of the lease, if shorter. At inception of the lease, the lease rentals are apportioned between an interest element and a capital element so as to produce a constant periodic rate of interest on the outstanding liability. Thereafter, the interest element is recognised as an expense in profit or loss while the capital element is applied to reduce the outstanding liability.

Operating lease payments, and any incentives receivable, are recognised in profit or loss on a straight-line basis over the term of the lease.

M. Impairment of long-lived assets

Goodwill, other intangible assets and property, plant and equipment are tested for impairment whenever events or circumstances indicate that their carrying amounts might be impaired. Additionally, goodwill and any capitalised development expenditure relating to a product that is not yet in full production are subject to an annual impairment test.

An asset is impaired to the extent that its carrying amount exceeds its recoverable amount, which represents the higher of the asset's value in use and its fair value less costs to sell. An asset's value in use represents the present value of the future cash flows expected to be derived from the continued use of the asset. Fair value less costs to sell is the amount obtainable from the sale of the asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Where it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount is determined for the CGU to which the asset belongs. An asset's CGU is the smallest group of assets that includes the asset and generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Goodwill does not generate cash flows independently of other assets and is, therefore, tested for impairment at the level of the CGU or group of CGUs to which it is allocated.

Where appropriate, impairment of long-lived assets other than goodwill is recognised before goodwill is tested for impairment. When goodwill is tested for impairment and the carrying amount of the CGU or group of CGUs to which the goodwill has been allocated exceeds its recoverable amount, the impairment is allocated first to reduce the carrying amount of the goodwill and then to the other long-lived assets belonging to the CGU or group of CGUs pro-rata on the basis of their carrying amounts.

Impairments are recognised in profit or loss. Impairments recognised in previous periods for long-lived assets other than goodwill are reversed if there has been a change in the estimates used to determine the asset's recoverable amount, but only to the extent that the carrying amount of the asset does not exceed its carrying amount had no impairment been recognised in previous periods. Impairments recognised in respect of goodwill are not reversed.

N. Inventories

Inventories are valued at the lower of cost and net realisable value, with due allowance for any excess, obsolete or slow-moving items. Cost represents the expenditure incurred in bringing inventories to their existing location and condition, which may include the cost of raw materials, direct labour costs, other direct costs and related production overheads. Cost is generally determined on a first in, first out basis. Net realisable value is the estimated selling price less costs to complete and sell.

O. Grants

Grants received relating to property, plant and equipment are treated as deferred income and recognised in profit or loss in equal instalments over the expected useful life of the asset concerned. Other grants received are recognised in profit or loss on a systematic basis so as to match them with the costs they are intended to compensate or, if those costs have already been recognised, the grants are recognised in profit or loss in the period in which they are received.

P. Financial instruments

(i) Investments
Listed investments are classified as available-for-sale and are measured at fair value. Changes in their fair values are recognised in other comprehensive income and taken to the available-for-sale reserve, except to the extent that they represent an other than temporary impairment in which case the impairment is recognised in profit or loss. In the event that such an investment is sold, the realised gain or loss is transferred from other comprehensive income to profit or loss.

(ii) Trade receivables
Trade receivables represent the amount of sales of goods to customers for which payment has not been received, less an allowance for doubtful accounts that is estimated based on factors such as the credit rating of the customer, historical trends, the current economic environment and other information.

(iii) Cash and cash equivalents
Cash and cash equivalents comprise cash in hand, deposits available on demand and other short-term, highly-liquid investments with a maturity on acquisition of three months or less, and bank overdrafts. Bank overdrafts are presented as current liabilities to the extent that there is no right of offset with cash balances.

(iv) Trade payables
Trade payables represent the amount of invoices received from suppliers for purchases of goods and services for which payment has not been made.

(v) 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.

(vi) Derivative financial instruments
The Group uses derivative financial instruments, principally foreign currency swaps, forward foreign currency contracts and interest rate swaps, to reduce its exposure to exchange rate and interest rate movements. The Group does not hold or issue derivatives for speculative 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 profit or loss 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 or is so adjusted but that adjustment is not recognised in profit or loss. Provided the conditions specified by IAS 39 'Financial Instruments: Recognition and Measurement' are met, hedge accounting may be used to mitigate this volatility.

The Group does not generally apply hedge accounting to transactional foreign currency hedging relationships, such as hedges of forecast or committed transactions. It does, however, apply hedge accounting to translational foreign currency hedging relationships and to hedges of its interest rate exposures where it is permissible to do so under IAS 39. When hedge accounting is used, the relevant hedging relationships are classified as a fair value hedge, a cash flow hedge or, in the case of a hedge of the Group's net investment in a foreign operation, a net investment hedge.

Where the hedging relationship is classified as a fair value hedge, 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 profit or loss where, to the extent that the hedge is effective, it offsets the change in the fair value of the hedging instrument.

Where the hedging relationship is classified as a cash flow hedge or as a net investment hedge, to the extent the hedge is effective, the change in the fair value of the hedging instrument attributable to the hedged risk is recognised in other comprehensive income rather than in profit or loss. When the hedged item in a cash flow hedge is recognised in the financial statements, the accumulated gain or loss recognised in other comprehensive income is either transferred to profit or loss or, if the hedged item results in a non-financial asset, is recognised as an adjustment to the asset's initial carrying amount. In the event that a foreign operation that is designated as a hedged item in a net investment hedge is sold, the accumulated currency translation gain or loss on the hedging instrument that is recognised in other comprehensive income is transferred to profit or loss and included in the gain or loss on disposal of the foreign operation.

Derivative financial instruments are classified as current assets or liabilities unless they are in a designated hedging relationship and the hedged item is classified as a non-current asset or liability.

Derivative financial instruments that are not in a designated hedging relationship are classed as trading.

(vii) Contracts to buy or sell non-financial items
From time to time, the Group enters into forward contracts to fix the price of energy and raw materials purchased for use in its manufacturing operations. Such contracts fall outside the scope of IAS 39, provided that they were entered into and continue to be held for the purpose of receipt or delivery in accordance with the Group's expected purchase, sale or usage requirements. Where these conditions are not met, the contracts are classified and accounted for in the same way as derivative financial instruments.

(viii) 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 profit or loss.

(ix) Preference shares
Prior to their redemption in July 2007, the Company's US dollar denominated 5.56% convertible cumulative preference shares were classified as non-current liabilities. Dividends payable on the preference shares were included in interest payable.

(x) Own shares
Own shares represent the Company's ordinary shares that are held by the Company in treasury, by its subsidiaries 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 equity. Gains or losses on the sale or transfer of own shares are recognised directly in equity.

2. Principal accounting policies (continued)

Q. Post-employment benefits

Post-employment benefits comprise pension benefits provided to employees throughout the world and other benefits, mainly healthcare, provided to certain employees in North America.

For defined contribution plans, the cost of providing the benefits represents the Group's contributions to the plans and is recognised in profit or loss in the period in which the contributions fall due.

For defined benefit plans, the cost of providing the benefits is determined based on actuarial valuations of each of the plans that are carried out annually at the Group'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 profit or loss 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 any 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 profit or loss 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, where available, or on government bonds. Gains or losses on curtailments or settlements are recognised in profit or loss 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 the actuarial assumptions, are recognised in other comprehensive income in the period in which they occur.

The defined benefit liability or asset recognised in the balance sheet comprises the net total for each plan of the present value of the benefit obligation, minus any past service costs not yet recognised, minus the fair value of the plan assets at the balance sheet date. Where a plan is in surplus, the asset recognised is limited to the amount of any unrecognised past service costs and the present value of any amounts that the Group expects to recover by way of refunds or a reduction in future contributions. The net total for all plans in surplus is classified as a non-current asset. The net total for all plans in deficit is classified as a non-current liability.

R. Share-based incentives

Share-based incentives are provided to employees under the Group's share option, bonus and other share award schemes. All existing schemes are classified as equity-settled. The Group recognises a compensation expense in respect of these schemes that is based on the fair value of the awards, where appropriate, 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 reduce the compensation expense 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 Group or by a participating employee, the compensation expense that would have been recognised over the remainder of the vesting period is recognised immediately in profit or loss.

S. Provisions

A provision is a liability of uncertain timing or amount and is recognised when the Group has a present obligation as a result of a past event, it is probable that payment will be made to settle the obligation and the payment can be estimated reliably.

Provision is made for warranty claims when the relevant products are sold, based on historical experience of the nature, frequency and average cost of warranty claims.

Provision is made for the cost of product recalls if management considers it probable that it will be necessary to recall a specific product and the amount can be reasonably estimated.

Provision is made for restructuring costs when a detailed formal plan for the restructuring has been determined and the plan has been communicated to the parties that may be affected by it. Gains from the expected disposal of assets are not taken into account in measuring restructuring provisions and provision is not made for future operating losses.

Provision is made for claims for compensation for injuries sustained by the Group's employees while at work. The provision represents management's best estimate of the liability for claims made but not yet fully settled and for incidents which have occurred but have not yet been reported to the Group. The Group's liability for claims made but not yet fully settled is calculated on an actuarial basis by a third party administrator. Historical data trends are used to estimate the liability for unreported incidents.

T. Taxation

Current tax is the amount of tax payable or recoverable in respect of the taxable profit or loss for the period. Taxable profit differs from accounting profit because it excludes items of income or expense that are recognised in the period for accounting purposes but are either not taxable or deductible for tax purposes or are taxable or deductible in other periods. Current tax is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

The Group recognises provisions in respect of uncertain tax positions whereby additional current tax may become payable in future periods following the audit by the tax authorities of previously-filed tax returns. Provisions for uncertain tax positions are based upon management's assessment of the likely outcome of issues associated with assumed permanent differences, interest that may be applied to temporary differences, and the possible disallowance of tax credits and penalties. Provisions for uncertain tax positions are reviewed regularly and are adjusted to reflect events such as the expiry of limitation periods for assessing tax, administrative guidance given by the tax authorities and court decisions.

Deferred tax is tax expected to be payable or recoverable on differences between the carrying amount of an asset or a liability and its tax base used in the computation of taxable profit. Deferred tax is accounted for using the liability method, whereby deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available in the foreseeable future against which the deductible temporary differences may be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of other assets and liabilities in a transaction other than a business combination that affects neither accounting profit nor taxable profit.

Deferred tax is provided on temporary differences arising on investments in foreign subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated using the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised.

Current tax assets and current tax liabilities are offset when there is a legally enforceable right to set off the amounts and management intends to settle on a net basis. Deferred tax assets and deferred tax liabilities are offset where there is a legally enforceable right to offset current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

Current and deferred tax is recognised in profit or loss unless it relates to an item that is recognised in the same or a different period outside profit or loss, in which case it too is recognised outside profit or loss, either in other comprehensive income or directly in equity.

U. Assets held for sale and discontinued operations

An asset is classified as held for sale if its carrying amount will be recovered by sale rather than by continuing use in the business, the asset is available for immediate sale in its present condition, management is committed to, and has initiated, a plan to sell the asset which, when initiated, was expected to result in a completed sale within 12 months. An extension of the period required to complete the sale does not preclude the asset from being classified as held for sale, provided the delay was for reasons beyond the Group's control and management remains committed to its plan to sell the asset. Assets that are classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

A discontinued operation is a component of an entity that has either been disposed of, or satisfies the criteria to be classified as held for sale, and represents a separate major line of business or geographic area of operations, is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations, or is a subsidiary acquired exclusively with a view to disposal.

V. 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' equity.

W. Accounting pronouncements not yet adopted

Recently-issued accounting pronouncements that may be relevant to the Group's operations but have not yet been adopted are outlined below. With the exception of the revisions to IFRS 3 and IAS 27, management does not expect that the adoption of these pronouncements will have a material impact on the Group's results or financial position.

IFRS 3 Revised 'Business Combinations' and IAS 27 Revised 'Consolidated and Separate Financial Statements'
In January 2008, the IASB issued revised versions of IFRS 3 and IAS 27 that contain a number of changes that will affect the accounting for future business combinations and the accounting in the event of the loss of control over a subsidiary.

Where a business combination involves a minority interest, the Group will be able to choose for each business combination whether to measure the minority interest at fair value or, as at present, at the minority's share of the fair value of the net assets of the acquired entity. In step acquisitions, previously held interests will be remeasured at fair value and any gain or loss arising will be recognised in profit or loss. On the loss of control of a subsidiary, any retained interest will be remeasured at fair value and any gain or loss will be reflected in the gain or loss on loss of control. Other significant changes are that acquisition costs will be expensed and adjustments to contingent consideration will be recognised in profit or loss.

IFRS 3 Revised and IAS 27 Revised are effective for annual periods commencing on or after 1 July 2009.

The financial effect of IFRS 3 Revised and IAS 27 Revised will be dependent on the circumstances surrounding the future transactions to which they will apply, that are at present unknown.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Principal accounting policies (continued)

W. Accounting pronouncements not yet adopted (continued)

IFRS 9 'Financial Instruments'
In November 2009, the IASB issued IFRS 9 which represents the first phase of its replacement of IAS 39 and introduces new requirements for the classification and measurement of financial assets and removes the need to separately account for certain embedded derivatives.

IFRS 9 is effective for annual periods commencing on or after 1 January 2013. Early adoption is permitted, but the standard has not yet been endorsed for use in the European Union.

Amendments to IFRS 2 'Share-based Payment – Group Cash-settled Share-based Payment Transactions'
In June 2009, the IASB amended IFRS 2 to incorporate the guidance previously included in IFRIC 8 'Scope of IFRS 2' and IFRIC 11 'IFRS 2 – Group and Treasury Share Transactions', which the Group adopted in 2007. The amendments to IFRS 2 are effective for annual periods beginning on or after 1 January 2010, but have not yet been endorsed for use in the European Union.

Amendments to IAS 24 'Related Party Disclosures'
In November 2009, the IASB amended IAS 24 to simplify the definition of a related party, clarify its intended meaning and eliminate a number of inconsistencies. The amendments are effective for annual periods beginning on or after 1 January 2011, but have not yet been endorsed for use in the European Union.

'Improvements to IFRSs 2009'
In April 2009, the IASB published its second annual improvements standard which contains minor amendments to standards that address a number of issues, including: disclosure of non-current assets or disposal groups classified as held for sale or as discontinued operations; disclosure of information about segment assets; the unit of accounting for goodwill impairment tests; the measurement of the fair value of an intangible asset acquired in a business combination; and the classification of leases of land and buildings.

Most of the amendments are effective for annual periods beginning on or after 1 January 2010, but have not yet been endorsed for use in the European Union.

IFRIC 19 'Extinguishing Liabilities with Equity Instruments'
In November 2009, IFRIC 19 was issued to clarify the required accounting where a debtor fully or partly extinguishes a liability by issuing equity instruments to the creditor. IFRIC 19 is effective for annual periods beginning on or after 1 July 2010, but has not yet been endorsed for use in the European Union.

Amendments to IFRIC 14 'IAS19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'
In November 2009, the IASB amended IFRIC 14 to remedy an unintended consequence of the pronouncement whereby entities were in some circumstances not permitted to recognise as an asset prepayments of minimum funding contributions. The amendments are effective for annual periods beginning on or after 1 January 2011, but have not yet been endorsed for use in the European Union.

3. Critical accounting estimates

A. Background

When applying the Group's accounting policies, management must make assumptions and estimates concerning the future that affect the carrying amounts of assets and liabilities at the balance sheet date, the disclosure of contingencies that existed at the balance sheet date and the amounts of revenue and expenses recognised during the accounting period. Such assumptions and estimates are based on factors such as historical experience, the observance of trends in the industries in which the Group operates and information available from the Group's customers and other outside sources.

Due to the inherent uncertainty involved in making assumptions and estimates, actual outcomes could differ from those assumptions and estimates. An analysis of the key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of the Group's assets and liabilities within the next financial year is presented below.

B. Post-employment benefits

The Group operates pension plans throughout the world, covering the majority of its employees. Pension benefits are provided by way of both defined contribution plans and defined benefit plans. The Group's defined benefit pension plans are closed to new entrants. The Group also provides other post-employment benefits, principally health and life insurance cover, to certain of its employees in North America by way of unfunded defined benefit plans.

The Group accounts for post-employment benefits in accordance with IAS 19 'Employee Benefits', whereby the cost of defined benefit plans is determined based on actuarial valuations of the plans that are carried out annually at the Group's balance sheet date. The actuarial valuations are dependent on assumptions about the future that are made by management on the advice of independent qualified actuaries. If actual experience differs from these assumptions, there could be a material change in the amounts recognised by the Group in respect of defined benefit plans in the next financial year.

As at 2 January 2010, the present value of the benefit obligation was $1,258.1 million. The benefit obligation is calculated using a number of assumptions including future salary increases, increases to pension benefits, mortality rates and, in the case of post-employment medical benefits, the expected rate of increase in medical costs. The present value of the benefit obligation is calculated by discounting the benefit obligation using market yields on high-quality corporate bonds at the balance sheet date. As at 2 January 2010, the fair value of the plan assets was $924.5 million. The plan assets consist largely of listed securities and their fair values are subject to fluctuation in response to changes in market conditions.

Effects of changes in the actuarial assumptions underlying the benefit obligation, effects of changes in the discount rate applicable to the benefit obligation and effects of differences between the expected and actual return on the plan assets are classified as actuarial gains and losses and are recognised in other comprehensive income. During 2009, the Group recognised a net actuarial loss of $143.8 million. Further actuarial gains and losses will be recognised during the next financial year.

An analysis of the assumptions that will be used by management to determine the cost of defined benefit plans that will be recognised in profit or loss in the next financial year is presented in note 34.

C. Impairment of long-lived assets

Goodwill, other intangible assets and property, plant and equipment are tested for impairment whenever events or circumstances indicate that their carrying amounts might be impaired. Additionally, goodwill and capitalised development expenditure relating to a product that is not yet in full production are subject to an annual impairment test. Due to the nature of the Group's operations, it is generally not possible to estimate the recoverable amount for individual long-lived assets and impairment tests are usually based on the value in use of the CGU or group of CGUs to which the asset belongs.

Value in use represents the net present value of the cash flows expected to arise from the relevant CGU or group of CGUs and its calculation requires management to estimate those cash flows and to apply a suitable discount rate to them.

Management bases the estimated cash flows of the CGU or group of CGUs on assumptions such as the future changes in sales volumes, future changes in selling prices, and future changes in material prices, salaries and other costs. Management determines a discount rate for each CGU or group of CGUs using a capital asset pricing model, which is based on variables including the applicable risk-free interest rates and, for determining the cost of equity, the long-term equity risk premium and the assumed share price volatility relative to the market and, for determining the cost of debt, the assumed credit risk spreads.

As at 2 January 2010, the carrying amount of long-lived assets was $1,636.8 million, after taking into account impairments totalling $57.5 million that were recognised during 2009. Further impairment losses may be recognised on these assets within the next financial year if there are adverse changes in the variables and assumptions underlying the estimated future cash flows of the CGUs or the discount rates that are applied to those cash flows. The sensitivity of the carrying amount of goodwill to the key assumptions underlying the value in use calculations is discussed in note 19.

D. Inventory

Inventories are stated at the lower of cost and net realisable value, with due allowance for excess, obsolete or slow-moving items. Net realisable value is based on current assessments of future demand, market conditions and new product development initiatives. As at 2 January 2010, the carrying value of inventories was $590.8 million, net of allowances of $63.9 million. Should demand for the Group's products decline during the next financial year, additional allowances may be necessary in respect of excess or slow-moving items.

E. Financial instruments

Derivative financial instruments that the Group holds for the purpose of hedging its currency and interest rate exposures are recognised as assets and liabilities in the Group's balance sheet measured at their fair value at the balance sheet date. As at 2 January 2010, the Group recognised a net asset of $51.9 million in respect of derivatives. The fair value of derivatives continually changes in response to changes in prevailing market conditions and applicable credit risk spreads. Where permissible under IAS 39, the Group uses hedge accounting to mitigate the impact of changes in the fair value of derivatives on profit or loss but the Group's results may be affected by changes in the fair values of derivatives where hedge accounting cannot be applied or due to hedge ineffectiveness.

F. Workers' compensation

Provision is made for claims for compensation for injuries sustained by the Group's employees while at work. The Group's liability for claims made but not fully settled is calculated on an actuarial basis. Historical data trends are used to estimate the liability for unreported incidents. As at 2 January 2010, the workers' compensation provision amounted to $22.0 million. Further provision may be necessary within the next financial year if the actual cost of settling claims exceeds management's estimates.

G. Environmental liabilities

Provision is made for the estimated cost of known environmental remediation obligations in relation to the Group's current and former manufacturing facilities. Cost estimates include the expenditure expected to be incurred in the initial remediation effort and, where appropriate, in the long-term monitoring of the relevant sites. Management monitors for each remediation project the costs incurred to date against expected total costs to complete and operates procedures to identify possible remediation obligations that are presently unknown.

As at 2 January 2010, the provision for environmental remediation costs amounted to $6.5 million. Further provision may be necessary within the next financial year if actual remediation costs exceed expected costs, new remediation obligations are identified or there are changes in the circumstances affecting the Group's legal or constructive remediation obligations.

3. Critical accounting estimates (continued)

H. Product warranties

Provision is made for the estimated cost of future warranty claims on the Group's products. Management bases the provision on historical experience of the nature, frequency and average cost of warranty claims and takes into account recent trends that might suggest that the historical claims experience may differ from future claims. As at 2 January 2010, the Group's provision for warranty claims amounted to $11.3 million. Further provision may be necessary within the next financial year if actual claims experience differs from management's estimates.

I. Taxation

The Group is subject to income tax in most of the jurisdictions in which it operates. Management is required to exercise significant judgement in determining the Group's provision for income taxes.

Estimation is required of taxable profit in order to determine the Group's current tax liability. Management's judgement is required in relation to uncertain tax positions whereby additional current tax may become payable in the future following the audit by the tax authorities of previously-filed tax returns. As at 2 January 2010, the Group holds a provision for uncertain tax positions amounting to $79.5 million. It is possible that the final outcome of these uncertain tax positions may differ from management's estimates.

Estimation is also required of temporary differences between the carrying amount of assets and liabilities and their tax base. Deferred tax liabilities are recognised for all taxable temporary differences but, where there exist deductible temporary differences, management's judgement is required as to whether a deferred tax asset should be recognised based on the availability of future taxable profits. As at 2 January 2010, the Group recognised net deferred tax assets amounting to $57.6 million, including $21.7 million in respect of tax losses and tax credits. Deferred tax assets of $783.7 million were not recognised in respect of tax losses and tax credits carried forward. It is possible that the deferred tax assets actually recoverable may differ from the amounts recognised if actual taxable profits differ from management's estimates.

As at 2 January 2010, deferred tax liabilities were not recognised on retained profits of foreign subsidiaries and associates amounting to $3,225.7 million because the Group is able to control the remittance of those profits to the UK and it is probable that they will not be remitted in the foreseeable future. Income tax may be payable on these amounts if circumstances change and either their remittance can no longer be controlled by the Group or they are actually remitted to the UK.

4. Segment information

A. Background

The Group's operating segments are identified by grouping together businesses that manufacture similar products, as this is the basis on which information is provided to the Board for the purposes of allocating resources within the Group and assessing the performance of the Group's businesses.

The Group's business segments are described in note 1.

During 2009, the Group substantially completed its long-term programme of disposing of or exiting its non-core businesses and changes were made to the Group's internal reporting structure to assist the Board in focusing on the performance of the Group's ongoing businesses. Distinction is now drawn between those of the Group's continuing operations that are ongoing and those that have been exited but do not meet the conditions to be classified as discontinued operations. The following changes were made:

- the Stant and Standard-Thomson businesses that were sold in 2008 were removed from the Fluid Systems segment and are now presented as a separate segment named Caps & Thermostats;
- the remainder of the Fluid Systems segment was renamed Sensors & Valves;
- the Dearborn Mid-West business that was sold in 2007 was removed from the Other Industrial & Automotive segment and is now presented as a separate segment named Materials Handling;
- the Air Systems Components segment was renamed Air Distribution;
- the Philips Doors and Windows business that was closed during 2009 was removed from the Other Building Products segment and is now presented as a separate segment named Doors & Windows;
- the Lasco Fittings business that was sold in 2007 was removed from the Other Building Products segment and is now presented as a separate segment named Fittings; and
- the remainder of the Other Building Products segment was renamed Bathware.

Also during 2009, the Group's Water Pumps business was transferred from Other Industrial & Automotive to Power Transmission.

Comparative information for 2008 and 2007 has been re-presented to reflect these changes.

B. Measure of segment profit or loss

The Board uses adjusted operating profit to measure the profitability of each segment. Adjusted operating profit is, therefore, the measure of segment profit or loss presented in the Group's segment disclosures.

Adjusted operating profit represents operating profit before specific items that are considered to hinder comparison of the trading performance of the Group's businesses either year on year or with other businesses.

During the periods under review, the items excluded from operating profit in arriving at adjusted operating profit were as follows:

- the amortisation of intangible assets arising on acquisitions;
- impairments, comprising impairments of goodwill and intangible assets arising on acquisitions and material impairments of other assets;
- restructuring costs;
- the net gain or loss on disposals and on the exit of businesses; and
- in 2009, the gain recognised on amendments to certain post-employment benefit plans in North America.

C. Sales and adjusted operating profit – continuing operations

	Sales			Adjusted operating profit/(loss)		
	Year ended 2 January 2010 $ million	Year ended 3 January 2009 $ million	Year ended 29 December 2007 $ million	**Year ended 2 January 2010 $ million**	Restated* Year ended 3 January 2009 $ million	Restated* Year ended 29 December 2007 $ million
Ongoing segments						
Industrial & Automotive:						
– Power Transmission	**1,763.4**	2,125.2	2,078.6	**212.4**	228.1	267.9
– Fluid Power	**588.7**	832.3	769.1	**(11.8)**	46.2	71.0
– Sensors & Valves	**313.6**	421.0	413.5	**0.1**	29.6	31.8
– Other Industrial & Automotive	**463.4**	602.1	717.5	**25.4**	45.5	74.1
	3,129.1	3,980.6	3,978.7	**226.1**	349.4	444.8
Building Products:						
– Air Distribution	**874.2**	1,112.3	1,083.6	**77.8**	104.2	102.5
– Bathware	**140.3**	208.2	275.5	**(8.7)**	(11.8)	5.8
	1,014.5	1,320.5	1,359.1	**69.1**	92.4	108.3
Corporate	**–**	–	–	**(32.3)**	(37.0)	(53.7)
Total ongoing	**4,143.6**	5,301.1	5,337.8	**262.9**	404.8	499.4
Exited segments						
Industrial & Automotive:						
– Caps & Thermostats	**–**	80.2	170.3	**–**	10.3	23.2
– Materials Handling	**–**	–	163.7	**–**	–	9.4
	–	80.2	334.0	**–**	10.3	32.6
Building Products:						
– Doors & Windows	**36.5**	134.6	200.5	**(13.1)**	(12.2)	(3.7)
– Fittings	**–**	–	13.8	**–**	–	1.9
	36.5	134.6	214.3	**(13.1)**	(12.2)	(1.8)
Total exited	**36.5**	214.8	548.3	**(13.1)**	(1.9)	30.8
Total continuing operations	**4,180.1**	5,515.9	5,886.1	**249.8**	402.9	530.2

* See note 2

4. Segment information (continued)

C. Sales and adjusted operating profit – continuing operations (continued)

	Sales			Adjusted operating profit/(loss)		
	Year ended 2 January 2010 $ million	Year ended 3 January 2009 $ million	Year ended 29 December 2007 $ million	**Year ended 2 January 2010 $ million**	Restated* Year ended 3 January 2009 $ million	Restated* Year ended 29 December 2007 $ million
By origin						
US	**2,172.9**	2,947.6	3,457.0	**105.3**	181.4	300.8
UK	**297.0**	399.6	408.1	**4.7**	(5.0)	7.1
Rest of Europe	**603.5**	787.2	733.9	**29.4**	55.9	66.1
Rest of the world	**1,106.7**	1,381.5	1,287.1	**110.4**	170.6	156.2
	4,180.1	5,515.9	5,886.1	**249.8**	402.9	530.2
By destination						
US	**2,358.9**	3,178.7	3,712.5			
UK	**87.3**	129.0	149.4			
Rest of Europe	**665.8**	864.9	809.7			
Rest of the world	**1,068.1**	1,343.3	1,214.5			
	4,180.1	5,515.9	5,886.1			

* See note 2

Inter-segment sales were not significant.

Reconciliation of adjusted operating profit to profit/(loss) before tax:

	Year ended 2 January 2010 $ million	Restated* Year ended 3 January 2009 $ million	Restated* Year ended 29 December 2007 $ million
Adjusted operating profit	**249.8**	402.9	530.2
Amortisation of intangible assets arising on acquisitions	**(11.2)**	(10.6)	(7.2)
Impairments (see note 5)	**(73.0)**	(342.4)	(0.8)
Restructuring costs (see note 6)	**(144.1)**	(26.0)	(27.6)
Net gain on disposals and on the exit of businesses (see note 6)	**0.2**	43.0	91.4
Gain on amendment of post-employment benefits (see note 7)	**63.0**	–	–
Operating profit	**84.7**	66.9	586.0
Net finance costs	**(46.3)**	(75.0)	(60.9)
Profit/(loss) before tax	**38.4**	(8.1)	525.1

* See note 2

Segmental analysis of the sales and adjusted operating profit of discontinued operations is presented in note 13.

D. Segment assets

The Board does not review, and is not regularly provided with, an analysis of the Group's total assets by operating segment. In order to comply with the requirements of IFRS 8, an analysis is provided below of the Group's operating assets, goodwill and other intangible assets by operating segment:

	As at 2 January 2010 $ million	As at 3 January 2009 $ million	As at 29 December 2007 $ million
Ongoing segments			
Industrial & Automotive:			
– Power Transmission	**1,192.2**	1,216.4	1,730.7
– Fluid Power	**589.9**	594.5	601.6
– Sensors & Valves	**202.8**	236.3	312.2
– Other Industrial & Automotive	**310.9**	344.3	398.7
	2,295.8	2,391.5	3,043.2
Building Products:			
– Air Distribution	**645.5**	753.2	771.9
– Bathware	**69.2**	86.6	105.2
	714.7	839.8	877.1
Corporate	**23.8**	33.7	27.8
Total ongoing	**3,034.3**	3,265.0	3,948.1
Exited segments			
Industrial & Automotive:			
– Caps & Thermostats	**–**	–	94.2
Building Products:			
– Doors & Windows	**3.4**	24.2	45.8
Total exited	**3.4**	24.2	140.0
	3,037.7	3,289.2	4,088.1

Reconciliation of assets analysed by operating segment to total assets:

	As at 2 January 2010 $ million	As at 3 January 2009 $ million	As at 29 December 2007 $ million
Segment assets	**3,037.7**	3,289.2	4,088.1
Cash and cash equivalents	**445.0**	291.9	295.9
Collateralised cash	**2.1**	3.8	5.8
Derivatives hedging translational exposures	**56.9**	73.4	6.2
Deferred tax assets	**82.9**	64.8	47.4
Income tax recoverable	**49.0**	47.6	29.5
Total assets	**3,673.6**	3,770.7	4,472.9

4. Segment information (continued)

E. Non-current assets

The geographic analysis of long-lived assets (goodwill and other intangible assets, and property, plant and equipment) and investments in associates was as follows:

	As at 2 January 2010 $ million	As at 3 January 2009 $ million	As at 29 December 2007 $ million
By location			
US	**862.9**	957.3	1,047.0
UK	**65.6**	70.1	131.0
Rest of Europe	**175.2**	192.6	233.3
Rest of the world	**553.7**	492.3	773.9
	1,657.4	1,712.3	2,185.2

Capital expenditure, depreciation and amortisation in respect of long-lived assets was as follows:

	Year ended 2 January 2010			Year ended 3 January 2009			Year ended 29 December 2007		
	Capital expenditure $ million	**Depreciation $ million**	**Amortisation $ million**	Capital expenditure $ million	Depreciation $ million	Amortisation $ million	Capital expenditure $ million	Depreciation $ million	Amortisation $ million
Continuing operations									
Ongoing segments									
Industrial & Automotive:									
– Power Transmission	**50.3**	**74.3**	**7.5**	91.6	96.1	7.8	93.1	103.1	6.7
– Fluid Power	**36.4**	**25.5**	**8.2**	35.8	27.3	8.8	38.2	26.4	6.9
– Sensors & Valves	**5.7**	**23.8**	**1.2**	19.5	26.1	1.2	36.6	26.4	0.5
– Other Industrial & Automotive	**13.3**	**15.2**	**1.2**	12.2	15.8	1.1	26.1	17.5	1.0
	105.7	**138.8**	**18.1**	159.1	165.3	18.9	194.0	173.4	15.1
Building Products:									
– Air Distribution	**13.6**	**24.7**	**7.2**	28.4	26.3	6.6	23.5	26.0	4.7
– Bathware	**3.5**	**8.3**	**0.1**	2.2	9.6	0.2	6.7	9.3	0.1
	17.1	**33.0**	**7.3**	30.6	35.9	6.8	30.2	35.3	4.8
Corporate	**0.1**	**0.2**	**0.2**	0.2	0.1	0.3	0.3	0.4	0.4
Total ongoing	**122.9**	**172.0**	**25.6**	189.9	201.3	26.0	224.5	209.1	20.3
Exited segments									
Industrial & Automotive:									
– Caps & Thermostats	**–**	**–**	**–**	2.8	–	–	5.3	3.4	0.3
– Materials Handling	**–**	**–**	**–**	–	–	–	0.2	–	–
	–	**–**	**–**	2.8	–	–	5.5	3.4	0.3
Building Products:									
– Doors & Windows	**0.1**	**0.2**	**–**	1.1	1.8	–	1.9	3.4	–
– Fittings	**–**	**–**	**–**	–	–	–	0.2	–	–
	0.1	**0.2**	**–**	1.1	1.8	–	2.1	3.4	–
Total exited	**0.1**	**0.2**	**–**	3.9	1.8	–	7.6	6.8	0.3
Total continuing operations	**123.0**	**172.2**	**25.6**	193.8	203.1	26.0	232.1	215.9	20.6
Discontinued operations									
Industrial & Automotive:									
– Wiper Systems	**–**	**–**	**–**	–	–	–	4.4	–	–
Total Group	**123.0**	**172.2**	**25.6**	193.8	203.1	26.0	236.5	215.9	20.6

The Board regularly reviews the Group's capital expenditure, which represents cash outflows on additions to property, plant and equipment and non-integral computer software included within other intangible assets.

5. Impairments

In 2009, the Group recognised impairments amounting to $73.0 million, comprising $18.9 million on goodwill and intangible assets arising on acquisitions, $38.6 million on assets that have become impaired as a consequence of the Group's restructuring initiatives and $15.5 million on receivables held in relation to the disposal of businesses in previous years.

In 2008, impairments amounted to $342.4 million, of which $228.6 million related to goodwill and $113.8 million to property, plant and equipment, which largely resulted from the significant deterioration during 2008 of the North American automotive OE and US residential construction markets.

	Year ended 2 January 2010					Year ended 3 January 2009			Year ended 29 December 2007
	Goodwill $ million	Other intangible assets $ million	Property, plant and equipment $ million	Long-term receivables $ million	Total $ million	Goodwill $ million	Property, plant and equipment $ million	Total $ million	Goodwill $ million
Ongoing segments									
Industrial & Automotive:									
– Power Transmission	–	9.3	13.9	–	23.2	194.6	90.0	284.6	–
– Fluid Power	–	3.0	9.5	–	12.5	–	11.7	11.7	–
– Sensors & Valves	–	–	–	–	–	–	1.1	1.1	0.8
– Other Industrial & Automotive	–	–	0.7	–	0.7	–	–	–	–
	–	12.3	24.1	–	36.4	194.6	102.8	297.4	0.8
Building Products:									
– Air Distribution	8.7	9.7	0.2	–	18.6	34.0	–	34.0	–
– Bathware	–	–	2.5	–	2.5	–	–	–	–
	8.7	9.7	2.7	–	21.1	34.0	–	34.0	–
Corporate	–	–	–	15.5	15.5	–	–	–	–
Total ongoing	8.7	22.0	26.8	15.5	73.0	228.6	102.8	331.4	0.8
Exited segments									
Building Products:									
– Doors & Windows	–	–	–	–	–	–	11.0	11.0	–
Total continuing operations	8.7	22.0	26.8	15.5	73.0	228.6	113.8	342.4	0.8

6. Restructuring initiatives

A. Restructuring costs

Restructuring costs recognised during 2009 principally arose in relation to the restructuring of the Group's manufacturing operations under projects Eagle and Cheetah. In particular:

- in Industrial & Automotive, the cessation of Power Transmission's manufacturing operations in Aachen, Germany, and the closures of its powder metal facility at Mississauga, Ontario, scheduled for 2010, its pulley and tensioner facility at London, Ontario, and FormFlo in the UK; the cessation of Fluid Power's hose manufacturing activities in Erembodegem, Belgium and the substantial closure of its assembly facility at St. Neots, UK; and, in Other Industrial & Automotive, the closure of Ideal's manufacturing facility at St. Augustine, Florida and the rationalisation of Dexter's manufacturing facilities; and
- in Building Products, the closure of the Philips Doors and Windows business.

In 2008, restructuring costs principally related to the closure of Power Transmission's facility at Moncks Corner, South Carolina, further rationalisation of the Lasco Bathware business in the US and the closure of Hart & Cooley's production facility at Tucson, Arizona, and further costs associated with outsourcing of information technology services that began in 2007.

In 2007, restructuring costs principally related to the rationalisation of production facilities within the Lasco Bathware and Philips Doors and Windows businesses in the US, the outsourcing of information technology services, and the initiatives within the Fluid Power and Air Distribution segments that began in 2006.

B. Disposals and exit of businesses

In 2009, the Group recognised a net gain of $0.2 million in relation to the disposal of businesses in prior years.

In 2008, the Group recognised a gain of $43.2 million on the disposal of Stant and Standard-Thomson.

In 2007, the Group recognised a gain of $65.2 million on the disposal of Lasco Fittings Inc., a gain of $13.4 million on the disposal of Dearborn Mid-West and a loss of $2.6 million on the disposal of Tridon Electronics' indicator and side object detection businesses. Also during the year, the Group recognised a gain of $15.4 million on the disposal of Corporate property.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. Restructuring initiatives (continued)

	Year ended 2 January 2010			Year ended 3 January 2009			Year ended 29 December 2007		
	Restructuring costs $ million	**Disposals and exit of businesses $ million**	**Total $ million**	Restructuring costs $ million	Disposals and exit of businesses $ million	Total $ million	Restructuring costs $ million	Disposals and exit of businesses $ million	Total $ million
Ongoing segments									
Industrial & Automotive:									
– Power Transmission	**(75.6)**	**–**	**(75.6)**	(13.8)	–	(13.8)	(6.0)	0.2	(5.8)
– Fluid Power	**(26.0)**	**–**	**(26.0)**	(1.9)	–	(1.9)	(8.6)	–	(8.6)
– Sensors & Valves	**(3.2)**	**–**	**(3.2)**	(0.2)	–	(0.2)	0.2	(2.8)	(2.6)
– Other Industrial & Automotive	**(12.2)**	**0.3**	**(11.9)**	(3.2)	–	(3.2)	–	–	–
	(117.0)	**0.3**	**(116.7)**	(19.1)	–	(19.1)	(14.4)	(2.6)	(17.0)
Building Products:									
– Air Distribution	**(5.1)**	**–**	**(5.1)**	(3.6)	–	(3.6)	(7.4)	–	(7.4)
– Bathware	**(1.6)**	**–**	**(1.6)**	(2.2)	(0.2)	(2.4)	(1.8)	–	(1.8)
	(6.7)	**–**	**(6.7)**	(5.8)	(0.2)	(6.0)	(9.2)	–	(9.2)
Corporate	**(0.5)**	**(0.1)**	**(0.6)**	(0.3)	–	(0.3)	(1.0)	15.4	14.4
Total ongoing	**(124.2)**	**0.2**	**(124.0)**	(25.2)	(0.2)	(25.4)	(24.6)	12.8	(11.8)
Exited segments									
Industrial & Automotive:									
– Caps & Thermostats	**–**	**–**	**–**	–	43.2	43.2	–	–	–
– Materials Handling	**–**	**–**	**–**	–	–	–	–	13.4	13.4
	–	**–**	**–**	–	43.2	43.2	–	13.4	13.4
Building Products:									
– Doors & Windows	**(19.9)**	**–**	**(19.9)**	(0.8)	–	(0.8)	(3.0)	–	(3.0)
– Fittings	**–**	**–**	**–**	–	–	–	–	65.2	65.2
	(19.9)	**–**	**(19.9)**	(0.8)	–	(0.8)	(3.0)	65.2	62.2
Total exited	**(19.9)**	**–**	**(19.9)**	(0.8)	43.2	42.4	(3.0)	78.6	75.6
Total continuing operations	**(144.1)**	**0.2**	**(143.9)**	(26.0)	43.0	17.0	(27.6)	91.4	63.8

7. Gain on amendment of post-employment benefits

With effect from 30 September 2009, the Group closed its principal defined benefit pension plans in the US and Canada to future service accrual and the deferred pension benefits accrued under those plans were frozen, based on the pensionable salaries of participating employees at that date. In addition, the Group closed the Gates post-retirement healthcare plan in the US to employees who had not retired by 31 December 2009 and reduced the benefits payable to existing beneficiaries.

As a result of these amendments, the Group recognised a gain of $63.0 million in 2009, of which $35.3 million related to pensions and $27.7 million to healthcare benefits.

	Year ended 2 January 2010 $ million	Year ended 3 January 2009 $ million	Year ended 29 December 2007 $ million
Ongoing segments			
Industrial & Automotive:			
– Power Transmission	**29.7**	–	–
– Fluid Power	**31.4**	–	–
– Other Industrial & Automotive	**1.7**	–	–
	62.8	–	–
Corporate	**0.2**	–	–
	63.0	–	–

8. Employees

The average number of persons employed by the Group, excluding the Company's Non-Executive Directors, was as follows:

	Year ended 2 January 2010 Number	Year ended 3 January 2009 Number	Year ended 29 December 2007 Number
Continuing operations			
Ongoing segments			
Industrial & Automotive:			
– Power Transmission	**8,998**	9,736	9,706
– Fluid Power	**4,428**	5,252	4,914
– Sensors & Valves	**2,015**	2,349	2,206
– Other Industrial & Automotive	**2,619**	3,217	3,374
	18,060	20,554	20,200
Building Products:			
– Air Distribution	**7,074**	8,624	8,836
– Bathware	**1,038**	1,481	1,936
	8,112	10,105	10,772
Corporate	**145**	158	145
Total ongoing	**26,317**	30,817	31,117
Exited segments			
Industrial & Automotive:			
– Caps & Thermostats	**–**	440	927
– Materials Handling	**–**	–	169
	–	440	1,096
Building Products:			
– Doors & Windows	**480**	1,167	1,538
– Fittings	**–**	–	134
	480	1,167	1,672
Total exited	**480**	1,607	2,768
Total continuing operations	**26,797**	32,424	33,885
Discontinued operations			
Industrial & Automotive:			
– Wiper Systems	**–**	–	2,009
Total Group	**26,797**	32,424	35,894

	Year ended 2 January 2010 Number	Year ended 3 January 2009 Number	Year ended 29 December 2007 Number
By location			
US	**12,307**	16,581	19,429
UK	**1,740**	1,933	1,892
Rest of Europe	**2,614**	3,035	2,913
Rest of the world	**10,136**	10,875	11,660
	26,797	32,424	35,894

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. Employees (continued)

Staff costs recognised in profit or loss during the period were as follows:

	Year ended 2 January 2010 $ million	Restated* Year ended 3 January 2009 $ million	Restated* Year ended 29 December 2007 $ million
Wages and salaries	**921.3**	1,164.3	1,283.5
Social security costs	**116.5**	144.4	147.7
Pensions (see note 34)	**41.4†**	44.2	53.4
Other post-employment benefits (see note 34)	**0.4†**	1.1	0.4
Share-based incentives (see note 35)	**11.3**	12.0	16.3
Termination benefits	**105.3**	13.8	6.8
	1,196.2	1,379.8	1,508.1
Continuing operations	**1,196.2**	1,379.8	1,473.9
Discontinued operations	**–**	–	34.2
	1,196.2	1,379.8	1,508.1

* See note 2

† Excludes the gain on the amendment of certain plans in North America (see note 7)

9. Interest payable

	Year ended 2 January 2010 $ million	Year ended 3 January 2009 $ million	Year ended 29 December 2007 $ million
Borrowings:			
– Interest on bank overdrafts	**4.6**	2.3	1.6
– Interest on loans	**54.5**	42.6	57.3
– Interest on interest rate swaps in designated hedging relationships:			
Payable	**22.1**	55.6	61.8
Receivable	**(44.7)**	(47.2)	(54.6)
– Interest on interest rate swaps classed as held for trading:			
Payable	**3.0**	2.8	8.6
Receivable	**(0.6)**	(2.2)	(10.4)
	38.9	53.9	64.3
Interest element of finance lease rentals	**0.4**	0.5	1.4
Other interest payable	**3.9**	5.0	0.1
	43.2	59.4	65.8
Dividends payable on preference shares	**–**	–	1.2
	43.2	59.4	67.0
Post-employment benefits:			
– Interest cost on benefit obligation (see note 34)	**70.0**	78.4	77.3
	113.2	137.8	144.3
Continuing operations	**113.2**	137.8	142.1
Discontinued operations	**–**	–	2.2
	113.2	137.8	144.3

Interest rate swaps are used to manage the interest rate profile of the Group’s borrowings. Accordingly, net interest payable or receivable on interest rate swaps is included in interest payable.

10. Investment income

	Year ended 2 January 2010 $ million	Year ended 3 January 2009 $ million	Year ended 29 December 2007 $ million
Interest on bank deposits	**2.7**	9.6	8.4
Other interest receivable	**1.9**	2.7	3.4
	4.6	12.3	11.8
Post-employment benefits:			
– Expected return on plan assets (see note 34)	**62.6**	75.5	76.2
	67.2	87.8	88.0
Continuing operations	**67.2**	87.8	86.8
Discontinued operations	**–**	–	1.2
	67.2	87.8	88.0

11. Other finance expense

	Year ended 2 January 2010 $ million	Year ended 3 January 2009 $ million	Year ended 29 December 2007 $ million
Hedging activities:			
– (Loss)/gain on derivatives in designated hedging relationships	**(1.0)**	0.1	1.6
– Gain/(loss) on derivatives classified as held for trading	**2.3**	(2.1)	(3.8)
– Currency translation loss on hedging instruments	**(1.6)**	(17.9)	(3.0)
	(0.3)	(19.9)	(5.2)
Other items:			
– Loss on embedded derivatives	**–**	(5.1)	(0.4)
	(0.3)	(25.0)	(5.6)

Other finance expense principally represents fair value gains and losses arising on financial instruments held by the Group to hedge its translational exposures where either the economic hedging relationship does not qualify for hedge accounting or to the extent that there is deemed to be ineffectiveness in a designated hedging relationship.

Other finance expense is wholly attributable to continuing operations.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. Income tax expense

A. Income tax recognised in profit or loss

	Year ended 2 January 2010 $ million	Year ended 3 January 2009 $ million	Year ended 29 December 2007 $ million
Current tax			
UK corporation tax on profits for the period	**0.3**	(13.7)	2.2
Adjustments in respect of prior periods	**0.4**	0.3	–
Total UK tax	**0.7**	(13.4)	2.2
Overseas tax on profits for the period	**17.2**	51.2	109.5
Increase/(decrease) in provision for uncertain tax positions	**15.8**	(3.2)	(4.0)
Adjustments in respect of prior periods	**8.0**	2.6	(8.2)
Total overseas tax	**41.0**	50.6	97.3
Total current tax	**41.7**	37.2	99.5
Deferred tax			
Origination or reversal of temporary differences	**(24.8)**	(108.2)	(128.1)
Utilisation of previously unrecognised tax losses	**(36.9)**	(4.7)	(9.8)
Tax losses in the period not recognised	**49.6**	111.4	187.5
Other changes in unrecognised deferred tax assets	**(1.2)**	3.2	5.6
Adjustments in respect of prior periods	**(0.4)**	(0.5)	(4.2)
Total deferred tax	**(13.7)**	1.2	51.0
Income tax expense for the period	**28.0**	38.4	150.5
Continuing operations	**28.5**	38.4	139.9
Discontinued operations (see note 13)	**(0.5)**	–	10.6
	28.0	38.4	150.5

The income tax expense for the period recognised in profit or loss differs from the product of the (loss)/profit before tax for the period and the rate of UK corporation tax as follows:

	Year ended 2 January 2010 $ million	Year ended 3 January 2009 $ million	Year ended 29 December 2007 $ million
Profit/(loss) before tax:			
– Continuing operations	**38.4**	(8.1)	525.1
– Discontinued operations	**(4.4)**	–	(56.1)
	34.0	(8.1)	469.0
UK corporation tax at 28% (2008: 28.5%; 2007: 30%) on profit/(loss)	**9.5**	(2.3)	140.7
Permanent differences	**(3.3)**	(48.7)	(3.4)
Adjustment in respect of prior periods	**8.0**	2.4	(12.4)
Increase/(decrease) in provisions for uncertain tax positions	**15.8**	(3.2)	(4.0)
Effect of different tax rates on overseas profits	**(11.5)**	(7.1)	20.6
Foreign tax credits	**(4.1)**	(13.3)	(13.8)
Temporary differences on investment in subsidiaries	**2.1**	0.5	(160.7)
Tax losses in the period not recognised	**49.6**	111.4	187.5
Utilisation of previously unrecognised tax losses	**(36.9)**	(4.7)	(9.8)
Other changes in unrecognised deferred tax assets	**(1.2)**	3.4	5.8
Income tax expense for the period	**28.0**	38.4	150.5

In 2009, deferred tax assets of $49.6 million (2008: $111.4 million, 2007: $26.8 million) were not recognised on tax losses carried forward because it was not considered probable that the taxable entities concerned would generate sufficient taxable profits in the foreseeable future against which the losses may be utilised. Also in 2009, the provision for uncertain tax positions increased by $15.8 million, principally due to an extension of the period available to the tax authorities of certain jurisdictions in which to assess tax payable in prior years.

Permanent differences arising in 2008 principally comprised a tax benefit of $115.8 million on currency translation losses that were not recognised in the accounts but were deductible for tax purposes, less the tax effect of $69.4 million on expenses that were recognised in the accounts but were not deductible for tax purposes (in particular, the tax effect of $45.4 million attributable to the impairment of goodwill).

In 2007, a deferred tax asset was not recognised in respect of losses amounting to $160.7 million that related to investments in subsidiaries that were held for sale because there were insufficient available capital gains against which the losses could be utilised.

B. Income tax (benefit)/expense recognised outside profit and loss

	Year ended 2 January 2010 $ million	Year ended 3 January 2009 $ million	Year ended 29 December 2007 $ million
Income tax on items recognised in other comprehensive income			
Loss/(gain) on net investment hedges	**0.6**	16.8	(2.1)
Net actuarial (loss)/gain	**(27.0)**	(30.2)	15.0
Available-for-sale investments:			
– Gain/(loss) arising in the period	**0.1**	(0.4)	(0.3)
– Reclassification to profit or loss of gain on investments sold	**–**	(0.5)	(0.2)
	(26.3)	(14.3)	12.4
Income tax on items recognised directly in equity			
Share-based incentives	**(0.9)**	–	0.2
Income tax (benefit)/expense recognised outside profit or loss	**(27.2)**	(14.3)	12.6

13. Discontinued operations

A. Background

In 2009, the Group recognised an additional loss of $4.4 million in relation to discontinued operations that were sold in previous years.

In 2007, the Group recognised a loss of $59.6 million on the disposal of Trico. Also during 2007, the Group recognised a gain of $2.4 million on the receipt of additional proceeds in relation to businesses sold in previous years. After the attributable tax expense of $8.0 million, the loss on disposal of discontinued operations was $65.2 million.

B. Results and cash flows

The loss for the period from discontinued operations may be analysed as follows:

	Year ended 2 January 2010 $ million	Year ended 3 January 2009 $ million	Year ended 29 December 2007 $ million
Loss for the period of discontinued operations			
Sales	**–**	–	157.6
Cost of sales	**–**	–	(131.2)
Gross profit	**–**	–	26.4
Distribution costs	**–**	–	(12.8)
Administrative expenses	**–**	–	(9.9)
Restructuring costs	**–**	–	(1.6)
Operating profit	**–**	–	2.1
Net finance costs	**–**	–	(1.0)
Profit before tax	**–**	–	1.1
Income tax expense	**–**	–	(2.6)
Loss after tax	**–**	–	(1.5)
Loss on disposal of discontinued operations			
Loss before tax	**(4.4)**	–	(57.2)
Income tax benefit/(expense)	**0.5**	–	(8.0)
Loss after tax	**(3.9)**	–	(65.2)
Loss for the period from discontinued operations	**(3.9)**	–	(66.7)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. Discontinued operations (continued)

B. Results and cash flows (continued)

Cash flows arising from discontinued operations during the period were as follows:

	Year ended 2 January 2010 $ million	Year ended 3 January 2009 $ million	Year ended 29 December 2007 $ million
Cash inflow from operating activities	**–**	–	7.3
Cash outflow from investing activities	**–**	–	(2.6)
Cash outflow from financing activities	**–**	–	(1.2)
Net increase in net cash and cash equivalents from discontinued operations	**–**	–	3.5

C. Segment sales and adjusted operating profit

The segment sales and adjusted operating profit of discontinued operations may be analysed as follows:

	Sales			Adjusted operating profit/(loss)		
	Year ended 2 January 2010 $ million	Year ended 3 January 2009 $ million	Year ended 29 December 2007 $ million	**Year ended 2 January 2010 $ million**	Year ended 3 January 2009 $ million	Year ended 29 December 2007 $ million
By operating segment						
Industrial & Automotive:						
– Wiper Systems	**–**	–	157.6	**–**	–	3.7
By origin						
US	**–**	–	123.1	**–**	–	5.1
UK	**–**	–	13.6	**–**	–	(2.6)
Rest of the world	**–**	–	20.9	**–**	–	1.2
	–	–	157.6	**–**	–	3.7
By destination						
US	**–**	–	113.6			
UK	**–**	–	7.5			
Rest of Europe	**–**	–	9.3			
Rest of the world	**–**	–	27.2			
	–	–	157.6			

Reconciliation of the adjusted operating profit to the profit before tax of discontinued operations:

	Year ended 2 January 2010 $ million	Year ended 3 January 2009 $ million	Year ended 29 December 2007 $ million
Adjusted operating profit	**–**	–	3.7
Restructuring costs	**–**	–	(1.6)
Net finance costs	**–**	–	(1.0)
Profit before tax	**–**	–	1.1

14. Operating profit for the period

Operating profit for the period is stated after charging/(crediting):

	Continuing operations $ million	Discontinued operations $ million	Total $ million
Year ended 2 January 2010			
Inventories:			
– Cost of inventories	**3,509.1**	**–**	**3,509.1**
– Write-down of inventories	**26.2**	**–**	**26.2**
Staff costs (see note 8)	**1,196.2**	**–**	**1,196.2**
Impairments:			
– Trade receivables	**5.8**	**–**	**5.8**
– Other assets (see note 5)	**73.0**	**–**	**73.0**
Amortisation of other intangible assets (see note 20)	**25.6**	**–**	**25.6**
Depreciation of property, plant and equipment (see note 21)	**172.2**	**–**	**172.2**
Research and development costs	**78.0**	**–**	**78.0**
Government grants:			
– Revenue	**(1.8)**	**–**	**(1.8)**
– Capital	**(0.3)**	**–**	**(0.3)**
Net foreign exchange gains	**(9.0)**	**–**	**(9.0)**
Year ended 3 January 2009			
Inventories:			
– Cost of inventories	3,659.1	–	3,659.1
– Write-down of inventories	6.2	–	6.2
Staff costs (see note 8)	1,379.8	–	1,379.8
Impairments:			
– Trade receivables	5.8	–	5.8
– Other assets (see note 5)	342.4	–	342.4
Amortisation of other intangible assets (see note 20)	26.0	–	26.0
Depreciation of property, plant and equipment (see note 21)	203.1	–	203.1
Research and development costs	92.1	–	92.1
Government grants:			
– Revenue	(3.0)	–	(3.0)
– Capital	(0.4)	–	(0.4)
Net foreign exchange losses	9.8	–	9.8
Year ended 29 December 2007			
Inventories:			
– Cost of inventories	3,976.4	129.1	4,105.5
– Write-down of inventories	7.4	0.6	8.0
Staff costs (see note 8)	1,473.9	34.2	1,508.1
Impairments:			
– Trade receivables	1.7	0.1	1.8
– Other assets (see note 5)	0.8	–	0.8
Amortisation of other intangible assets	20.6	–	20.6
Depreciation of property, plant and equipment	215.9	–	215.9
Research and development costs	98.8	4.6	103.4
Government grants:			
– Revenue	(2.0)	(0.2)	(2.2)
– Capital	(0.4)	–	(0.4)
Net foreign exchange gains	(1.0)	(0.6)	(1.6)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. (Loss)/earnings per share

Basic (loss)/earnings per share is calculated by dividing the profit or loss for the period attributable to equity shareholders by the weighted average number of the Company's ordinary shares in issue during the period. The weighted average number of the Company's ordinary shares in issue during the period excludes 3,962,756 shares (2008: 4,002,675 shares; 2007: 4,331,018 shares), being the weighted average number of own shares held during the period.

Diluted earnings per share takes into account the dilutive effect of potential ordinary shares. The weighted average number of the Company's ordinary shares used in the calculation of diluted earnings per share excludes the effect of:

- options and awards over 16,091,420 shares (2008: 19,080,654 shares; 2007: 8,717,949 shares) whose exercise prices exceeded the average market price of the Company's ordinary shares during the period and were, therefore, anti-dilutive; and
- options and awards over 2,793,494 shares (2008: 2,265,568 shares) whose exercise prices were exceeded by the average market price of the Company's ordinary shares during the period and were, therefore, theoretically dilutive but were not taken into account in the calculation of diluted earnings per share because the Group incurred a loss in the period.

	Year ended 2 January 2010 $ million	Restated* Year ended 3 January 2009 $ million	Restated* Year ended 29 December 2007 $ million
Continuing operations			
Profit/(loss) for the period	**9.9**	(46.5)	385.2
Minority interests	**(21.6)**	(18.1)	(25.0)
(Loss)/earnings for calculating basic (loss)/earnings per share	**(11.7)**	(64.6)	360.2
Effect of dilutive potential ordinary shares:			
– Dividends payable on preference shares	**–**	–	1.2
(Loss)/earnings for calculating diluted (loss)/earnings per share	**(11.7)**	(64.6)	361.4
Discontinued operations			
Loss for the period for calculating basic and diluted loss per share	**(3.9)**	–	(66.7)
Continuing and discontinued operations			
Profit/(loss) for the period	**6.0**	(46.5)	318.5
Minority interests	**(21.6)**	(18.1)	(25.0)
(Loss)/earnings for calculating basic (loss)/earnings per share	**(15.6)**	(64.6)	293.5
Effect of dilutive potential ordinary shares:			
– Dividends payable on preference shares	**–**	–	1.2
(Loss)/earnings for calculating diluted (loss)/earnings per share	**(15.6)**	(64.6)	294.7
Weighted average number of ordinary shares			
For calculating basic (loss)/earnings per share	**880,799,900**	879,727,725	870,297,953
Effect of dilutive potential ordinary shares:			
– Share options and awards	**–**	–	4,018,619
– Preference shares	**–**	–	9,714,541
For calculating diluted (loss)/earnings per share	**880,799,900**	879,727,725	884,031,113

* See note 2

16. Dividends on ordinary shares

	Year ended 2 January 2010 per share	Year ended 3 January 2009 per share	Year ended 29 December 2007 per share
Paid or proposed in respect of the period			
Interim dividend	**3.50c**	11.02c	11.02c
Final dividend	**6.50c**	2.00c	16.66c
	10.00c	13.02c	27.68c

	Year ended 2 January 2010 $ million	Year ended 3 January 2009 $ million	Year ended 29 December 2007 $ million
Recognised in the period			
Interim dividend for the period of 3.50c (2008: 11.02c; 2007: 11.02c) per share	**30.9**	97.1	97.0
Final dividend for the prior period of 2.00c (2008: 16.66c; 2007: 17.13c) per share	**17.4**	149.1	150.3
	48.3	246.2	247.3

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

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.

17. Auditors' remuneration

Fees payable by the Group to the Company's auditors, Deloitte LLP, and its associates were as follows:

	Year ended 2 January 2010 $ million	Year ended 3 January 2009 $ million	Year ended 29 December 2007 $ million
Audit fees:			
– Audit of the Company's accounts	**0.7**	0.8	0.8
– Audit of the accounts of the Company's subsidiaries	**4.3**	4.9	5.0
– Other statutory services	**0.1**	0.2	0.2
	5.1	5.9	6.0
Tax fees:			
– Compliance services	**0.6**	0.7	0.5
– Advisory services	**1.0**	2.1	1.2
	1.6	2.8	1.7
All other fees	**0.2**	0.2	0.4
Total fees	**6.9**	8.9	8.1

Fees for the audit of the Company's accounts represent fees payable to Deloitte LLP in respect of the audit of the Company's individual financial statements and the Group's consolidated financial statements prepared in accordance with IFRS.

Other statutory services include the review of the Group's interim financial statements.

Other fees are paid for services including advice on accounting matters and non-statutory reporting.

The Audit Committee or, between meetings, the Chairman of the Audit Committee, approves the engagement terms and fees of Deloitte LLP for all services before the related work is undertaken.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. Auditors' remuneration (continued)

Fees payable by associated pension schemes to Deloitte LLP and its associates were as follows:

	Year ended 2 January 2010 $ million	Year ended 3 January 2009 $ million	Year ended 29 December 2007 $ million
Statutory services:			
– Audit of the pension schemes of the Company's subsidiaries	**0.1**	0.1	0.1

18. Cash flow

A. Reconciliation of profit/(loss) for the period to cash generated from operations

	Year ended 2 January 2010 $ million	Restated* Year ended 3 January 2009 $ million	Restated* Year ended 29 December 2007 $ million
Profit/(loss) for the period	**6.0**	(46.5)	318.5
Interest payable	**113.2**	137.8	144.3
Investment income	**(67.2)**	(87.8)	(88.0)
Other finance expense	**0.3**	25.0	5.6
Income tax expense	**28.0**	38.4	150.5
Profit from continuing and discontinued operations	**80.3**	66.9	530.9
Share of loss/(profit) of associates	**0.4**	2.1	(0.8)
Amortisation of intangible assets	**25.6**	26.0	20.6
Depreciation of property, plant and equipment	**172.2**	203.1	215.9
Impairments:			
– Goodwill	**8.7**	228.6	0.8
– Other intangible assets	**22.0**	–	–
– Property, plant and equipment	**26.8**	113.8	–
– Trade and other receivables	**15.5**	–	–
(Gain)/loss on disposal of businesses:			
– Continuing operations	**(0.2)**	(43.0)	(76.0)
– Discontinued operations	**4.4**	–	57.2
(Gain)/loss on sale of property, plant and equipment	**(1.6)**	3.8	(11.2)
Gain on available-for-sale-investments	**–**	(1.2)	(0.6)
Cost of share-based incentives	**11.3**	12.0	16.3
Decrease in post-employment benefit obligations	**(122.4)**	(49.5)	(74.2)
Increase/(decrease) in provisions	**45.1**	(3.7)	(2.4)
Operating cash flows before movements in working capital	**288.1**	558.9	676.5
Decrease/(increase) in inventories	**214.6**	(12.8)	(20.0)
Decrease/(increase) in receivables	**52.3**	143.8	(74.0)
(Decrease)/increase in payables	**(22.9)**	(61.2)	56.2
Cash generated from operations	**532.1**	628.7	638.7

* See note 2

B. Reconciliation of net increase/(decrease) in net cash and cash equivalents to movement in net debt

	Year ended 2 January 2010 $ million	Year ended 3 January 2009 $ million	Year ended 29 December 2007 $ million
Net debt at the beginning of the period	**(476.4)**	(591.5)	(920.8)
Decrease/(increase) in net debt resulting from cash flows:			
– Increase/(decrease) in cash and cash equivalents	**157.2**	19.2	(65.7)
– Decrease/(increase) in debt and lease financing	**164.4**	(96.2)	284.7
– Redemption of preference shares	**–**	–	1.2
– Decrease in collateralised cash	**(2.1)**	(0.7)	(2.4)
	319.5	(77.7)	217.8
Conversion of preference shares	**–**	–	130.0
Finance leases disposed of on sale of businesses	**–**	–	6.1
Debt acquired on acquisition of subsidiaries	**(7.8)**	(0.8)	–
Other non-cash movements	**0.5**	(1.1)	(1.6)
Foreign currency translation	**(43.3)**	194.7	(23.0)
Decrease in net debt during the period	**268.9**	115.1	329.3
Net debt at the end of the period	**(207.5)**	(476.4)	(591.5)

19. Goodwill

A. Analysis of movements

	$ million
Cost	
As at 29 December 2007	660.8
Acquisition of subsidiaries	8.4
Foreign currency translation	(40.0)
As at 3 January 2009	629.2
Acquisition of subsidiaries	26.8
Foreign currency translation	25.1
As at 2 January 2010	**681.1**
Accumulated impairment	
As at 29 December 2007	0.8
Impairments	228.6
Foreign currency translation	(16.1)
As at 3 January 2009	213.3
Impairments	8.7
Foreign currency translation	23.1
As at 2 January 2010	**245.1**
Carrying amount	
As at 3 January 2009	415.9
As at 2 January 2010	**436.0**

19. Goodwill (continued)

B. Allocation of goodwill

Goodwill is allocated to the following CGUs or groups of CGUs:

	As at 2 January 2010 $ million	As at 3 January 2009 $ million
Industrial & Automotive		
Power Transmission	**2.2**	2.2
Fluid Power:		
– Engineering & Services	**42.9**	24.7
– Other	**18.7**	18.2
	61.6	42.9
Sensors & Valves	**1.9**	1.8
Other Industrial & Automotive:		
– Ideal	**20.9**	20.9
– Dexter Group	**50.8**	50.8
	71.7	71.7
Total Industrial & Automotive	**137.4**	118.6
Building Products		
Air Distribution:		
– Air Systems Components	**68.2**	67.7
– Hart & Cooley Group	**184.3**	184.3
– Ruskin	**37.0**	36.2
	289.5	288.2
Bathware	**9.1**	9.1
Total Building Products	**298.6**	297.3
Total Group	**436.0**	415.9

C. Impairment tests

Goodwill is tested for impairment annually and whenever there are indications that it may have suffered an impairment. Goodwill is considered impaired to the extent that its carrying amount exceeds its recoverable amount, which is the higher of the value in use and the fair value less costs to sell of the CGU or group of CGUs to which it is allocated. In all impairment tests of goodwill performed during the periods under review, the recoverable amount was determined based on value in use calculations.

Management based the value in use calculations on cash flow forecasts derived from the most recent three-year financial plans approved by the Board, in which the principal assumptions were those regarding sales growth rates, selling prices and changes in direct costs.

Cash flows for the years beyond the three-year financial plans for the CGUs to which individually significant amounts of goodwill were allocated were calculated as follows: cash flows in the fourth and fifth years were estimated by management based on relevant industry and economic forecasts; thereafter, the cash flows were projected to grow at 2% per annum, which does not exceed expected long-term growth rates in their principal end markets in North America, Europe, India and the Middle East.

Management applied discount rates to the resulting cash flow projections that reflect current market assessments of the time value of money and the risks specific to the CGU or group of CGUs. In each case, the discount rate was determined using a capital asset pricing model. Pre-tax discount rates used in the annual impairment tests of goodwill during 2009 were in the following ranges: Industrial & Automotive businesses 8.1% to 12.2% (2008: 9.0% to 12.9%); and Building Products businesses 10.4% to 17.2% (2008: 11.2% to 13.0%).

D. Impairments recognised

2009

In February 2008, the Group acquired a 60% interest in Rolastar, a duct manufacturer based in India, and agreed terms for the subsequent acquisition of the remaining 40% minority interest, which was completed in July 2009. Since the acquisition was negotiated, Rolastar's end markets have deteriorated and this has caused the impairment of the entire goodwill allocated to the business, which amounted to $8.7 million. Management used a pre-tax discount rate of 17.2%.

2008

During 2008, impairments totalling $228.6 million were recognised in relation to the goodwill allocated to Stackpole, Gates Mectrol and Selkirk.

Stackpole manufactures power transmission components, systems and assemblies, principally for automotive OEMs, at its facilities in Canada, Germany and South Korea. Stackpole's end markets deteriorated significantly during 2008 and this caused the impairment of the entire goodwill allocated to the business, which amounted to $157.2 million. Management used a pre-tax discount rate of 11.7%.

Gates Mectrol manufactures power transmission and motion control belts, principally for industrial and automotive OEMs, at its facilities in the US and Germany. Gates Mectrol's end markets deteriorated during the second half of 2008 and this caused the impairment of the entire goodwill allocated to the business, which amounted to $37.4 million. Management used a pre-tax discount rate of 11.7%.

Selkirk manufactures chimney, venting and air distribution products, principally for the residential construction market in North America. Selkirk's end markets deteriorated during 2008 and an impairment of $34.0 million was recognised in relation to the goodwill allocated to the business. Management used a pre-tax discount rate of 12.5%.

Impairments are analysed by operating segment in note 5.

E. Sensitivity to changes in key assumptions

Individually significant CGUs

Management does not consider that the recoverable amounts of the other CGUs or groups of CGUs to which significant amounts of goodwill are allocated may fall below their carrying amounts due to reasonably possible changes during the next year in one or more of the key assumptions.

At the end of 2008, the recoverable amount of Selkirk equalled its carrying amount and that of Hart & Cooley exceeded its carrying amount by only $38 million. Management considered that either could have become impaired following a reasonably possible change in the principal assumptions. Since then, the operations of Selkirk have merged with those of Hart & Cooley to form the Hart & Cooley Group. At the end of 2009, the recoverable amount of the Hart & Cooley Group exceeded its carrying amount by $234 million. During 2009, the recoverable amount of the Hart & Cooley Group increased significantly due to the recognition of merger synergies and the benefits of restructuring and lean manufacturing initiatives that could not be taken into account in measuring the recoverable amount at the end of 2008.

Other CGUs

Management does not consider that a reasonably possible change in one or more key assumptions during the next year could cause the aggregate recoverable amount of other CGUs to fall below their aggregate carrying amount.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20. Other intangible assets

	Development costs $ million	Assets arising on acquisitions $ million	Computer software $ million	Total $ million
Cost				
As at 29 December 2007	1.8	61.4	123.0	186.2
Additions	0.6	–	10.4	11.0
Acquisition of subsidiaries	–	37.4	–	37.4
Disposals	–	–	(1.1)	(1.1)
Foreign currency translation	(0.6)	(7.4)	(1.9)	(9.9)
As at 3 January 2009	1.8	91.4	130.4	223.6
Additions	0.6	–	7.8	8.4
Acquisition of subsidiaries	–	5.9	–	5.9
Disposals	–	–	(4.6)	(4.6)
Foreign currency translation	0.1	3.3	1.3	4.7
As at 2 January 2010	**2.5**	**100.6**	**134.9**	**238.0**
Accumulated amortisation				
As at 29 December 2007	0.2	13.4	79.5	93.1
Amortisation charge for the period	0.2	10.6	15.2	26.0
Disposals	–	–	(1.1)	(1.1)
Foreign currency translation	(0.2)	(1.3)	(1.7)	(3.2)
As at 3 January 2009	0.2	22.7	91.9	114.8
Amortisation charge for the period	0.3	11.2	14.1	25.6
Disposals	–	–	(4.5)	(4.5)
Impairments	–	10.2	11.8	22.0
Foreign currency translation	–	0.9	1.2	2.1
As at 2 January 2010	**0.5**	**45.0**	**114.5**	**160.0**
Carrying amount				
As at 3 January 2009	1.6	68.7	38.5	108.8
As at 2 January 2010	**2.0**	**55.6**	**20.4**	**78.0**

Intangible assets arising on acquisitions principally represent acquired customer relationships.

All intangible assets included above have finite useful lives.

In 2009, the Group recognised an impairment of $10.2 million in relation to acquired customer relationships, of which the majority related to Rolastar and arose due to the deterioration in its end markets since its acquisition was negotiated in early 2008. Management measured the impairment based on the value in use of the customer relationships, using a pre-tax discount rate of 17.2%.

Also in 2009, an impairment of $11.8 million was recognised in relation to software licences that had become surplus to requirements as a consequence of the Group's restructuring initiatives.

Impairments are analysed by operating segment in note 5.

21. Property, plant and equipment

	Land and buildings $ million	Plant, equipment and vehicles $ million	Assets under construction $ million	Total $ million
Cost				
As at 29 December 2007	699.5	2,563.7	104.6	3,367.8
Additions	11.2	42.6	126.8	180.6
Acquisition of subsidiaries	5.8	3.4	–	9.2
Disposal of subsidiaries	–	(0.2)	–	(0.2)
Transfer from assets under construction	16.1	132.5	(148.6)	–
Transfer from assets held for sale	6.2	–	–	6.2
Disposals	(6.1)	(90.4)	(1.4)	(97.9)
Foreign currency translation	(41.3)	(237.8)	(6.0)	(285.1)
As at 3 January 2009	691.4	2,413.8	75.4	3,180.6
Additions	1.6	16.1	97.5	115.2
Acquisition of subsidiaries	2.8	4.6	0.6	8.0
Transfer from assets under construction	24.8	80.8	(105.6)	–
Transfer to assets held for sale	(16.6)	–	–	(16.6)
Disposals	(16.8)	(100.5)	(0.3)	(117.6)
Foreign currency translation	22.9	133.2	2.9	159.0
As at 2 January 2010	**710.1**	**2,548.0**	**70.5**	**3,328.6**
Accumulated depreciation and impairment				
As at 29 December 2007	252.9	1,700.5	–	1,953.4
Depreciation charge for the period	22.9	180.2	–	203.1
Disposal of subsidiaries	–	(0.1)	–	(0.1)
Transfer from assets held for sale	3.5	–	–	3.5
Disposals	(3.6)	(83.9)	–	(87.5)
Impairments	10.1	103.7	–	113.8
Foreign currency translation	(10.7)	(162.2)	–	(172.9)
As at 3 January 2009	275.1	1,738.2	–	2,013.3
Depreciation charge for the period	22.0	150.2	–	172.2
Transfer to assets held for sale	(4.8)	–	–	(4.8)
Disposals	(11.2)	(95.3)	–	(106.5)
Impairments	15.7	8.5	2.6	26.8
Foreign currency translation	9.2	95.4	0.2	104.8
As at 2 January 2010	**306.0**	**1,897.0**	**2.8**	**2,205.8**
Carrying amount				
As at 3 January 2009	416.3	675.6	75.4	1,167.3
As at 2 January 2010	**404.1**	**651.0**	**67.7**	**1,122.8**

During 2009, impairments totalling $26.8 million were recognised in relation to property, plant and equipment that has become impaired as a consequence of the Group's restructuring initiatives (none of these impairments was individually significant).

During 2008, against the background of the weakness of the Group's end markets, particularly the automotive OE markets in North America and Europe and the residential construction market in North America, management reviewed the recoverability of the assets of the Group's businesses that were exposed to those markets. As a result of that review, the following impairments, totalling $113.8 million, were recognised in relation to property, plant and equipment:

- $65.9 million on the assets of Stackpole, based on value in use (determined using a pre-tax discount rate of 11.7%);
- $16.8 million on the assets of Gates' manufacturing facility at London, Ontario, based on fair value less costs to sell;
- $11.0 million on the assets of Philips Products Inc., based on fair value less costs to sell; and
- $20.1 million, principally on the assets of businesses in Europe (none of these impairments was individually significant).

Impairments are analysed by operating segment in note 5.

Land and buildings include freehold land with a carrying value of $63.3 million (3 January 2009: $63.5 million) that is not depreciated.

Property, plant and equipment includes assets held under finance leases with a carrying amount of $6.3 million (3 January 2009: $9.9 million). Obligations under finance leases are secured by a lessor's charge over the leased assets.

Property, plant and equipment has been pledged as security for $0.9 million (3 January 2009: $nil) outstanding under secured bank loans.

22. Investments in associates

	Year ended 2 January 2010 $ million	Year ended 3 January 2009 $ million	Year ended 29 December 2007 $ million
Carrying amount			
At the beginning of the period	**20.3**	17.7	13.7
Share of (loss)/profit of associates	**(0.4)**	(2.1)	0.8
Dividends received from associates	**(0.3)**	(0.6)	(1.4)
	19.6	15.0	13.1
Additions	**–**	10.4	3.8
Disposals	**–**	(1.9)	–
Foreign currency translation	**1.0**	(3.2)	0.8
At the end of the period	**20.6**	20.3	17.7

Details of the Group's principal associates are set out on page 150.

Segment analysis of the Group's investments in associates and of its share of associates' (loss)/profit for the period:

	Investments in associates		Share of (loss)/profit of associates		
	As at 2 January 2010 $ million	As at 3 January 2009 $ million	Year ended 2 January 2010 $ million	Year ended 3 January 2009 $ million	Year ended 29 December 2007 $ million
By operating segment					
Industrial & Automotive:					
– Power Transmission	**14.0**	13.0	**0.3**	(2.9)	–
– Sensors & Valves	**3.9**	3.8	**0.3**	0.7	0.6
– Other Industrial & Automotive	**0.6**	0.5	**0.2**	0.2	0.2
	18.5	17.3	**0.8**	(2.0)	0.8
Building Products:					
– Air Distribution	**2.1**	3.0	**(1.2)**	(0.1)	–
	20.6	20.3	**(0.4)**	(2.1)	0.8

	As at 2 January 2010 $ million	As at 3 January 2009 $ million
By location		
US	**3.3**	3.4
Rest of the world	**17.3**	16.9
	20.6	20.3

In 2009, the aggregate sales of the Group's associates were $177.5 million (2008: $232.3 million) and their aggregate loss for the period was $2.3 million (2008: loss of $11.5 million).

As at 2 January 2010, the aggregate total assets of the Group's associates was $135.9 million (3 January 2009: $117.0 million) and the aggregate total of their liabilities was $83.8 million (3 January 2009: $51.7 million).

Schrader Duncan Limited, an associate in which the Group owns a 50% interest, is listed on the Mumbai Stock Exchange. As at 2 January 2010, the fair value of the Group's investment based on the quoted market price of the associate's shares was $7.3 million (3 January 2009: $3.1 million).

23. Inventories

	As at 2 January 2010 $ million	As at 3 January 2009 $ million
Raw materials and supplies	**182.8**	265.4
Work in progress	**74.8**	83.9
Finished goods and goods held for resale	**333.2**	423.1
	590.8	772.4

As at 2 January 2010, inventories are stated net of an allowance for excess, obsolete or slow-moving items of $63.9 million (3 January 2009: $45.1 million).

24. Trade and other receivables

	As at 2 January 2010 $ million	As at 3 January 2009 $ million
Current assets		
Financial assets:		
– Trade receivables (see note 25)	**662.3**	684.4
– Derivative financial instruments (see note 32)	**1.2**	1.1
– Collateralised cash	**2.1**	3.8
– Other receivables	**41.3**	37.0
	706.9	726.3
Non-financial assets:		
– Prepayments	**46.1**	43.4
	753.0	769.7
Non-current assets		
Financial assets:		
– Derivative financial instruments (see note 32)	**56.9**	73.4
– Other receivables	**16.4**	32.5
	73.3	105.9
Non-financial assets:		
– Prepayments	**7.8**	–
	81.1	105.9

Collateralised cash represents cash given as collateral under letters of credit for insurance and regulatory purposes.

The Group is the beneficiary of a number of corporate-owned life assurance policies against which it borrows from the relevant life assurance company. As at 2 January 2010, the surrender value of the policies was $577.6 million (3 January 2009: $518.6 million) and the amount outstanding on the related loans was $575.2 million (3 January 2009: $516.5 million). For accounting purposes, these amounts are offset and the net receivable of $2.4 million (3 January 2009: $2.1 million) is included in other receivables.

As at 2 January 2010, trade and other receivables amounting to $1.6 million (3 January 2009: $nil) were secured on the assets of the debtors.

25. Trade receivables

Trade receivables amounted to $662.3 million (3 January 2009: $684.4 million), net of an allowance of $13.7 million (3 January 2009: $11.4 million) for doubtful debts.

The Group has a significant concentration of customers in the US, who accounted for 56.4% (2008: 57.6%; 2007: 63.1%) of the Group's sales during the period, and in the automotive industry, which accounted for 45.1% (2008: 41.9%; 2007: 40.9%) of the Group's sales during the period. However, no single customer accounted for more than 10% of the Group's sales and there were no significant amounts due from any one customer.

Before accepting a new customer, the Group assesses the potential customer's credit quality and establishes a credit limit. Credit quality is assessed by using data maintained by reputable credit rating agencies, by checking of references included in credit applications and, where they are available, by reviewing the customer's recent financial statements. Credit limits are subject to multiple levels of authorisation and are reviewed on a regular basis.

Trade receivables are regularly reviewed for bad and doubtful debts. Bad debts are written off and an allowance is established for specific doubtful debts.

Trade receivables may be analysed as follows:

	As at 2 January 2010 $ million	As at 3 January 2009 $ million
Amounts neither past due nor impaired	**561.2**	554.1
Amounts past due but not impaired:		
– Less than 30 days old	**4.6**	7.0
– Between 30 and 60 days old	**37.5**	64.6
– Between 61 and 90 days old	**18.2**	30.0
– More than 90 days old	**37.0**	24.2
	97.3	125.8
Amounts impaired:		
– Total amounts that have been impaired	**17.5**	15.9
– Allowance for doubtful debts	**(13.7)**	(11.4)
	3.8	4.5
	662.3	684.4

Movements in the allowance for doubtful debts were as follows:

	Year ended 2 January 2010 $ million	Year ended 3 January 2009 $ million
At the beginning of the period	**11.4**	11.0
Charge for the period	**6.6**	6.0
Acquisition of subsidiaries	**1.2**	0.3
Utilised during the period	**(4.9)**	(4.4)
Released during the period	**(1.2)**	–
Foreign currency translation	**0.6**	(1.5)
At the end of the period	**13.7**	11.4

Trade receivables are not generally interest-bearing although interest may be charged to customers on overdue accounts.

26. Available-for-sale investments

	$ million
Carrying amount	
As at 29 December 2007	3.0
Additions	0.1
Fair value loss recognised in other comprehensive income	(1.0)
Disposals	(1.6)
Foreign currency translation	0.3
As at 3 January 2009	0.8
Fair value gain recognised in other comprehensive income	0.4
As at 2 January 2010	**1.2**

Available-for-sale investments comprise listed equities.

27. Cash and cash equivalents

	As at 2 January 2010 $ million	As at 3 January 2009 $ million
Cash on hand and demand deposits	**281.2**	213.2
Term deposits	**163.8**	78.7
	445.0	291.9

As at 2 January 2010, the carrying amount of cash and cash equivalents included accrued interest receivable of $0.1 million (3 January 2009: $nil).

The currency and interest rate profile of cash and cash equivalents was as follows:

	Floating interest rate			
	$ million	Weighted average interest rate %	Non-interest bearing $ million	Total $ million
As at 2 January 2010				
Currency:				
– US dollar	**169.5**	**0.1%**	**38.4**	**207.9**
– Sterling	**51.1**	**0.4%**	**1.3**	**52.4**
– Euro	**16.1**	**0.8%**	**8.5**	**24.6**
– Canadian dollar	**25.8**	**0.4%**	**–**	**25.8**
– Other	**116.4**	**2.0%**	**17.9**	**134.3**
	378.9		**66.1**	**445.0**
As at 3 January 2009				
Currency:				
– US dollar	91.2	0.3%	22.1	113.3
– Sterling	4.3	2.7%	0.6	4.9
– Euro	25.4	2.1%	1.2	26.6
– Canadian dollar	15.0	1.6%	–	15.0
– Other	116.1	3.5%	16.0	132.1
	252.0		39.9	291.9

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28. Assets held for sale

As at 2 January 2010, assets held for sale comprised vacant properties no longer required by the Group for its manufacturing operations, whose carrying amount was $11.9 million (3 January 2009: $nil).

29. Borrowings

	As at 2 January 2010			As at 3 January 2009		
	Current liabilities $ million	**Non-current liabilities $ million**	**Total $ million**	Current liabilities $ million	Non-current liabilities $ million	Total $ million
Carrying amount						
Bank overdrafts	**4.8**	**–**	**4.8**	13.7	–	13.7
Bank and other loans:						
– Bank loans – secured	**0.6**	**0.3**	**0.9**	–	–	–
– unsecured	**1.2**	**–**	**1.2**	20.9	129.5	150.4
– Other loans – unsecured	**9.1**	**687.0**	**696.1**	8.3	633.4	641.7
– Unsecured loan notes	**0.3**	**–**	**0.3**	0.3	–	0.3
	11.2	**687.3**	**698.5**	29.5	762.9	792.4
	16.0	**687.3**	**703.3**	43.2	762.9	806.1

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

	As at 2 January 2010 $ million	As at 3 January 2009 $ million
Carrying amount	**703.3**	806.1
Accrued interest payable	**(9.4)**	(7.8)
Unamortised transaction costs	**2.0**	2.6
Fair value hedge adjustment (see note 32)	**(45.0)**	(51.9)
Principal amount	**650.9**	749.0

The maturity analysis of the principal amount outstanding is presented in note 33.

Bank loans

Bank loans include amounts drawn down under the Group's £400 million multi-currency revolving credit facility. At 2 January 2010, there were no drawings under this facility (3 January 2009: $129.3 million). Borrowings under the facility attract interest at floating rates determined by reference to LIBOR and the facility expires on 8 August 2010. During 2009, the Group negotiated a $450 million forward-start facility that commences on expiry of the existing facility and will itself expire in May 2012.

Other loans

The Group has issued two bonds under the EMTN Programme: £150 million repayable at par on 20 December 2011 that bears interest at a fixed rate of 8%; and £250 million repayable at par on 16 September 2015 that bears interest at a fixed rate of 6.125%.

Unsecured loan notes

The unsecured loan notes must be repaid, at par, 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.

Currency and interest rate profile

The currency and interest rate profile of outstanding borrowings, after taking into account the effect of the Group's currency and interest rate hedging activities, was as follows:

	Floating interest rate		Fixed interest rate			Interest-free	
	$ million	Weighted average interest rate %	$ million	Weighted average interest rate %	Weighted average period for which rate is fixed Years	$ million	Total $ million
As at 2 January 2010							
Currency:							
– US dollar	**549.8**	**2.3%**	**–**	**–**	**–**	**0.6**	**550.4**
– Sterling	**19.2**	**2.3%**	**–**	**–**	**–**	**1.0**	**20.2**
– Euro	**53.6**	**2.3%**	**–**	**–**	**–**	**–**	**53.6**
– Canadian dollar	**68.6**	**2.3%**	**–**	**–**	**–**	**–**	**68.6**
– Other	**10.1**	**4.9%**	**0.3**	**3.5%**	**3.9 years**	**0.1**	**10.5**
	701.3		**0.3**			**1.7**	**703.3**
As at 3 January 2009							
Currency:							
– US dollar	360.6	3.7%	65.0	4.6%	1.5 years	0.3	425.9
– Sterling	52.0	5.5%	–	–	–	1.0	53.0
– Euro	116.2	4.5%	–	–	–	–	116.2
– Canadian dollar	119.4	4.6%	–	–	–	–	119.4
– Other	91.2	6.9%	0.3	3.5%	8.0 years	0.1	91.6
	739.4		65.3			1.4	806.1

30. Obligations under finance leases

	Minimum lease payments		Carrying amount	
	As at 2 January 2010 $ million	As at 3 January 2009 $ million	**As at 2 January 2010 $ million**	As at 3 January 2009 $ million
Amounts payable under finance leases				
Within one year	**1.3**	1.9	**1.0**	1.5
In the second to fifth years, inclusive	**2.0**	4.0	**1.1**	2.8
After more than five years	**3.3**	3.6	**2.5**	2.6
	6.6	9.5	**4.6**	6.9
Less: Future finance charges	**(2.0)**	(2.6)	**–**	–
	4.6	6.9	**4.6**	6.9

The Group leases certain of its plant, equipment and vehicles under finance leases. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. As at 2 January 2010, the average effective interest rate was 7.0% (3 January 2009: 6.6%).

The Group's obligations under finance leases are secured by the lessors' title to the leased assets.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31. Trade and other payables

	As at 2 January 2010 $ million	As at 3 January 2009 $ million
Current liabilities		
Financial liabilities:		
– Trade payables	**419.6**	384.9
– Other taxes and social security	**24.3**	23.7
– Derivative financial instruments (see note 32)	**2.3**	15.7
– Other payables	**48.0**	26.1
	494.2	450.4
Non-financial liabilities:		
– Accruals and deferred income	**183.4**	199.7
	677.6	650.1
Non-current liabilities		
Financial liabilities:		
– Derivative financial instruments (see note 32)	**3.9**	30.4
– Other payables	**14.3**	17.7
	18.2	48.1
Non-financial liabilities:		
– Accruals and deferred income	**8.9**	3.5
	27.1	51.6

Trade payables are generally not interest-bearing but interest may be charged by suppliers on overdue accounts.

32. Derivative financial instruments

A. Summary

Derivative financial instruments are held in relation to the Group's financial risk management policy which is described in note 33. The Group does not hold or issue derivatives for speculative purposes.

The carrying amount of derivative financial instruments held by the Group was as follows:

	As at 2 January 2010			As at 3 January 2009		
	Assets $ million	Liabilities $ million	Net $ million	Assets $ million	Liabilities $ million	Net $ million
Hedging activities						
Translational hedges:						
– Currency swaps	**0.6**	**(3.6)**	**(3.0)**	10.7	(30.4)	(19.7)
– Interest rate swaps	**56.3**	**–**	**56.3**	62.7	(2.1)	60.6
	56.9	**(3.6)**	**53.3**	73.4	(32.5)	40.9
Transactional hedges:						
– Currency forwards	**1.2**	**(1.9)**	**(0.7)**	1.1	(13.6)	(12.5)
– Commodity contracts	**–**	**(0.7)**	**(0.7)**	–	–	–
	1.2	**(2.6)**	**(1.4)**	1.1	(13.6)	(12.5)
	58.1	**(6.2)**	**51.9**	74.5	(46.1)	28.4
Classified as:						
– Current	**1.2**	**(2.3)**	**(1.1)**	1.1	(15.7)	(14.6)
– Non-current	**56.9**	**(3.9)**	**53.0**	73.4	(30.4)	43.0
	58.1	**(6.2)**	**51.9**	74.5	(46.1)	28.4

B. Currency derivatives

As at 2 January 2010, the notional principal amount of outstanding foreign exchange contracts that are used to manage the currency profile of the Group's net assets was $796.6 million (3 January 2009: $888.7 million). Where necessary, the Group has designated these contracts as net investment hedges. During 2009, the net fair value loss of $3.1 million (2008: net gain of $57.2 million; 2007: net loss of $31.0 million) in relation to designated net investment hedges was recognised in other comprehensive income.

Prior to the change in its presentation currency at the beginning of 2008, the Group also designated as net investment hedges the US dollar borrowings under the multi-currency revolving credit facility and, before their redemption in July 2007, the Company's US dollar denominated preference shares. During 2007, the net currency translation gain of $3.8 million arising on these instruments was recognised in other comprehensive income.

The currency profile of the Group's net assets after taking into account translation hedges is presented in note 33.

Also during 2009, a net fair value gain of $12.2 million (2008: net loss of $9.4 million; 2007: net loss of $4.0 million) was recognised within operating profit in respect of currency derivatives that were held to provide an economic hedge of transactional currency exposures but were not designated as hedges for accounting purposes.

C. Interest rate swaps

Interest rate swaps are used to swap borrowings under the Group's EMTN Programme from fixed interest rates to floating interest rates. As at 2 January 2010, the nominal value of the contracts outstanding was £400 million (3 January 2009: £400 million). The Group has designated these contracts as fair value hedges in relation to the borrowings.

During 2009, the Group recognised a net fair value loss of $13.3 million (2008: net gain of $75.7 million; 2007: net gain of $7.0 million) in relation to these contracts and the carrying amount of the hedged borrowings was decreased by $12.3 million (2008: increased by $75.6 million; 2007: increased by $5.4 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 IAS 39. During 2009, a net loss of $1.0 million (2008: net gain of $0.1 million; 2007: net gain of $1.6 million) was, therefore, recognised within other finance expense in relation to these hedges.

Until December 2009, when the remaining contracts matured, interest rate swaps were held to restrict the amount of floating rate US dollar debt. During 2009, a net fair value gain of $2.3 million (2008: net loss of $2.1 million; 2007: net loss of $3.8 million) was recognised within other finance expense in relation to these contracts that did not qualify for hedge accounting under IAS 39.

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

		Interest rate				
		Payable		Receivable		
	Notional principal amount million	Variable	Fixed	Variable	Fixed	Variable rate index
As at 2 January 2010						
Maturity date:						
– December 2011	**£150.0**	**3.4%**	**–**	**–**	**8.0%**	**6 month LIBOR**
– September 2015	**£250.0**	**1.7%**	**–**	**–**	**6.1%**	**3 month LIBOR**
As at 3 January 2009						
Maturity date:						
– December 2011	£150.0	5.7%	–	–	8.0%	6 month LIBOR
– September 2015	£250.0	4.0%	–	–	6.1%	3 month LIBOR
– December 2009	$65.0	–	4.6%	1.5%	–	3 month LIBOR

D. Currency translation loss on hedging instruments

Certain of the translational hedging instruments held by the Group are denominated in sterling but the Group is unable to apply hedge accounting to the gains and losses that arise on the translation of the carrying amount of those instruments into US dollars. During 2009, a net currency translation loss of $1.6 million (2008: net loss of $17.9 million; 2007: net loss of $3.0 million) was recognised within other finance expense in relation to those instruments.

33. Financial risk management

A. Risk management policies

The Group's central treasury function is responsible for procuring the Group's capital resources and maintaining an efficient capital structure, together with managing the Group's liquidity, foreign exchange and interest rate exposures.

All treasury operations are conducted within strict policies and guidelines that are approved by the Board. Compliance with those policies and guidelines is monitored by the regular reporting of treasury activities to the Board.

A key element of the Group's treasury philosophy is that funding, interest rate and currency decisions and the location of cash and debt balances are determined independently from each other. The Group's borrowing requirements are met by raising funds in the most favourable markets. Management aims to retain net debt in proportion to the currencies in which the net assets of the Group's operations are denominated. The desired currency profile of net debt is achieved by entering into currency derivative contracts. The proportion of investments in foreign operations effectively funded by shareholders' equity is not hedged. While the net income of foreign operations is not hedged, the effect of currency fluctuations on the Group's reported net income is partly offset by interest payable on net debt denominated in foreign currencies.

From time to time, the Group also enters into currency derivative contracts to manage currency transaction exposures.

Where necessary, the desired interest rate profile of net debt in each currency is achieved by entering into interest rate derivative contracts.

The Group's portfolio of cash and cash equivalents is managed such that there is no significant concentration of credit risk in any one bank or other financial institution. Management monitors closely the credit quality of the institutions with which it holds deposits. Similar considerations are given to the Group's portfolio of derivative financial instruments.

The Group's borrowing facilities are monitored against forecast requirements and timely action is taken to put in place, renew or replace credit lines. Management's policy is to reduce liquidity risk by diversifying the Group's funding sources and by staggering the maturity of its borrowings.

The Group has established long-term credit ratings of Baa3 Stable with Moody's and BBB Stable with Standard & Poor's and short-term credit ratings of P-3 with Moody's and A-2 with Standard & Poor's. Management aims to achieve an appropriate mix of debt and equity to ensure an efficient capital structure and to preserve these ratings.

Disclosures about the Group's capital are set out in note 40.

B. Financial assets and liabilities

The following table analyses financial assets and liabilities by the categories defined in IAS 39. Financial instruments held at fair value, have been categorised into one of three levels to reflect the degree to which observable inputs are used in determining the fair values:

– 'Level 1' fair value measurements are those derived without adjustment from quoted prices in active markets for identical assets or liabilities.

– 'Level 2' fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

– 'Level 3' fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

During 2009, there were no transfers of financial instruments between Level 1 and Level 2.

	Loans and receivables $ million	Available-for-sale $ million	Liabilities at amortised cost $ million	Fair value through profit or loss: Designated hedging relationships $ million	Fair value through profit or loss: Trading $ million	Total carrying value $ million	Fair value $ million
As at 2 January 2010							
Financial assets not held at fair value							
Trade and other receivables:							
– Non-derivative assets	722.1	–	–	–	–	722.1	722.1
Cash and cash equivalents	445.0	–	–	–	–	445.0	445.0
	1,167.1	–	–	–	–	1,167.1	1,167.1
Financial assets held at fair value							
Level 1:							
– Available-for-sale investments	–	1.2	–	–	–	1.2	1.2
Level 2:							
– Trade and other receivables:							
Derivative assets	–	–	–	56.9	1.2	58.1	58.1
	–	1.2	–	56.9	1.2	59.3	59.3
Total financial assets	1,167.1	1.2	–	56.9	1.2	1,226.4	1,226.4
Financial liabilities not held at fair value							
Trade and other payables:							
– Non-derivative liabilities	–	–	(506.2)	–	–	(506.2)	(506.2)
Bank overdrafts	–	–	(4.8)	–	–	(4.8)	(4.8)
Bank and other loans:							
– Current	–	–	(11.2)	–	–	(11.2)	(10.2)
– Non-current	–	–	(642.3)	(45.0)	–	(687.3)	(655.3)
Obligations under finance leases	–	–	(4.6)	–	–	(4.6)	(4.6)
	–	–	(1,169.1)	(45.0)	–	(1,214.1)	(1,181.1)
Financial liabilities held at fair value							
Level 2:							
– Trade and other payables:							
Derivative liabilities	–	–	–	(3.6)	(2.6)	(6.2)	(6.2)
	–	–	–	(3.6)	(2.6)	(6.2)	(6.2)
Total financial liabilities	–	–	(1,169.1)	(48.6)	(2.6)	(1,220.3)	(1,187.3)
	1,167.1	1.2	(1,169.1)	8.3	(1.4)	6.1	39.1

33. Financial risk management (continued)

	Loans and receivables $ million	Available-for-sale $ million	Liabilities at amortised cost $ million	Fair value through profit or loss: Designated hedging relationships $ million	Fair value through profit or loss: Trading $ million	Total carrying value $ million	Fair value $ million
As at 3 January 2009							
Financial assets not held at fair value							
Trade and other receivables:							
– Non-derivative assets	757.7	–	–	–	–	757.7	757.7
Cash and cash equivalents	291.9	–	–	–	–	291.9	291.9
	1,049.6	–	–	–	–	1,049.6	1,049.6
Financial assets held at fair value							
Level 1:							
– Available-for-sale investments	–	0.8	–	–	–	0.8	0.8
Level 2:							
– Trade and other receivables:							
Derivative assets	–	–	–	73.4	1.1	74.5	74.5
	–	0.8	–	73.4	1.1	75.3	75.3
Total financial assets	1,049.6	0.8	–	73.4	1.1	1,124.9	1,124.9
Financial liabilities not held at fair value							
Trade and other payables:							
– Non-derivative liabilities	–	–	(452.4)	–	–	(452.4)	(452.4)
Bank overdrafts	–	–	(13.7)	–	–	(13.7)	(13.7)
Bank and other loans:							
– Current	–	–	(29.5)	–	–	(29.5)	(29.0)
– Non-current	–	–	(711.0)	(51.9)	–	(762.9)	(583.4)
Obligations under finance leases	–	–	(6.9)	–	–	(6.9)	(6.9)
	–	–	(1,213.5)	(51.9)	–	(1,265.4)	(1,085.4)
Financial liabilities held at fair value							
Level 2:							
– Trade and other payables:							
Derivative liabilities	–	–	–	(32.5)	(13.6)	(46.1)	(46.1)
	–	–	–	(32.5)	(13.6)	(46.1)	(46.1)
Total financial liabilities	–	–	(1,213.5)	(84.4)	(13.6)	(1,311.5)	(1,131.5)
	1,049.6	0.8	(1,213.5)	(11.0)	(12.5)	(186.6)	(6.6)

Available-for-sale investments are listed and are valued by reference to quoted market prices.

Cash and cash equivalents and current bank and other loans largely attract floating interest rates. Accordingly, their carrying amounts are considered to approximate to fair value.

Non-current bank and other loans principally comprise any borrowings under the Group's multi-currency revolving credit facility that attract floating interest rates, the carrying amount of which is considered to approximate to fair value, and the listed bonds issued under the EMTN Programme, the fair value of which is based on their quoted market prices.

Finance lease obligations attract fixed interest rates that are implicit in the lease rentals and their fair value has been assessed by reference to prevailing market interest rates.

Derivative assets and liabilities represent the fair value of foreign currency derivatives and interest rate derivatives held by the Group at the balance sheet date. Foreign currency derivatives are valued by reference to prevailing forward exchange rates. Interest rate derivatives are valued by discounting the related cash flows using prevailing market interest rates.

C. Credit risk

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

Management considers the Group's maximum exposure to credit risk to be as follows:

	As at 2 January 2010 $ million	As at 3 January 2009 $ million
Trade and other receivables:		
– Derivative assets	**58.1**	74.5
– Non-derivative assets	**722.1**	757.7
	780.2	832.2
Cash and cash equivalents	**445.0**	291.9
	1,225.2	1,124.1

As at 2 January 2010, 94% (3 January 2009: 92%) of the Group's cash and cash equivalents were held with institutions rated at least A-1 by Standard & Poor's and P-1 by Moody's. Credit risk disclosures with respect to trade receivables are set out in note 25.

D. Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

As at 2 January 2010, the Group had undrawn committed borrowing facilities of $645.0 million (3 January 2009: $455.1 million) available under the multi-currency revolving credit facility that expires on 8 August 2010. Borrowings under this facility are at prevailing LIBOR rates, plus an agreed margin, dependent on the period of drawdown. During 2009, the Group entered into a $450 million forward-start facility that will commence on expiry of the existing facility and will itself expire in May 2012.

In addition, the Group had uncommitted borrowing facilities of $381.2 million (3 January 2009: $495.4 million), of which $6.0 million (3 January 2009: $34.7 million) had been drawn down for cash. Consequently, the Group's committed borrowing headroom was $639.0 million (3 January 2009: $420.4 million) in addition to cash and cash equivalents of $445.0 million (3 January 2009: $291.9 million). The Group also had outstanding performance bonds, letters of credit and bank guarantees amounting to $80.3 million (3 January 2009: $164.5 million).

The Group is subject to covenants, representations and warranties commonly associated with investment grade borrowings in respect of its committed borrowing facilities and bonds issued under the EMTN Programme.

The Group is subject to two financial covenants in respect of its committed borrowing facilities that are calculated by applying UK GAAP extant as at 31 December 2002. The ratio of net debt to consolidated earnings before interest, tax, depreciation and amortisation must not exceed 2.5 times (at the end of 2009, the ratio was 0.6 times). The ratio of consolidated operating profit to the consolidated net interest charge must not be less than 3.0 times (for 2009, the ratio was 5.5 times).

The Group complied with the borrowing covenants throughout each of the periods presented in the financial statements. Any future non-compliance with the borrowing covenants could, if not waived, constitute an event of default and may, in certain circumstances, lead to an acceleration of the maturity of borrowings drawn down and the inability to access committed facilities.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

33. Financial risk management (continued)

D. Liquidity risk (continued)

Contractual cash flows related to the Group's financial liabilities are as follows:

	Within 1 year $ million	Between 1 and 2 years $ million	Between 2 and 3 years $ million	Between 3 and 4 years $ million	Between 4 and 5 years $ million	After 5 years $ million	Total $ million
As at 2 January 2010							
Bank overdrafts	**(4.8)**	**–**	**–**	**–**	**–**	**–**	**(4.8)**
Bank and other loans:							
– Principal	**(0.6)**	**(241.8)**	**(0.3)**	**(0.3)**	**–**	**(403.1)**	**(646.1)**
– Interest payments	**(44.4)**	**(44.0)**	**(24.7)**	**(24.7)**	**(24.7)**	**(24.7)**	**(187.2)**
Finance lease obligations	**(1.3)**	**(0.8)**	**(0.4)**	**(0.4)**	**(0.4)**	**(3.3)**	**(6.6)**
Trade and other payables:							
– Non-derivative liabilities	**(491.9)**	**(14.3)**	**–**	**–**	**–**	**–**	**(506.2)**
Cash flows on non-derivative liabilities	**(543.0)**	**(300.9)**	**(25.4)**	**(25.4)**	**(25.1)**	**(431.1)**	**(1,350.9)**
Cash flows on derivative liabilities:							
– Payments	**(255.7)**	**(1.8)**	**–**	**–**	**–**	**–**	**(257.5)**
– Receipts	**255.6**	**–**	**–**	**–**	**–**	**–**	**255.6**
	(0.1)	**(1.8)**	**–**	**–**	**–**	**–**	**(1.9)**
Cash flows on financial liabilities	**(543.1)**	**(302.7)**	**(25.4)**	**(25.4)**	**(25.1)**	**(431.1)**	**(1,352.8)**
Cash flows on related derivative assets:							
– Payments	**(612.7)**	**(28.9)**	**(20.6)**	**(22.6)**	**(23.8)**	**(17.5)**	**(726.1)**
– Receipts	**635.4**	**44.0**	**24.8**	**24.6**	**24.7**	**24.7**	**778.2**
	22.7	**15.1**	**4.2**	**2.0**	**0.9**	**7.2**	**52.1**
	(520.4)	**(287.6)**	**(21.2)**	**(23.4)**	**(24.2)**	**(423.9)**	**(1,300.7)**

	Within 1 year $ million	Between 1 and 2 years $ million	Between 2 and 3 years $ million	Between 3 and 4 years $ million	Between 4 and 5 years $ million	After 5 years $ million	Total $ million
As at 3 January 2009							
Bank overdrafts	(13.6)	–	–	–	–	–	(13.6)
Bank and other loans:							
– Principal	(20.9)	(129.3)	(219.2)	(0.3)	(0.3)	(365.4)	(735.4)
– Interest payments	(41.6)	(39.9)	(39.9)	(22.4)	(22.4)	(38.2)	(204.4)
Finance lease obligations	(1.9)	(1.5)	(1.1)	(0.8)	(0.6)	(3.6)	(9.5)
Trade and other payables:							
– Non-derivative liabilities	(434.7)	(17.7)	–	–	–	–	(452.4)
Cash flows on non-derivative liabilities	(512.7)	(188.4)	(260.2)	(23.5)	(23.3)	(407.2)	(1,415.3)
Cash flows on derivative liabilities:							
– Payments	(677.0)	(5.9)	–	–	–	–	(682.9)
– Receipts	655.9	7.9	–	–	–	–	663.8
	(21.1)	2.0	–	–	–	–	(19.1)
Cash flows on financial liabilities	(533.8)	(186.4)	(260.2)	(23.5)	(23.3)	(407.2)	(1,434.4)
Cash flows on related derivative assets:							
– Payments	(328.8)	(27.2)	(29.2)	(17.3)	(18.2)	(31.7)	(452.4)
– Receipts	353.9	39.8	39.9	22.4	22.4	44.5	522.9
	25.1	12.6	10.7	5.1	4.2	12.8	70.5
	(508.7)	(173.8)	(249.5)	(18.4)	(19.1)	(394.4)	(1,363.9)

Information on the Group's exposure to liquidity risk analysed by currency is presented below.

	Within 1 year $ million	Between 1 and 2 years $ million	Between 2 and 3 years $ million	Between 3 and 4 years $ million	Between 4 and 5 years $ million	After 5 years $ million	Total $ million
As at 2 January 2010							
Cash flows on financial liabilities:							
– US dollar	**(380.2)**	**(10.7)**	**–**	**–**	**–**	**–**	**(390.9)**
– Sterling	**75.0**	**(287.9)**	**(25.0)**	**(24.7)**	**(24.7)**	**(427.8)**	**(715.1)**
– Euro	**(68.2)**	**(1.2)**	**(0.4)**	**(0.4)**	**(0.4)**	**(3.3)**	**(73.9)**
– Canadian dollar	**(37.9)**	**–**	**–**	**–**	**–**	**–**	**(37.9)**
– Other	**(131.8)**	**(2.9)**	**–**	**(0.3)**	**–**	**–**	**(135.0)**
	(543.1)	**(302.7)**	**(25.4)**	**(25.4)**	**(25.1)**	**(431.1)**	**(1,352.8)**
Cash flows on related financial assets:							
– US dollar	**(330.1)**	**–**	**–**	**–**	**–**	**–**	**(330.1)**
– Sterling	**479.4**	**15.1**	**4.2**	**2.0**	**0.9**	**7.2**	**508.8**
– Euro	**(44.2)**	**–**	**–**	**–**	**–**	**–**	**(44.2)**
– Canadian dollar	**(62.3)**	**–**	**–**	**–**	**–**	**–**	**(62.3)**
– Other	**(20.1)**	**–**	**–**	**–**	**–**	**–**	**(20.1)**
	22.7	**15.1**	**4.2**	**2.0**	**0.9**	**7.2**	**52.1**

	Within 1 year $ million	Between 1 and 2 years $ million	Between 2 and 3 years $ million	Between 3 and 4 years $ million	Between 4 and 5 years $ million	After 5 years $ million	Total $ million
As at 3 January 2009							
Cash flows on financial liabilities:							
– US dollar	(771.2)	(114.6)	(0.4)	(0.4)	(0.2)	–	(886.8)
– Sterling	480.0	(75.8)	(259.1)	(22.7)	(22.4)	(403.5)	(303.5)
– Euro	(39.6)	6.4	(0.7)	(0.4)	(0.4)	(3.7)	(38.4)
– Canadian dollar	(37.8)	–	–	–	–	–	(37.8)
– Other	(165.2)	(2.4)	–	–	(0.3)	–	(167.9)
	(533.8)	(186.4)	(260.2)	(23.5)	(23.3)	(407.2)	(1,434.4)
Cash flows on related financial assets:							
– US dollar	289.6	–	–	–	–	–	289.6
– Sterling	2.0	12.6	10.7	5.1	4.2	12.8	47.4
– Euro	(97.8)	–	–	–	–	–	(97.8)
– Canadian dollar	(105.6)	–	–	–	–	–	(105.6)
– Other	(63.1)	–	–	–	–	–	(63.1)
	25.1	12.6	10.7	5.1	4.2	12.8	70.5

Maturities in all of the liquidity tables above are based on the earliest date on which the Group could be required to settle the liabilities.

Floating interest payments and payments and receipts on interest rate derivatives are estimated based on market interest rates prevailing at the balance sheet date.

33. Financial risk management (continued)

E. Interest rate risk

Interest rate risk is the risk that the fair value of, or future cash flows associated with, a financial instrument will fluctuate because of changes in market interest rates.

The interest rate profile of the Group's financial assets and liabilities, after taking into account the effect of the Group's interest rate hedging activities, was as follows:

	As at 2 January 2010				As at 3 January 2009			
	Interest-bearing				Interest-bearing			
	Floating rate $ million	**Fixed rate $ million**	**Non-interest bearing $ million**	**Total $ million**	Floating rate $ million	Fixed rate $ million	Non-interest bearing $ million	Total $ million
Financial assets								
Trade and other receivables	**16.0**	**–**	**764.2**	**780.2**	3.8	–	828.4	832.2
Available-for-sale investments	**–**	**–**	**1.2**	**1.2**	–	–	0.8	0.8
Cash and cash equivalents (see note 27)	**378.9**	**–**	**66.1**	**445.0**	252.0	–	39.9	291.9
	394.9	**–**	**831.5**	**1,226.4**	255.8	–	869.1	1,124.9
Financial liabilities								
Trade and other payables	**–**	**–**	**(512.4)**	**(512.4)**	–	–	(498.5)	(498.5)
Borrowings (see note 29)	**(701.3)**	**(0.3)**	**(1.7)**	**(703.3)**	(739.4)	(65.3)	(1.4)	(806.1)
Obligations under finance leases	**–**	**(4.6)**	**–**	**(4.6)**	–	(6.9)	–	(6.9)
	(701.3)	**(4.9)**	**(514.1)**	**(1,220.3)**	(739.4)	(72.2)	(499.9)	(1,311.5)
	(306.4)	**(4.9)**	**317.4**	**6.1**	(483.6)	(72.2)	369.2	(186.6)

On the assumption that the change in interest rates is applied to the risk exposures in existence at the balance sheet date and that designated fair value hedges are 100% effective, an increase/decrease of 100 basis points in the interest rates applying to financial assets and liabilities would increase/decrease the Group's profit before tax by $2.7 million (3 January 2009: $4.0 million). No amounts would be taken directly to equity.

F. Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises on financial assets and liabilities that are denominated in a currency other than the functional currency of the entity by which they are held.

The Group's exposure to currency risk was as follows:

	Net foreign currency financial assets/(liabilities)					
	US dollar $ million	Sterling $ million	Euro $ million	Canadian dollar $ million	Other $ million	Total $ million
As at 2 January 2010						
Functional currency of entity:						
– US dollar	**–**	**(12.5)**	**(1.1)**	**–**	**(1.8)**	**(15.4)**
– Sterling	**1.8**	**–**	**(2.6)**	**–**	**(3.7)**	**(4.5)**
– Euro	**(2.7)**	**(0.2)**	**–**	**(0.1)**	**(0.1)**	**(3.1)**
– Canadian dollar	**(3.0)**	**–**	**–**	**–**	**(0.2)**	**(3.2)**
– Other	**(5.1)**	**(0.9)**	**15.2**	**(0.6)**	**–**	**8.6**
	(9.0)	**(13.6)**	**11.5**	**(0.7)**	**(5.8)**	**(17.6)**
As at 3 January 2009						
Functional currency of entity:						
– US dollar	–	(7.0)	(1.4)	–	6.4	(2.0)
– Sterling	3.7	–	0.5	–	12.3	16.5
– Euro	(2.3)	(0.1)	–	(0.6)	–	(3.0)
– Canadian dollar	(1.4)	–	–	–	(0.1)	(1.5)
– Other	(11.2)	(0.7)	19.7	31.7	–	39.5
	(11.2)	(7.8)	18.8	31.1	18.6	49.5

Currency exposures shown above take into account the effect of the Group's transaction hedging activities.

On the assumption that the change in exchange rates is applied to the risk exposures in existence at the balance sheet date and that designated net investment hedges are 100% effective, an increase/decrease of 10% in the value of the functional currencies of the entities concerned against the currencies in which the financial assets and liabilities are denominated would increase/decrease the Group's profit before tax by $1.8 million (3 January 2009: $5.0 million).

Currency exposures on the Group's net assets, after taking into account the translation hedges applied to the Group's borrowings, were as follows:

	As at 2 January 2010			As at 3 January 2009		
	Net assets excluding net (debt)/funds $ million	**Net (debt)/funds $ million**	**Net assets $ million**	Net assets excluding net (debt)/funds $ million	Net (debt)/funds $ million	Net assets $ million
Currency:						
– US dollar	**930.8**	**(343.6)**	**587.2**	1,164.2	(305.8)	858.4
– Sterling	**76.2**	**87.8**	**164.0**	101.9	(12.7)	89.2
– Euro	**150.6**	**(33.4)**	**117.2**	229.9	(94.6)	135.3
– Canadian dollar	**137.7**	**(42.8)**	**94.9**	171.6	(104.4)	67.2
– Other	**590.2**	**124.5**	**714.7**	548.1	41.1	589.2
	1,885.5	**(207.5)**	**1,678.0**	2,215.7	(476.4)	1,739.3

34. Post-employment benefit obligations

A. Background

The Group operates pension plans throughout the world, covering the majority of its employees. The plans are structured to accord with local conditions and practices in each country and include defined contribution plans and defined benefit plans.

The Group provides defined contribution pension benefits in most of the countries in which it operates; in particular, the majority of the Group's employees in the US are entitled to such benefits. Contributions payable by the Group to these plans amounted to $33.4 million (2008: $37.9 million; 2007: $47.6 million). At the balance sheet date, the Group had not paid over to the plans contributions due amounting to $14.8 million (3 January 2009: $15.1 million). All amounts due for the period were paid over subsequent to the balance sheet date.

The Group operates defined benefit pension plans in several countries; in particular, in the US and the UK. Generally, the pension benefits provided under these plans are based upon pensionable salary and the period of service of the individual employees. The assets of the plans are held separately from those of the Group in funds that are under the control of trustees. All of the defined benefit pension plans operated by the Group are closed to new entrants. In addition to the funded defined benefit pension plans, the Group has unfunded defined benefit obligations to certain current and former employees.

The Group also provides other post-employment benefits, principally health and life insurance cover, to certain of its employees in North America. These plans, which are unfunded, are defined benefit plans.

As discussed in note 7, during 2009, the Group recognised a gain of $63.0 million on the amendment of pension and post-retirement healthcare plans in North America.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

34. Post-employment benefit obligations (continued)

B. Summary of financial effect

An analysis of the effect of providing post-employment benefits on the Group's results is set out below.

Year ended 2 January 2010

	Pensions			Other post-employment benefits		
	Operating profit $ million	**Finance charges $ million**	**Total $ million**	**Operating profit $ million**	**Finance charges $ million**	**Total $ million**
Defined contribution plans	**33.4**	**–**	**33.4**	**–**	**–**	**–**
Defined benefit plans						
Recognised in profit or loss:						
– Current service cost	**6.7**	**–**	**6.7**	**0.4**	**–**	**0.4**
– Past service cost	**2.7**	**–**	**2.7**	**–**	**–**	**–**
– Negative past service cost	**(0.3)**	**–**	**(0.3)**	**(17.2)**	**–**	**(17.2)**
– Settlement and curtailments	**(36.4)**	**–**	**(36.4)**	**(10.5)**	**–**	**(10.5)**
– Interest cost	**–**	**61.0**	**61.0**	**–**	**9.0**	**9.0**
– Expected return on plan assets	**–**	**(62.6)**	**(62.6)**	**–**	**–**	**–**
	(27.3)	**(1.6)**	**(28.9)**	**(27.3)**	**9.0**	**(18.3)**
Recognised in equity:						
– Net actuarial loss			**119.8**			**24.0**
– Effect of the asset ceiling			**(18.6)**			**–**
			101.2			**24.0**
			72.3			**5.7**

Year ended 3 January 2009

	Pensions			Other post-employment benefits		
	Operating profit $ million	Finance charges $ million	Total $ million	Operating profit $ million	Finance charges $ million	Total $ million
Defined contribution plans	37.9	–	37.9	–	–	–
Defined benefit plans						
Recognised in profit or loss:						
– Current service cost	8.7	–	8.7	0.5	–	0.5
– Past service cost	–	–	–	0.6	–	0.6
– Settlement and curtailments	(2.4)	–	(2.4)	–	–	–
– Interest cost	–	67.9	67.9	–	10.5	10.5
– Expected return on plan assets	–	(75.5)	(75.5)	–	–	–
	6.3	(7.6)	(1.3)	1.1	10.5	11.6
Recognised in equity:						
– Net actuarial loss/(gain)			122.4			(23.6)
– Effect of the asset ceiling			(12.3)			–
			110.1			(23.6)
			108.8			(12.0)

Year ended 29 December 2007

	Pensions				Other post-employment benefits		
	Operating profit $ million	Finance charges $ million	Loss from discontinued operations $ million	Total $ million	Operating profit $ million	Finance charges $ million	Total $ million
Defined contribution plans	46.8	–	0.8	47.6	–	–	–
Defined benefit plans							
Recognised in profit or loss:							
– Current service cost	11.6	–	0.2	11.8	0.4	–	0.4
– Past service cost	0.2	–	–	0.2	–	–	–
– Settlement and curtailments	(3.8)	–	(2.4)	(6.2)	–	–	–
– Interest cost	–	66.1	1.0	67.1	–	10.2	10.2
– Expected return on plan assets	–	(75.0)	(1.2)	(76.2)	–	–	–
	8.0	(8.9)	(2.4)	(3.3)	0.4	10.2	10.6
Recognised in equity:							
– Net actuarial gain				(89.9)			(6.0)
– Effect of the asset ceiling				43.8			–
				(46.1)			(6.0)
				(49.4)			4.6

The net liability recognised in the Group's balance sheet in respect of defined benefit plans was as follows:

	As at 2 January 2010			As at 3 January 2009		
	Pensions $ million	**Other benefits $ million**	**Total $ million**	Pensions $ million	Other benefits $ million	Total $ million
Present value of the benefit obligation:						
– Funded	**1,071.7**	**–**	**1,071.7**	978.9	–	978.9
– Unfunded	**44.3**	**142.1**	**186.4**	39.2	147.7	186.9
	1,116.0	**142.1**	**1,258.1**	1,018.1	147.7	1,165.8
Fair value of plan assets	**(924.5)**	**–**	**(924.5)**	(862.1)	–	(862.1)
	191.5	**142.1**	**333.6**	156.0	147.7	303.7
Effect of the asset ceiling	**8.6**	**–**	**8.6**	24.6	–	24.6
Net liability	**200.1**	**142.1**	**342.2**	180.6	147.7	328.3

The net liability is presented in the Group's balance sheet as follows:

	As at 2 January 2010			As at 3 January 2009		
	Pensions $ million	**Other benefits $ million**	**Total $ million**	Pensions $ million	Other benefits $ million	Total $ million
Surpluses	**(1.3)**	**–**	**(1.3)**	(5.3)	–	(5.3)
Deficits	**201.4**	**142.1**	**343.5**	185.9	147.7	333.6
Net liability	**200.1**	**142.1**	**342.2**	180.6	147.7	328.3

34. Post-employment benefit obligations (continued)

C. Pensions

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

	UK % per annum	US % per annum	Other countries % per annum
Valuation as at 2 January 2010			
Salary increases	**4.50%**	**3.36%**	**3.70%**
Increase to pensions in payment	**3.50%**	**n/a**	**n/a**
Increase to deferred pensions	**3.50%**	**n/a**	**n/a**
Long-term rate of return on plan assets	**6.31%**	**7.75%**	**6.02%**
Discount rate	**5.75%**	**5.75%**	**4.80%**
Inflation rate	**3.50%**	**n/a**	**1.39%**
Valuation as at 3 January 2009			
Salary increases	4.00%	5.65%	3.28%
Increase to pensions in payment	3.00%	n/a	n/a
Increase to deferred pensions	3.00%	n/a	n/a
Long-term rate of return on plan assets	6.64%	8.00%	5.97%
Discount rate	6.50%	5.88%	5.95%
Inflation rate	3.00%	0.00%	1.34%

The current life expectancies underlying the benefit obligations of the Group's principal pension plans were as follows:

		UK	US	Other countries
As at 2 January 2010				
Current pensioners (at age 65)	– male	**21.2 years**	**17.7 years**	**19.1 years**
	– female	**24.2 years**	**20.3 years**	**21.6 years**
Future pensioners (at age 65)	– male	**22.2 years**	**17.7 years**	**19.1 years**
	– female	**25.2 years**	**20.3 years**	**21.6 years**
As at 3 January 2009				
Current pensioners (at age 65)	– male	21.2 years	17.7 years	19.1 years
	– female	24.2 years	20.3 years	21.6 years
Future pensioners (at age 65)	– male	22.2 years	17.7 years	19.1 years
	– female	25.2 years	20.3 years	21.6 years

The net liability recognised in the Group's balance sheet in respect of defined benefit pension plans was as follows:

	As at 2 January 2010				As at 3 January 2009			
	UK $ million	**US $ million**	**Other countries $ million**	**Total $ million**	UK $ million	US $ million	Other countries $ million	Total $ million
Present value of benefit obligation:								
– Funded	**366.7**	**565.3**	**139.7**	**1,071.7**	280.5	586.5	111.9	978.9
– Unfunded	**0.1**	**36.6**	**7.6**	**44.3**	5.1	32.4	1.7	39.2
	366.8	**601.9**	**147.3**	**1,116.0**	285.6	618.9	113.6	1,018.1
Fair value of plan assets	**(353.7)**	**(458.1)**	**(112.7)**	**(924.5)**	(294.0)	(479.5)	(88.6)	(862.1)
	13.1	**143.8**	**34.6**	**191.5**	(8.4)	139.4	25.0	156.0
Effect of the asset ceiling	**8.6**	**–**	**–**	**8.6**	24.6	–	–	24.6
Net liability	**21.7**	**143.8**	**34.6**	**200.1**	16.2	139.4	25.0	180.6

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

	Year ended 2 January 2010				Year ended 3 January 2009			
	UK $ million	US $ million	Other countries $ million	Total $ million	UK $ million	US $ million	Other countries $ million	Total $ million
At the beginning of the period	**285.6**	**618.9**	**113.6**	**1,018.1**	433.2	617.8	145.5	1,196.5
Transfer of plans	**(5.0)**	**5.0**	**–**	**–**	–	–	–	–
Current service cost	**0.6**	**2.0**	**4.1**	**6.7**	1.1	2.9	4.7	8.7
Past service cost	**–**	**–**	**2.7**	**2.7**	–	–	–	–
Negative past service cost	**–**	**(0.3)**	**–**	**(0.3)**	–	–	–	–
Curtailments	**–**	**(29.1)**	**(7.3)**	**(36.4)**	(0.6)	(2.0)	–	(2.6)
Settlements	**–**	**(0.3)**	**–**	**(0.3)**	–	(0.4)	(3.4)	(3.8)
Interest cost	**19.5**	**34.6**	**6.9**	**61.0**	23.4	37.3	7.2	67.9
Special termination benefits	**–**	**–**	**–**	**–**	–	0.2	–	0.2
Net actuarial loss/(gain)	**54.1**	**22.6**	**24.7**	**101.4**	(35.2)	28.5	(16.4)	(23.1)
	354.8	**653.4**	**144.7**	**1,152.9**	421.9	684.3	137.6	1,243.8
Disposal of subsidiaries	**–**	**–**	**–**	**–**	–	(15.9)	–	(15.9)
Employees' contributions	**0.1**	**–**	**0.2**	**0.3**	0.2	–	0.2	0.4
Benefits paid	**(17.2)**	**(51.5)**	**(8.2)**	**(76.9)**	(19.8)	(49.5)	(6.4)	(75.7)
Foreign currency translation	**29.1**	**–**	**10.6**	**39.7**	(116.7)	–	(17.8)	(134.5)
At the end of the period	**366.8**	**601.9**	**147.3**	**1,116.0**	285.6	618.9	113.6	1,018.1

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

	Year ended 2 January 2010				Year ended 3 January 2009			
	UK $ million	US $ million	Other countries $ million	Total $ million	UK $ million	US $ million	Other countries $ million	Total $ million
At the beginning of the period	**294.0**	**479.5**	**88.6**	**862.1**	449.8	558.8	116.4	1,125.0
Expected return on plan assets	**21.2**	**35.5**	**5.9**	**62.6**	29.3	39.4	6.8	75.5
Settlements	**–**	**(0.3)**	**–**	**(0.3)**	–	(0.4)	(3.4)	(3.8)
Net actuarial gain/(loss)	**6.5**	**(31.8)**	**6.9**	**(18.4)**	(49.6)	(79.1)	(16.8)	(145.5)
	321.7	**482.9**	**101.4**	**906.0**	429.5	518.7	103.0	1,051.2
Disposal of subsidiaries	**–**	**–**	**–**	**–**	–	(16.2)	–	(16.2)
Employer's contributions	**18.7**	**26.7**	**7.3**	**52.7**	8.5	26.5	10.4	45.4
Employees' contributions	**0.1**	**–**	**0.2**	**0.3**	0.2	–	0.2	0.4
Benefits paid	**(17.2)**	**(51.5)**	**(8.2)**	**(76.9)**	(19.8)	(49.5)	(6.4)	(75.7)
Foreign currency translation	**30.4**	**–**	**12.0**	**42.4**	(124.4)	–	(18.6)	(143.0)
At the end of the period	**353.7**	**458.1**	**112.7**	**924.5**	294.0	479.5	88.6	862.1

The fair value of plan assets by asset category was as follows:

	As at 2 January 2010				As at 3 January 2009			
	UK $ million	US $ million	Other countries $ million	Total $ million	UK $ million	US $ million	Other countries $ million	Total $ million
Equity instruments	**166.2**	**288.7**	**44.1**	**499.0**	151.5	268.9	32.8	453.2
Debt instruments	**187.4**	**153.0**	**46.9**	**387.3**	141.4	184.7	36.9	363.0
Other assets	**0.1**	**16.4**	**21.7**	**38.2**	1.1	25.9	18.9	45.9
	353.7	**458.1**	**112.7**	**924.5**	294.0	479.5	88.6	862.1

34. Post-employment benefit obligations (continued)

C. Pensions (continued)

Plan assets do not include any of the Group's own financial instruments, nor any property occupied by, or other assets used by, 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 Group'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 Group's investment strategy for pension plan assets includes diversification to minimise interest and market risks. Accordingly, the interest rate risk inherent in the benefit obligation of the Group's US funded pension plans is hedged using a combination of bonds and interest rate swaps with a combined average duration of 10.1 years. In general, the investment strategy for the Group's pension plans outside the US does not involve the use of derivative financial instruments.

Plan assets are rebalanced periodically to maintain target asset allocations. Maturities of investments are not necessarily related to the timing of expected future benefit payments, but adequate liquidity to make immediate and medium-term benefit payments is ensured.

The weighted averages of the expected returns on plan assets were as follows:

	As at 2 January 2010			As at 3 January 2009			As at 29 December 2007		
	UK	**US**	**Other countries**	UK	US	Other countries	UK	US	Other countries
Equity instruments	**7.80%**	**8.70%**	**8.80%**	8.00%	9.51%	9.13%	7.95%	9.31%	9.39%
Debt instruments	**4.92%**	**5.20%**	**5.31%**	4.83%	6.40%	4.87%	5.65%	6.30%	5.11%
Other assets	**4.20%**	**3.30%**	**2.00%**	4.30%	3.90%	1.00%	4.85%	4.80%	1.00%

The actual return on plan assets was as follows:

	Year ended 2 January 2010 Number	Year ended 3 January 2009 Number	Year ended 29 December 2007 Number
UK	**9.4%**	(4.5)%	6.0%
US	**0.8%**	(7.1)%	8.3%
Other countries	**7.1%**	(8.6)%	3.1%

Actuarial gains and losses recognised in relation to defined benefit pension 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 benefit obligation	**1,116.0**	1,018.1	1,196.5	1,270.0	1,216.9
Fair value of plan assets	**(924.5)**	(862.1)	(1,125.0)	(1,041.8)	(904.9)
Deficit in the plans	**191.5**	156.0	71.5	228.2	312.0
Recognised in the period:					
– Net actuarial (loss)/gain on plan assets	**(18.4)**	(145.5)	(3.0)	15.1	25.9
– Net actuarial (loss)/gain on benefit obligation	**(101.4)**	23.1	92.9	25.6	(104.7)
	(119.8)	(122.4)	89.9	40.7	(78.8)

As at 2 January 2010, the cumulative net actuarial loss recognised in other comprehensive income amounted to $213.8 million (3 January 2009: loss of $94.0 million).

The Group expects to contribute approximately $40 million to defined benefit pension plans in 2010.

D. Other post-employment benefits

The weighted averages of the principal assumptions used in the actuarial valuations of the other post-employment benefit plans were as follows:

	As at 2 January 2010 % per annum	As at 3 January 2009 % per annum	As at 29 December 2007 % per annum
Discount rate	**5.63%**	6.08%	6.28%
Medical cost inflation rate	**12.64%**	8.20%	7.13%

The Group's other post-employment benefit plans are unfunded. Accordingly, the liability recognised in the Group's balance sheet in respect of these plans represents the present value of the benefit obligation.

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	**147.7**	180.8
Current service cost	**0.4**	0.5
Past service cost	**–**	0.6
Negative past service cost	**(17.2)**	–
Curtailments	**(10.5)**	–
Interest cost	**9.0**	10.5
Net actuarial loss/(gain)	**24.0**	(23.6)
	153.4	168.8
Disposal of subsidiaries	**–**	(2.2)
Benefits paid	**(14.9)**	(13.0)
Foreign currency translation	**3.6**	(5.9)
At the end of the period	**142.1**	147.7

Actuarial gains and losses recognised in relation to other post-employment 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 benefit obligation	**142.1**	147.7	180.8	189.7	193.5
Recognised in the period:					
– Actuarial (loss)/gain on benefit obligation	**(24.0)**	23.6	6.0	(2.7)	3.1

As at 2 January 2010, the cumulative net actuarial gain recognised in other comprehensive income amounted to $51.7 million (3 January 2009: net gain of $75.7 million).

Sensitivity to change in the assumed medical cost inflation rate used in the actuarial valuations as at 2 January 2010 is as follows:

	Increase of one percentage point $ million	Decrease of one percentage point $ million
Effect on the aggregate of the current service cost and the interest cost	0.5	(0.5)
Effect on the accumulated benefit obligation	9.1	(7.7)

35. 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.

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

B. Share options

Options are 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.

Vested options are still outstanding under the Company's executive share option schemes which lapsed for the purpose of new awards in 2005. The final unvested options under these schemes vested during 2007.

In 2009, the compensation expense recognised in respect of share options was $1.0 million (2008: $0.8 million; 2007: $3.1 million).

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

	Year ended 2 January 2010		Restated* 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	**18,131,583**	**238.60**	19,602,926	242.71
Granted during the period	**2,228,492**	**96.00**	803,274	140.20
Cancelled during the period	**(634,716)**	**157.70**	(391,195)	206.68
Forfeited during the period	**(34,770)**	**202.88**	(98,587)	198.79
Exercised during the period	**(45,000)**	**170.50**	(45,000)	170.50
Lapsed during the period	**(2,397,288)**	**232.61**	(1,739,835)	250.65
Outstanding at the end of the period	**17,248,301**	**224.24**	18,131,583	238.60
Exercisable at the end of the period	**14,544,405**	**245.19**	16,341,128	244.64

* See note 2

On the date on which options were exercised during 2009, the market price of the Company's ordinary shares was 178.90p per share (2008: 184.00p 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 2 January 2010	Year ended 3 January 2009	Year ended 29 December 2007
Weighted average fair value	**68.34p**	37.99p	73.81p
Weighted average assumptions:			
– Share price	**161.75p**	176.75p	264.25p
– Exercise price	**96.00p**	140.20p	211.40p
– Expected volatility	**33.44%**	24.59%	25.40%
– Expected life	**4.47 years**	4.57 years	4.66 years
– Risk-free interest rate	**3.76%**	4.55%	5.23%
– Expected dividends	**6.25p**	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 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 at the end of the period was as follows:

	As at 2 January 2010		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	Outstanding Number	Weighted average remaining contractual life Years
Range of exercise prices:						
– Less than 100p	**2,186,005**	**4.13**	–	–	–	–
– 100p to 150p	**287,096**	**3.21**	723,947	4.23	–	–
– 151p to 200p	**3,242,072**	**2.06**	3,454,072	2.99	3,519,072	3.94
– 201p to 250p	**5,909,124**	**4.08**	7,773,617	4.61	9,244,600	5.39
– 251p to 300p	**4,608,776**	**3.31**	5,164,719	4.35	5,821,026	5.01
– 301p and higher	**1,015,228**	**2.11**	1,015,228	3.10	1,018,228	4.11
	17,248,301		18,131,583		19,602,926	

C. Other awards

The Group's principal ongoing share-based compensation arrangements are the ABIP and the PSP. Both are restricted to the Group'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 999,108 ordinary shares (2008: 1,789,628 ordinary shares; 2007: 1,727,352 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 $2.0 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 6,864,193 ordinary shares under the PSP (2008: 7,115,194 ordinary shares; 2007: 5,852,671 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: 125.66p; 2007: 211.93p).

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

	Year ended 2 January 2010	Year ended 3 January 2009	Year ended 29 December 2007
Weighted average fair value	**41.92p**	43.92p	66.45p
Weighted average assumptions:			
– Expected volatility	**45.36%**	36.41%	27.67%
– Expected life	**3.00 years**	3.00 years	3.00 years
– Risk-free interest rate	**2.00%**	4.71%	4.88%
– Dividend yield	**4.87%**	8.84%	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 2009, the compensation expense recognised in respect of other awards was $10.3 million (2008: $11.2 million; 2007: $13.2 million).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

36. Deferred tax

Movements in the net deferred tax assets and (liabilities) recognised by the Group were as follows:

	Post-employment benefits $ million	Tax losses $ million	Net investment in subsidiaries $ million	Accrued expenses $ million	Long-lived assets $ million	Inventories $ million	Other items $ million	Total $ million
As at 29 December 2007	90.7	9.6	(2.8)	45.4	(122.4)	(40.8)	23.3	3.0
Disposal of subsidiaries	(0.8)	–	–	(1.7)	5.2	0.8	(1.2)	2.3
(Charge)/credit to profit or loss	(16.9)	(4.2)	(0.5)	(0.4)	19.9	(4.3)	5.2	(1.2)
Credited outside profit or loss	25.3	–	–	–	–	–	5.8	31.1
Currency translation differences	(0.6)	(0.8)	–	(1.3)	1.4	0.2	1.0	(0.1)
As at 3 January 2009	97.7	4.6	(3.3)	42.0	(95.9)	(44.1)	34.1	35.1
Acquisition of subsidiaries	–	–	–	–	(6.9)	–	–	(6.9)
(Charge)/credit to profit or loss	(15.5)	11.5	(2.0)	0.3	2.5	15.0	1.9	13.7
Credited outside profit or loss	14.9	–	–	–	–	–	0.7	15.6
Currency translation differences	0.1	0.4	–	0.6	(0.8)	0.1	(0.3)	0.1
As at 2 January 2010	**97.2**	**16.5**	**(5.3)**	**42.9**	**(101.1)**	**(29.0)**	**36.4**	**57.6**

Deferred tax assets and liabilities presented in the Group's balance sheet are as follows:

	As at 2 January 2010 $ million	As at 3 January 2009 $ million
Deferred tax assets	**82.9**	64.8
Deferred tax liabilities	**(25.3)**	(29.7)
	57.6	35.1

As at 2 January 2010, the Group had operating tax losses amounting to $1,918.6 million, of which $1,654.1 million can be carried forward indefinitely and $264.5 million have expiry dates between 2010 and 2029. As at 2 January 2010, the Group recognised a deferred tax asset of $16.2 million in respect of these losses.

As at 2 January 2010, the Group had capital tax losses amounting to $838.8 million, of which $449.3 million can be carried forward indefinitely, $3.1 million expire in 2012 and $386.4 million expire in 2013. As at 2 January 2010, the Group recognised a deferred tax asset of $0.3 million in respect of these losses.

As at 2 January 2010, the Group had foreign and other tax credits amounting to $35.3 million, of which $10.2 million can be carried forward indefinitely and $25.1 million expire between 2013 and 2027. As at 2 January 2010, the Group recognised a deferred tax asset in respect of these tax credits of $5.2 million.

Deferred tax is not provided on the undistributed earnings of foreign subsidiaries where management has the ability, and intends, to reinvest such amounts indefinitely. As at 2 January 2010, the Group's share of the undistributed earnings of foreign subsidiaries on which deferred tax was not provided was $3,225.7 million (3 January 2009: $3,180.5 million). A determination of the amount of the unrecognised deferred tax liability has not been made because it is not practical to do so. A portion of these earnings can be distributed without incurring additional taxes.

37. Provisions

	Restructuring costs $ million	Environmental remediation $ million	Workers' compensation $ million	Warranty provisions $ million	Product liability provisions $ million	Insurance provisions $ million	Total $ million
As at 29 December 2007	10.0	9.1	28.9	15.2	7.5	8.2	78.9
Charge/(credit) for the period	15.6	2.6	13.6	4.8	8.3	(2.2)	42.7
Utilised during the period	(9.5)	(4.1)	(16.5)	(8.0)	(8.3)	–	(46.4)
Acquisition of subsidiaries	–	–	–	0.3	–	–	0.3
Disposal of subsidiaries	–	–	(0.4)	–	(0.1)	–	(0.5)
Foreign currency translation	(0.2)	(0.2)	(0.1)	(0.8)	–	(1.7)	(3.0)
As at 3 January 2009	15.9	7.4	25.5	11.5	7.4	4.3	72.0
Charge for the period	117.8	4.4	8.9	5.3	15.6	–	152.0
Utilised during the period	(58.4)	(5.6)	(11.1)	(4.7)	(11.7)	–	(91.5)
Released during the period	(8.1)	(0.1)	(1.4)	(1.1)	(1.4)	(4.1)	(16.2)
Foreign currency translation	1.7	0.4	0.1	0.3	0.1	0.6	3.2
As at 2 January 2010	**68.9**	**6.5**	**22.0**	**11.3**	**10.0**	**0.8**	**119.5**

Provisions are presented in the Group's balance sheet as follows:

	As at 2 January 2010 $ million	As at 3 January 2009 $ million
Ongoing businesses:		
– Current liabilities	**100.3**	48.8
– Non-current liabilities	**19.2**	23.2
	119.5	72.0

Provisions for restructuring costs principally relate to the restructuring initiatives under projects Eagle and Cheetah and are expected largely to be utilised during 2010.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

38. Share capital and reserves

A. Authorised and issued, fully paid shares

	Ordinary shares of 9c each		Ordinary shares of 5p each		Deferred shares of £1 each	
	Authorised Number of shares	Issued Number of shares	Authorised Number of shares	Issued Number of shares	Authorised Number of shares	Issued Number of shares
As at 30 December 2006	–	–	1,585,164,220	858,209,522	–	–
Year ended 29 December 2007						
Shares issued during the period:						
– Conversion of preference shares	–	–	–	25,411,499	–	–
– Exercise of employee share options	–	–	–	485,751	–	–
	–	–	–	25,897,250	–	–
As at 29 December 2007	–	–	1,585,164,220	884,106,772	–	–
Year ended 3 January 2009						
Shares issued before redenomination:						
– Exercise of employee share options	–	–	–	45,000	–	–
Redenomination:						
– Cancellation of 5p ordinary shares	–	–	(1,585,164,220)	(884,151,772)	–	–
– Issue of 9c ordinary shares	1,585,164,220	884,151,772	–	–	–	–
– Issue of deferred shares	–	–	–	–	50,000	50,000
As at 3 January 2009	1,585,164,220	884,151,772	–	–	50,000	50,000
Year ended 2 January 2010						
Shares issued during the period:						
– Exercise of employee share options	–	45,000	–	–	–	–
Cancellation of deferred shares	–	–	–	–	(50,000)	(50,000)
As at 2 January 2010	**1,585,164,220**	**884,196,772**	**–**	**–**	**–**	**–**

B. Ordinary shares

On 22 May 2008, the Company's ordinary shares were redenominated from sterling to US dollars. The redenomination did not affect the rights of the holders of ordinary shares.

Ordinary shareholders have no entitlement to share in the profits of the Company, except for dividends that have been declared and in the event of the liquidation of the Company.

Ordinary shareholders have the right to attend, and vote at, general meetings of the Company or to appoint a proxy to attend and vote at such meetings on their behalf. Ordinary shareholders have one vote for every share held.

Ordinary share capital represents the nominal value of ordinary shares issued.

C. Deferred shares

When the Company redenominated its ordinary shares from sterling to US dollars, 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.

The deferred shares were not listed on any investment exchange and had extremely limited rights such that they effectively had no value.

D. Share premium account

The share premium account records the difference between the nominal value of shares issued and the fair value of the consideration received. The share premium account is not distributable but may be used for certain purposes specified by UK law, including to write off expenses on any issue of shares or debentures and to pay up fully paid bonus shares. The share premium account may be reduced by special resolution of the Company's shareholders and with the approval of the court.

E. Capital redemption reserve

The capital redemption reserve records the cost of shares purchased by the Company for cancellation or redeemed in excess of the proceeds of any fresh issue of shares made specifically to fund the purchase or redemption. The capital redemption reserve is not distributable but may be reduced by special resolution of the Company's shareholders and with the approval of the court.

39. Own shares

	Year ended 2 January 2010 Number of shares	Year ended 3 January 2009 Number of shares	Year ended 29 December 2007 Number of shares
At the beginning of the period	**3,658,550**	4,205,841	4,205,248
Own shares purchased	**636,762**	1,506,518	1,597,500
Transfer of own shares	**(1,752,118)**	(2,053,809)	(1,596,907)
At the end of the period	**2,543,194**	3,658,550	4,205,841

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).

40. Capital

Management considers that the Group's capital comprises shareholders' equity plus net debt.

The Group's capital was as follows:

	As at 2 January 2010 $ million	As at 3 January 2009 $ million	As at 29 December 2007 $ million
Shareholders' equity	**1,536.6**	1,610.8	2,137.8
Net debt:			
– Cash and cash equivalents	**(445.0)**	(291.9)	(295.9)
– Collateralised cash	**(2.1)**	(3.8)	(5.8)
– Bank overdrafts	**4.8**	13.7	15.7
– Bank and other loans	**698.5**	792.4	860.3
– Obligations under finance leases	**4.6**	6.9	9.6
– Derivatives hedging translational exposures	**(53.3)**	(40.9)	7.6
	207.5	476.4	591.5
	1,744.1	2,087.2	2,729.3

We manage the Group's capital structure to maximise shareholder value whilst retaining flexibility to take advantage of opportunities that arise to grow the Group's business.

41. Acquisitions

A. Current year acquisitions

Industrial & Automotive

Fluid Power

On 7 July 2009, the Group acquired a 100% interest in Hydrolink, a fluid engineering services provider to the oil and gas and marine sectors in the Middle East. Provisional goodwill of $16.5 million was recognised on the acquisition, which represents the expected benefits to the Group from accelerating the market penetration of its products in this high-growth region. Goodwill is provisional pending the finalisation of the fair valuation of acquired intangible assets.

Building Products

Air Distribution

On 7 July 2009, the Group acquired the remaining 40% minority interest in Rolastar Pvt Ltd, a duct manufacturer based in India. Goodwill of $4.6 million was recognised on the acquisition of the minority interest. Overall, the Group recognised goodwill of $8.5 million on the acquisition of its 100% interest in the business, which represents the expected benefits from the expansion of its air distribution business in India.

B. Prior year acquisitions

2008

Industrial & Automotive

Fluid Power

On 3 March 2008, the Group acquired a 100% interest in A.E. Hydraulic (Pte) Ltd., a Singapore-based provider of hydraulic and industrial hose solutions and services for the oil exploration industry in Asia. Goodwill of $8.1 million was recognised on the acquisition which represents the expected benefits to the Group from the acceleration of its expansion into the high-growth oil and gas exploration market made possible by the acquisition.

Building Products

Air Distribution

On 22 February 2008, the Group acquired a 60% interest in Rolastar Pvt Ltd, a duct manufacturer based in India. Goodwill of $0.9 million was recognised on the acquisition.

On 20 June 2008, the Group acquired a 100% interest in Trion Inc., a manufacturer of commercial, industrial and residential indoor air quality products. Trion is headquartered in Sanford, North Carolina, with manufacturing facilities there and also in Suzhou, China. Goodwill of $2.4 million was recognised on the acquisition which represents the expected synergies from the integration of the business within Air Distribution.

2007

Industrial & Automotive

Fluid Systems

On 8 March 2007, the Group acquired the remaining 40% minority interest in Schrader Engineered Products (Kunshan) Co Ltd, a manufacturer of valves and fittings based in China.

On 26 September 2007, the Group acquired 100% of Swindon Silicon Systems Ltd, a company that designs, develops and supplies integrated circuits based in the UK.

C. Adjustment in respect of prior year acquisitions

On the completion of the initial accounting for acquisitions completed in 2008, the attributable goodwill was increased by $5.7 million as follows:

	Provisional goodwill $ million	Adjustment $ million	Final goodwill $ million
A.E. Hydraulic (Pte) Ltd.	8.1	1.6	9.7
Rolastar Pvt Ltd (acquisition of initial 60% interest)	0.9	3.0	3.9
Trion Inc.	2.4	1.1	3.5
		5.7	

Comparative information has not been restated to reflect these adjustments, which principally arose due to revisions to the fair value of acquired property, plant and equipment and the recognition of additional deferred tax liabilities, because they are not material to the Group's results or financial position.

D. Financial effect of acquisitions

	Year ended 2 January 2010				
	Acquiree's carrying amount in accordance with IFRS $ million	**Fair value adjustments $ million**	**Provisional fair value $ million**	Year ended 3 January 2009 $ million	Year ended 29 December 2007 $ million
Net assets acquired					
Intangible assets	**–**	**5.9**	**5.9**	37.4	11.0
Property, plant and equipment	**9.3**	**(1.3)**	**8.0**	9.2	7.0
Deferred tax assets	**–**	**–**	**–**	–	0.2
Inventories	**10.6**	**(3.2)**	**7.4**	12.4	2.6
Trade and other receivables	**8.6**	**(1.4)**	**7.2**	11.5	7.6
Income tax recoverable	**–**	**–**	**–**	1.2	–
Cash and cash equivalents	**0.4**	**–**	**0.4**	0.1	–
Bank and other loans	**(7.4)**	**–**	**(7.4)**	(0.4)	–
Obligations under finance leases	**(0.4)**	**–**	**(0.4)**	(0.4)	–
Trade and other payables	**(10.3)**	**–**	**(10.3)**	(8.9)	(4.4)
Income tax liabilities	**(0.4)**	**–**	**(0.4)**	(0.9)	(0.8)
Deferred tax liabilities	**–**	**(6.9)**	**(6.9)**	–	–
Provisions	**–**	**–**	**–**	(0.3)	–
Minority interest	**4.6**	**2.0**	**6.6**	(8.2)	1.0
	15.0	**(4.9)**	**10.1**	52.7	24.2
Goodwill on current year acquisitions			**21.1**	11.4	6.2
Adjustments to goodwill on prior year acquisitions			**5.7**	(3.0)	(14.2)
Consideration (including transaction costs)			**36.9**	61.1	16.2

The net cash outflow on acquisitions during the period was as follows:

	Year ended 2 January 2010 $ million	Year ended 3 January 2009 $ million	Year ended 29 December 2007 $ million
Consideration paid on current period acquisitions	**25.5**	65.5	15.2
Cash and cash equivalents acquired	**(0.4)**	(0.1)	–
Deferred consideration	**1.4**	–	–
Adjustment to consideration on prior period acquisitions	**–**	(0.4)	1.8
	26.5	65.0	17.0

Businesses acquired during 2009 contributed $10.9 million to the Group's sales and reduced the Group's profit for the year by $2.0 million. If these businesses had been acquired at the beginning of 2009, it is estimated that the Group's sales would have been $16.0 million higher, at $4,196.1 million, in 2009, but it is not practicable to estimate what the Group's profit for the year would have been because they did not prepare balance sheets in accordance with IFRS as at 3 January 2009.

42. Disposals

A. Disposals

2008

Industrial & Automotive

Fluid Systems
On 19 June 2008, the Group sold Stant Manufacturing, Inc., a manufacturer of automotive closure caps and its subsidiary, Standard-Thomson Corporation, a manufacturer of automotive thermostats. A gain of $43.2 million was recognised on the disposal.

2007

Industrial & Automotive

Other Industrial & Automotive
On 19 November 2007, the Group sold Tridon Electronics' indicator and side object detection businesses. On 23 November 2007, the Group sold Dearborn Mid-West, a manufacturer of automotive assembly lines and materials handling equipment.

Building Products

Other Building Products
On 23 February 2007, the Group sold the business and assets of Lasco Fittings Inc., a manufacturer of injection-moulded fittings.

Discontinued operations

Wiper Systems
On 29 June 2007, the Group completed the sale of Trico, which constituted the Group's former Wiper Systems business segment.

B. Financial effect of disposals

	Year ended 2 January 2010 $ million	Year ended 3 January 2009 $ million	Year ended 29 December 2007 $ million
Proceeds			
Cash	–	108.1	233.9
Deferred	–	–	17.6
Loan notes	–	11.8	16.8
	–	119.9	268.3
Net assets disposed of			
Intangible assets	–	(1.0)	(0.6)
Property, plant and equipment	–	(35.7)	(63.5)
Investments in associates	–	(1.9)	–
Inventories	–	(16.7)	(94.2)
Trade and other receivables	–	(43.3)	(181.1)
Income tax recoverable	–	–	(1.0)
Cash and cash equivalents	–	(0.3)	(9.2)
Trade and other payables	–	25.5	120.4
Finance lease obligations	–	–	6.1
Deferred tax liabilities	–	2.3	1.2
Post-employment benefit obligations	–	1.9	3.8
Provisions	–	0.5	4.6
	–	(68.7)	(213.5)
Disposal costs	–	(3.3)	(7.2)
Curtailment gain on retained pension plan	–	2.0	–
Currency translation loss transferred from other comprehensive income	–	(6.7)	(28.8)
Gain on disposal	–	43.2	18.8
Attributable to:			
– Continuing operations	–	43.2	76.0
– Discontinued operations	–	–	(57.2)
	–	43.2	18.8

The net cash inflow on disposals during the period was as follows:

	Year ended 2 January 2010 $ million	Year ended 3 January 2009 $ million	Year ended 29 December 2007 $ million
Proceeds received on current period disposals	**–**	108.1	233.9
Disposal costs paid	**–**	(4.3)	(9.0)
Cash and cash equivalents disposed of	**–**	(0.3)	(9.2)
Proceeds received on prior period disposals	**0.7**	21.1	0.6
	0.7	124.6	216.3

43. Contingencies

The Group is, from time to time, party to legal proceedings and claims, which arise in the ordinary course of business. Management does not anticipate that the outcome of any current proceedings or known claims, either individually or in aggregate, will have a material adverse effect upon the Group's financial position.

44. Operating leases

The Group rents certain office premises and plant, equipment and vehicles under operating lease arrangements. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. During 2009, the operating lease rental expense was $59.5 million (2008: $55.1 million; 2007: $53.8 million).

As at 2 January 2010, the Group had outstanding commitments under non-cancellable operating leases of $241.0 million (3 January 2009: $229.5 million), falling due as follows:

	As at 2 January 2010 $ million	As at 3 January 2009 $ million
Payments to be made:		
– Within one year	**46.2**	41.3
– In the second to fifth years, inclusive	**112.0**	111.1
– After more than five years	**82.8**	77.1
	241.0	229.5

45. Capital commitments

As at 2 January 2010, the Group had entered into contractual commitments for the purchase of property, plant and equipment amounting to $20.8 million (3 January 2009: $18.7 million) and for the purchase of non-integral computer software amounting to $0.7 million (3 January 2009: $4.1 million).

46. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and, therefore, are not required to be disclosed in these financial statements. Details of transactions between the Group and other related parties are disclosed below.

A. Post-employment benefit plans

During 2009, the Group paid employer's contributions amounting to $86.2 million (2008: $84.9 million; 2007: $113.4 million) to pension plans established for the benefit of its employees. As at 2 January 2010, an amount of $14.8 million (3 January 2009: $15.1 million) in respect of contributions due was included in other payables. In addition, during 2009, the Group paid benefits of $15.1 million (2008: $13.0 million; 2007: $15.6 million) to other post-employment benefit plans.

B. Compensation and interests of key management personnel

For the purposes of these disclosures, the Group regards its key management personnel as the Directors of the Company together with those persons who, in accordance with the Listing Rules of the UKLA, are regarded as discharging management responsibility.

Compensation paid or payable to key management personnel in respect of their services to the Group was as follows:

	Year ended 2 January 2010 $'000	Year ended 3 January 2009 $'000	Year ended 29 December 2007 $'000
Short-term employee benefits:			
– Salaries and fees	**4,928**	6,064	6,667
– Bonus cash	**3,397**	1,504	4,080
– Benefits-in-kind	**168**	308	308
– Social security contributions	**425**	509	1,110
– Termination benefits	**755**	37	2,253
	9,673	8,422	14,418
Share-based incentives:			
– Bonus shares	**829**	324	930
– Deferred shares	**1,659**	647	1,775
	2,488	971	2,705
Pension contributions	**1,260**	2,603	1,979
	13,421	11,996	19,102

As at 24 February 2010, the interests of key management personnel in the Company's ordinary shares were as follows:

	Ordinary shares	Ordinary shares held as ADSs	Total
Directors	3,118,808	108,364	3,227,172
Other executive officers	1,119,566	170,600	1,290,166
	4,238,374	278,964	4,517,338

All of the above interests are beneficially owned and in aggregate comprise less than 1% of the Company's issued ordinary shares.

As at 24 February 2010, key management personnel held the following options over the Company's ordinary shares:

Scheme	Grant date	Expiry date	Exercise price	Number of options held Directors	Other executive officers	Total
Premium Priced Option	11 February 2002	10 February 2012	197.00p	2,538,072	–	2,538,072
Premium Priced Option	11 February 2002	10 February 2012	276.00p	1,522,842	–	1,522,842
Premium Priced Option	11 February 2002	10 February 2012	345.00p	1,015,228	–	1,015,228
Ongoing Option	11 February 2002	10 February 2012	197.00p	550,000	–	550,000
ESOS 4	17 January 2003	16 January 2013	208.25p	1,440,576	–	1,440,576
ESOS 4	18 July 2003	17 July 2013	246.50p	–	200,000	200,000
ESOS 4	1 September 2003	31 August 2013	262.75p	–	150,000	150,000
ESOS 4	12 December 2003	11 December 2013	265.75p	1,228,880	335,000	1,563,880
ESOS 4	29 November 2004	28 November 2014	248.75p	1,331,030	440,000	1,771,030
Sharesave scheme	24 April 2009	30 November 2012	96.00p	9,531	–	9,531
Sharesave scheme	24 April 2009	30 November 2014	96.00p	–	16,302	16,302
				9,636,159	1,141,302	10,777,461

With the exception of options held under the Sharesave scheme, all options shown above have vested.

C. Associates

Sales to and purchases from associates were as follows:

	Year ended 2 January 2010 $ million	Year ended 3 January 2009 $ million	Year ended 29 December 2007 $ million
Sales	**4.3**	1.0	0.6
Purchases	**(15.2)**	(20.0)	(12.0)

Amounts outstanding in respect of these transactions were as follows:

	As at 2 January 2010 $ million	As at 3 January 2009 $ million
Receivables	**0.8**	0.1
Payables	**(1.2)**	(1.0)

D. Entities controlled by minority shareholders

Sales to and purchases from entities controlled by minority shareholders were as follows:

	Year ended 2 January 2010 $ million	Year ended 3 January 2009 $ million	Year ended 29 December 2007 $ million
Sales	**26.3**	45.2	46.4
Purchases	**(39.1)**	(58.7)	(61.4)

Amounts outstanding in respect of these transactions were as follows:

	As at 2 January 2010 $ million	As at 3 January 2009 $ million
Receivables	**2.7**	2.9
Payables	**(2.7)**	(4.7)

46. Related party transactions (continued)

E. Other related parties

Yantai Winhere Auto Part Manufacturing Co Ltd ('Winhere')

Dexon Investments Limited ('Dexon') is the minority shareholder in the Group's 60% owned subsidiary, Winhere LLC. During 2008, Gates Winhere Automotive Pump Products (Yantai) Co Ltd, a wholly-owned subsidiary of Winhere LLC, purchased land and buildings for $1.8 million from Winhere, a fellow subsidiary of Dexon. At 3 January 2009, there was a nil balance outstanding in respect of this transaction.

Schrader Duncan Limited ('Schrader Duncan')

Schrader Duncan is an associate in which the Group holds a 50% interest. During the year, Tomkins plc and Cosmopolitan Investments (a fellow shareholder) each issued a guarantee in favour of the State Bank of India ('the Bank') in relation to any principal sum up to a maximum of 480 million Indian rupees ($10.2 million), together with interest and any other costs and charges due to the Bank in respect of credit facilities provided to Schrader Duncan. The Company and Cosmopolitan Investments are jointly and severally liable for the guaranteed amounts.

47. Exchange rates

The principal exchange rates used for translation purposes were as follows:

	Average rate			Closing rate		
	Year ended 2 January 2010 $1=	Year ended 3 January 2009 $1=	Year ended 29 December 2007 $1=	**As at 2 January 2010 $1=**	As at 3 January 2009 $1=	As at 29 December 2007 $1=
Sterling	**0.62**	0.52	0.50	**0.62**	0.68	0.50
Canadian dollar	**1.11**	1.05	1.06	**1.05**	1.22	0.98
Euro	**0.71**	0.67	0.73	**0.70**	0.72	0.68
Mexican peso	**13.51**	11.13	10.92	**13.09**	13.75	10.90
Chinese yuan renminbi	**6.84**	6.95	7.62	**6.83**	6.85	7.30
Indian rupee	**47.02**	39.87	41.35	**46.90**	50.10	39.43

48. Subsequent event

On 26 February 2010, the Group acquired a 100% interest in Koch Filter Corporation ('Koch') for a total cash consideration of $35.5 million. Koch is a leading manufacturer of air filters for the non-residential filtration replacement market in the US.