

## EXPLANATION OF KEY PERFORMANCE MEASURES

### Background

We assess the financial performance of our businesses using a variety of measures. Certain of these measures are particularly important and we have termed them 'key performance measures'. We refer to these measures in the Directors' Report and use them in presentations to investors.

A summary of the key performance measures is presented on pages 12 and 13. In this section, we explain the relevance of each of the key performance measures and, if they cannot be derived directly from the consolidated financial statements, show how they are calculated. Some of these measures are termed 'non-GAAP measures' because they exclude amounts that are included in, or include amounts that are excluded from, the most directly comparable measure calculated and presented in accordance with IFRS, or are calculated using financial measures that are not calculated in accordance with IFRS. We present below a reconciliation of each of the non-GAAP measures to the most directly comparable measure calculated and presented in accordance with IFRS and discuss its limitations. We do not regard these non-GAAP measures as a substitute for, or superior to, the equivalent measures calculated and presented in accordance with IFRS or those calculated using financial measures that are calculated in accordance with IFRS. The non-GAAP measures described below may not be directly comparable with similarly-titled measures used by other companies.

We assess the non-financial performance of our businesses using measures that are discussed under the heading 'Corporate Social Responsibility' on pages 38 and 39.

### Adjusted operating profit

Adjusted operating profit is the measure used by the Board to assess the trading performance of our businesses and is therefore the measure of segment profit that we present under IFRS.

Adjusted operating profit is also presented on a consolidated basis because management believes it is important to consider the Group's profitability on a basis consistent with that of its operating segments. When presented on a consolidated basis, adjusted operating profit is a non-GAAP measure.

Adjusted operating profit represents operating profit before specific items that are considered to hinder comparison of the trading performance of our businesses either year-on-year or with other businesses. Management believes that adjusted operating profit should, therefore, be made available to investors to assist in their assessment of the trading performance of our businesses.

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

- 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.

Goodwill and intangible assets arising on acquisitions are assets that are recognised only as a consequence of the required accounting for business combinations under IFRS. We, therefore, exclude the amortisation and any impairment of these assets from adjusted operating profit because these items hinder comparison of the trading performance of businesses that we have acquired with that of our other businesses.

Other items are excluded from adjusted operating profit because they are individually or collectively material items that are not considered to be representative of the trading performance of our businesses during the periods under review. Restructuring costs and the net gain or loss on disposals and on the exit of businesses reflect specific actions taken by management to improve the Group's future profitability; impairments of long-lived assets represent the excess of their carrying amount over the amount that is expected to be recovered from them in the future; and the gain recognised on the amendments to certain post-employment benefit plans in North America represents reductions in the benefit obligations recognised in respect of the past service of participating employees.

Adjusted operating profit excludes items that can have a significant effect on the Group's profit or loss and should, therefore, be used in conjunction with, not as a substitute for, operating profit. Management compensates for these limitations by separately monitoring the items that are excluded from operating profit in arriving at adjusted operating profit.

|                                   | 2009<br>\$m  | 2008<br>\$m | 2007<br>\$m |
|-----------------------------------|--------------|-------------|-------------|
| <b>Total operations</b>           |              |             |             |
| <b>Adjusted operating profit:</b> |              |             |             |
| – Continuing operations           | 249.8        | 402.9       | 530.2       |
| – Discontinued operations         | –            | –           | 3.7         |
|                                   | <b>249.8</b> | 402.9       | 533.9       |

Reconciliation of operating profit to adjusted operating profit for the Group's continuing operations are presented on page 154.

### Adjusted operating margin

Adjusted operating margin represents adjusted operating profit expressed as a percentage of sales and is a non-GAAP measure when presented on a consolidated basis.

We use adjusted operating margin to measure the success of our businesses in managing their cost base and improving profitability.

|                              | 2009<br>\$m | 2008<br>\$m | 2007<br>\$m |
|------------------------------|-------------|-------------|-------------|
| <b>Continuing operations</b> |             |             |             |
| Sales                        | 4,180.1     | 5,515.9     | 5,886.1     |
| Adjusted operating profit    | 249.8       | 402.9       | 530.2       |
| Adjusted operating margin    | 6.0%        | 7.3%        | 9.0%        |

## EXPLANATION OF KEY PERFORMANCE MEASURES (CONTINUED)

**Underlying change in sales and adjusted operating profit**

We use the underlying change in sales and adjusted operating profit to measure the organic growth of our businesses relative to each other, to our end markets and to our competitors.

We define the underlying change in a performance measure as the year-on-year change excluding the effect of exchange rate fluctuations on the translation into US dollars of the results of certain of the Group's operations and the contribution before organic growth of businesses that were acquired or disposed of during the current and prior years.

Underlying changes in sales and adjusted operating profit are non-GAAP measures. Reconciliations identifying the underlying change in sales and adjusted operating profit for the Group's continuing operations are presented on pages 156 to 158.

|                              | 2009<br>% | 2008<br>% | 2007<br>% |
|------------------------------|-----------|-----------|-----------|
| <b>Continuing operations</b> |           |           |           |
| Underlying change:           |           |           |           |
| – Sales                      | (20.0)    | (5.6)     | 0.9       |
| – Adjusted operating profit  | (32.3)    | (25.7)    | (4.2)     |

Underlying changes in sales and adjusted operating profit do not reflect the potentially significant effect on the Group's profit or loss of exchange rate fluctuations and recent acquisitions and disposals. Accordingly, management uses these measures in conjunction with, not as substitutes for, sales and operating profit reported in accordance with IFRS.

**Adjusted earnings per share**

Adjusted earnings per share is a non-GAAP measure that is based on earnings from continuing operations adjusted for the specific items excluded from operating profit in arriving at adjusted operating profit and the tax effects of those items.

As explained under the heading 'Adjusted operating profit' above, management considers that the items excluded in arriving at adjusted operating profit hinder comparison of the trading performance of our businesses. Management, therefore, believes that adjusted earnings per share is useful to investors in assessing the Group's ability to generate earnings and provides a basis for assessing the value of the Company's ordinary shares (for example, by way of price earnings multiples).

Adjusted basic and diluted earnings per share are calculated using the average number of shares that would be used in calculating the equivalent measures under IFRS, as described in note 15 to the consolidated financial statements.

Reconciliations of adjusted basic and diluted earnings per share to basic and diluted earnings per share calculated under IFRS are presented on page 154.

Adjusted earnings per share measures do not reflect items that can have a significant effect on the Group's profit or loss and should, therefore, be used in conjunction with, not as substitutes for, the earnings per share measures defined under IFRS.

|                              | 2009   | 2008   | 2007   |
|------------------------------|--------|--------|--------|
| <b>Continuing operations</b> |        |        |        |
| Adjusted EPS:                |        |        |        |
| – Basic                      | 14.86c | 26.03c | 37.55c |
| – Diluted                    | 14.81c | 25.96c | 37.10c |

**Trading cash flow (previously referred to as 'operating cash flow')**

Trading cash flow is a non-GAAP measure that we use as a measure of the cash generated by our businesses from their trading activities.

Trading cash flow represents cash generated from operations less net capital expenditure (cash outflows on the purchase of property, plant and equipment and non-integral computer software, less proceeds on the disposal of property, plant and equipment).

A reconciliation of cash generated from operations to trading cash flow is presented in the analysis of the movement in net debt on page 159

|                         | 2009<br>\$m | 2008<br>\$m | 2007<br>\$m |
|-------------------------|-------------|-------------|-------------|
| <b>Total operations</b> |             |             |             |
| Trading cash flow       | 422.0       | 442.8       | 441.8       |

Trading cash flow reflects net capital expenditure which may fluctuate considerably from one year to another in an individual business, depending on the timing of capital projects and asset disposals. Management, therefore, uses trading cash flow in conjunction with, not as a substitute for, cash generated from operations in assessing the cash generation of the Group's businesses.

**Cash conversion**

Cash conversion is a non-GAAP measure that we use as a measure of the efficiency of our businesses in converting their trading results into cash.

Cash conversion represents trading cash flow before cash outflows relating to restructuring projects, expressed as a percentage of adjusted operating profit.

| \$ million, unless stated otherwise   | 2009   | 2008   | 2007  |
|---------------------------------------|--------|--------|-------|
| <b>Total operations</b>               |        |        |       |
| Trading cash flow                     | 422.0  | 442.8  | 441.8 |
| Adjusted for:                         |        |        |       |
| – Cash outflow on restructuring costs | 69.3   | 16.3   | 1.2   |
|                                       | 491.3  | 459.1  | 443.0 |
| Adjusted operating profit:            |        |        |       |
| – Continuing operations               | 249.8  | 402.9  | 530.2 |
| – Discontinued operations             | –      | –      | 3.7   |
|                                       | 249.8  | 402.9  | 533.9 |
| Cash conversion                       | 196.7% | 113.9% | 83.0% |

Cash conversion reflects trading cash flow which may fluctuate considerably from one year to another in an individual business and affect comparison of cash conversion from one year to another and with other businesses. Management, therefore, uses cash conversion in conjunction with, not as a substitute for, cash generated from operations as a percentage of adjusted operating profit in assessing cash generation of the Group's businesses.

#### Average operating working capital as a percentage of sales

We use average operating working capital as a percentage of sales to measure the efficiency of our businesses in managing their working capital levels.

Average operating working capital is the thirteen-month end average of operating working capital which is defined as inventories and the net amount of trade and other receivables and payables that relate to items that comprise adjusted operating profit (so excludes, for example, interest payable and receivable, income taxes payable and receivable and amounts payable and receivable in relation to restructuring initiatives).

| \$ million, unless stated otherwise                        | 2009           | 2008    | 2007    |
|--|----------------|---------|---------|
| <b>Total operations</b>                                    |                |         |         |
| Sales:   |                |         |         |
| – Continuing operations                                    | 4,180.1        | 5,515.9 | 5,886.1 |
| – Discontinued operations                                  | –              | –       | 157.6   |
|  | <b>4,180.1</b> | 5,515.9 | 6,043.7 |
| Average operating working capital                          | <b>834.0</b>   | 1,022.5 | 1,056.4 |
| Average operating working capital as a percentage of sales | <b>20.0%</b>   | 18.5%   | 17.5%   |

#### Net capital expenditure: depreciation

We use net capital expenditure expressed as a multiple of the depreciation expense for property, plant and equipment and the amortisation expense for non-integral computer software to monitor the level of replacement of productive assets of our businesses in accordance with our capital allocation strategy.

| \$ million, unless stated otherwise   | 2009         | 2008  | 2007   |
|---------------------------------------|--------------|-------|--------|
| <b>Total operations</b>               |              |       |        |
| Capital expenditure                   | 123.0        | 193.8 | 236.5  |
| Disposal proceeds                     | (12.9)       | (7.9) | (39.6) |
| Net capital expenditure               | <b>110.1</b> | 185.9 | 196.9  |
| Depreciation                          | <b>186.3</b> | 218.3 | 229.1  |
| Net capital expenditure: depreciation | <b>0.6x</b>  | 0.9x  | 0.9x   |

#### Free cash flow

Free cash flow is a non-GAAP measure that we use as a measure of the cash generated from the Group's operations that is available to return to shareholders, to fund strategic acquisitions or to reduce borrowings.

Free cash flow represents trading cash flow net of cash flows in relation to tax, interest and certain other items (principally dividends received from associates and cash flows involving minority shareholders).

A reconciliation of cash generated from operations to free cash flow is presented in the analysis of the movement in net debt on page 159.

|                         | 2009<br>\$m  | 2008<br>\$m | 2007<br>\$m |
|-------------------------|--------------|-------------|-------------|
| <b>Total operations</b> |              |             |             |
| Free cash flow          | <b>358.0</b> | 300.9       | 290.0       |

Free cash flow does not reflect any restrictions on the transfer of cash and cash equivalents within the Group or any requirement to repay the Group's borrowings and does not take into account cash flows that are available from disposals or the issue of shares. Management, therefore, takes such factors into account in addition to free cash flow when determining the resources available for acquisitions and for distribution to shareholders.

#### Net debt

Net debt represents the net total of bank overdrafts, bank and other loans, finance lease obligations and the carrying amount of derivatives used to hedge the Group's translational exposures, less cash and cash equivalents and collateralised cash (included in trade and other receivables).

Management considers net debt to be a component of the Group's capital. An analysis of net debt is, therefore, presented in note 40 to the consolidated financial statements.

Management uses net debt, rather than the narrower measure of cash and cash equivalents which forms the basis for the consolidated cash flow statement, as a measure of the Group's liquidity and in assessing the strength of the Group's balance sheet. On page 159, we, therefore, present an analysis of the movement in net debt that, for ease of reconciliation, shows the effect on net debt of each of the items presented in the consolidated cash flow statement.

|                         | 2009<br>\$m  | 2008<br>\$m | 2007<br>\$m |
|-------------------------|--------------|-------------|-------------|
| <b>Total operations</b> |              |             |             |
| Net debt                | <b>207.5</b> | 476.4       | 591.5       |

## EXPLANATION OF KEY PERFORMANCE MEASURES (CONTINUED)

## Supplementary reconciliations (unaudited)

## Continuing operations – Reconciliation of operating profit to adjusted operating profit

|   | 2009<br>\$ million | 2008<br>\$ million | 2007<br>\$ million |
|---|--------------------|--------------------|--------------------|
| <b>Operating profit</b>                               | <b>84.7</b>        | 66.9               | 586.0              |
| Adjusted for:   |                    |                    |                    |
| – Amortisation of intangibles arising on acquisitions | <b>11.2</b>        | 10.6               | 7.2                |
| – Restructuring costs                                 | <b>144.1</b>       | 26.0               | 27.6               |
| – Net gain on disposals and on the exit of businesses | <b>(0.2)</b>       | (43.0)             | (91.4)             |
| – Impairments   | <b>73.0</b>        | 342.4              | 0.8                |
| – Gain on amendment of post-employment benefits       | <b>(63.0)</b>      | –                  | –                  |
|   | <b>165.1</b>       | 336.0              | (55.8)             |
| <b>Adjusted operating profit</b>                      | <b>249.8</b>       | 402.9              | 530.2              |

## Continuing operations – Reconciliation of earnings per share to adjusted earnings per share

| \$ million, unless stated otherwise                     | 2009               | 2008        | 2007        |
|---|--------------------|-------------|-------------|
| <b>(Loss)/earnings for basic earnings per share</b>     | <b>(11.7)</b>      | (64.6)      | 360.2       |
| Adjusted for:   |                    |             |             |
| – Adjustments made to operating profit (see above)      | <b>165.1</b>       | 336.0       | (55.8)      |
| – Tax effect of adjustments                             | <b>(22.5)</b>      | (42.4)      | 22.4        |
| <b>Earnings for adjusted basic earnings per share</b>   | <b>130.9</b>       | 229.0       | 326.8       |
| Dividends payable on preference shares                  | –                  | –           | 1.2         |
| <b>Earnings for adjusted diluted earnings per share</b> | <b>130.9</b>       | 229.0       | 328.0       |
| <b>Weighted average number of ordinary shares</b>       |                    |             |             |
| For calculating basic earnings per share                | <b>880,799,900</b> | 879,727,725 | 870,297,953 |
| For calculating diluted earnings per share              | <b>883,593,394</b> | 881,993,293 | 884,031,113 |
| <b>Adjusted earnings per share</b>                      |                    |             |             |
| Basic   | <b>14.86c</b>      | 26.03c      | 37.55c      |
| Diluted   | <b>14.81c</b>      | 25.96c      | 37.10c      |

Continuing operations – Reconciliation of operating profit to adjusted operating profit  
2009

|                               | Operating<br>profit/(loss)<br>\$ million | Amortisation<br>of intangibles<br>arising on<br>acquisitions<br>\$ million | Restructuring<br>costs<br>\$ million | (Gain)/loss on<br>disposals and<br>on the exit of<br>businesses<br>\$ million | Impairments<br>\$ million | Gain on<br>amendment<br>of post-<br>employment<br>benefits<br>\$ million | <b>Adjusted<br/>operating<br/>profit/(loss)<br/>\$ million</b> |
|-------------------------------|--|--|--------------------------------------|---|---------------------------|--|--|
| Industrial & Automotive:      |  |  |                                      |   |                           |  |  |
| – Power Transmission          | 143.0                                    | 0.3  | 75.6                                 | –   | 23.2                      | (29.7)   | <b>212.4</b>   |
| – Fluid Power                 | (22.8)                                   | 3.9  | 26.0                                 | –   | 12.5                      | (31.4)   | <b>(11.8)</b>  |
| – Sensors & Valves            | (3.5)                                    | 0.4  | 3.2                                  | –   | –                         | –  | <b>0.1</b>   |
| – Other I&A                   | 13.8                                     | 0.7  | 12.2                                 | (0.3)   | 0.7                       | (1.7)  | <b>25.4</b>  |
|                               | 130.5                                    | 5.3  | 117.0                                | (0.3)   | 36.4                      | (62.8)   | <b>226.1</b>   |
| Building Products:            |  |  |                                      |   |                           |  |  |
| – Air Distribution            | 48.2                                     | 5.9  | 5.1                                  | –   | 18.6                      | –  | <b>77.8</b>  |
| – Bathware                    | (12.8)                                   | –  | 1.6                                  | –   | 2.5                       | –  | <b>(8.7)</b>   |
|                               | 35.4                                     | 5.9  | 6.7                                  | –   | 21.1                      | –  | <b>69.1</b>  |
| Corporate                     | (48.2)                                   | –  | 0.5                                  | 0.1   | 15.5                      | (0.2)  | <b>(32.3)</b>  |
| <b>Total ongoing segments</b> | <b>117.7</b>                             | <b>11.2</b>  | <b>124.2</b>                         | <b>(0.2)</b>  | <b>73.0</b>               | <b>(63.0)</b>  | <b>262.9</b>   |
| Exited segments               | (33.0)                                   | –  | 19.9                                 | –   | –                         | –  | <b>(13.1)</b>  |
| <b>Continuing operations</b>  | <b>84.7</b>                              | <b>11.2</b>  | <b>144.1</b>                         | <b>(0.2)</b>  | <b>73.0</b>               | <b>(63.0)</b>  | <b>249.8</b>   |

Continuing operations – Reconciliation of operating profit to adjusted operating profit (continued)  
2008

|                               | Operating<br>profit/(loss)<br>\$ million | Amortisation<br>of intangibles<br>arising on<br>acquisitions<br>\$ million | Restructuring<br>costs<br>\$ million | (Gain)/loss on<br>disposals and<br>on the exit of<br>businesses<br>\$ million | Impairments<br>\$ million | Gain on<br>amendment<br>of post-<br>employment<br>benefits<br>\$ million | Adjusted<br>operating<br>profit/(loss)<br>\$ million |
|-------------------------------|--|--|--------------------------------------|---|---------------------------|--|--|
| Industrial & Automotive:      |  |  |                                      |   |                           |  |  |
| – Power Transmission          | (70.6)                                   | 0.3  | 13.8                                 | –   | 284.6                     | –  | <b>228.1</b>   |
| – Fluid Power                 | 29.0                                     | 3.6  | 1.9                                  | –   | 11.7                      | –  | <b>46.2</b>  |
| – Sensors & Valves            | 27.7                                     | 0.6  | 0.2                                  | –   | 1.1                       | –  | <b>29.6</b>  |
| – Other I&A                   | 41.6                                     | 0.7  | 3.2                                  | –   | –                         | –  | <b>45.5</b>  |
|                               | 27.7                                     | 5.2  | 19.1                                 | –   | 297.4                     | –  | <b>349.4</b>   |
| Building Products:            |  |  |                                      |   |                           |  |  |
| – Air Distribution            | 61.2                                     | 5.4  | 3.6                                  | –   | 34.0                      | –  | <b>104.2</b>   |
| – Bathware                    | (14.2)                                   | –  | 2.2                                  | 0.2   | –                         | –  | <b>(11.8)</b>  |
|                               | 47.0                                     | 5.4  | 5.8                                  | 0.2   | 34.0                      | –  | <b>92.4</b>  |
| Corporate                     | (37.3)                                   | –  | 0.3                                  | –   | –                         | –  | <b>(37.0)</b>  |
| <b>Total ongoing segments</b> | <b>37.4</b>                              | <b>10.6</b>  | <b>25.2</b>                          | <b>0.2</b>  | <b>331.4</b>              | <b>–</b>   | <b>404.8</b>   |
| Exited segments               | 29.5                                     | –  | 0.8                                  | (43.2)  | 11.0                      | –  | <b>(1.9)</b>   |
| <b>Continuing operations</b>  | <b>66.9</b>                              | <b>10.6</b>  | <b>26.0</b>                          | <b>(43.0)</b>   | <b>342.4</b>              | <b>–</b>   | <b>402.9</b>   |

2007

|                               | Operating<br>profit/(loss)<br>\$ million | Amortisation<br>of intangibles<br>arising on<br>acquisitions<br>\$ million | Restructuring<br>costs<br>\$ million | (Gain)/loss on<br>disposals and<br>on the exit of<br>businesses<br>\$ million | Impairments<br>\$ million | Gain on<br>amendment<br>of post-<br>employment<br>benefits<br>\$ million | Adjusted<br>operating<br>profit/(loss)<br>\$ million |
|-------------------------------|--|--|--------------------------------------|---|---------------------------|--|--|
| Industrial & Automotive:      |  |  |                                      |   |                           |  |  |
| – Power Transmission          | 261.8                                    | 0.3  | 6.0                                  | (0.2)   | –                         | –  | <b>267.9</b>   |
| – Fluid Power                 | 60.0                                     | 2.4  | 8.6                                  | –   | –                         | –  | <b>71.0</b>  |
| – Sensors & Valves            | 28.4                                     | –  | (0.2)                                | 2.8   | 0.8                       | –  | <b>31.8</b>  |
| – Other I&A                   | 73.4                                     | 0.7  | –                                    | –   | –                         | –  | <b>74.1</b>  |
|                               | 423.6                                    | 3.4  | 14.4                                 | 2.6   | 0.8                       | –  | <b>444.8</b>   |
| Building Products:            |  |  |                                      |   |                           |  |  |
| – Air Distribution            | 91.3                                     | 3.8  | 7.4                                  | –   | –                         | –  | <b>102.5</b>   |
| – Bathware                    | 4.0                                      | –  | 1.8                                  | –   | –                         | –  | <b>5.8</b>   |
|                               | 95.3                                     | 3.8  | 9.2                                  | –   | –                         | –  | <b>108.3</b>   |
| Corporate                     | (39.3)                                   | –  | 1.0                                  | (15.4)  | –                         | –  | <b>(53.7)</b>  |
| <b>Total ongoing segments</b> | <b>479.6</b>                             | <b>7.2</b>   | <b>24.6</b>                          | <b>(12.8)</b>   | <b>0.8</b>                | <b>–</b>   | <b>499.4</b>   |
| Exited segments               | 106.4                                    | –  | 3.0                                  | (78.6)  | –                         | –  | <b>30.8</b>  |
| <b>Continuing operations</b>  | <b>586.0</b>                             | <b>7.2</b>   | <b>27.6</b>                          | <b>(91.4)</b>   | <b>0.8</b>                | <b>–</b>   | <b>530.2</b>   |

## EXPLANATION OF KEY PERFORMANCE MEASURES (CONTINUED)

Continuing operations – Underlying change in sales and adjusted operating profit  
2009 compared with 2008

|   | 2008<br>\$ million | Exchange<br>rate effect<br>\$ million | Disposals<br>\$ million | Like-for-like<br>basis<br>\$ million | Acquisitions<br>\$ million | Underlying<br>change<br>\$ million | 2009<br>\$ million | Underlying<br>change*<br>% |
|---|--------------------|---------------------------------------|-------------------------|--------------------------------------|----------------------------|------------------------------------|--------------------|----------------------------|
| <b>Sales</b>                            |                    |                                       |                         |                                      |                            |                                    |                    |                            |
| Industrial & Automotive:                |                    |                                       |                         |                                      |                            |                                    |                    |                            |
| – Power Transmission                    | 2,125.2            | (150.6)                               | –                       | 1,974.6                              | –                          | (211.2)                            | <b>1,763.4</b>     | <b>(10.7)%</b>             |
| – Fluid Power                           | 832.3              | (34.1)                                | –                       | 798.2                                | 14.2                       | (223.7)                            | <b>588.7</b>       | <b>(28.0)%</b>             |
| – Sensors & Valves                      | 421.0              | (42.8)                                | –                       | 378.2                                | –                          | (64.6)                             | <b>313.6</b>       | <b>(17.1)%</b>             |
| – Other I&A                             | 602.1              | (4.5)                                 | –                       | 597.6                                | –                          | (134.2)                            | <b>463.4</b>       | <b>(22.5)%</b>             |
|   | 3,980.6            | (232.0)                               | –                       | 3,748.6                              | 14.2                       | (633.7)                            | <b>3,129.1</b>     | <b>(16.9)%</b>             |
| Building Products:                      |                    |                                       |                         |                                      |                            |                                    |                    |                            |
| – Air Distribution                      | 1,112.3            | (14.8)                                | –                       | 1,097.5                              | 12.2                       | (235.5)                            | <b>874.2</b>       | <b>(21.5)%</b>             |
| – Bathware                              | 208.2              | –                                     | –                       | 208.2                                | –                          | (67.9)                             | <b>140.3</b>       | <b>(32.6)%</b>             |
|   | 1,320.5            | (14.8)                                | –                       | 1,305.7                              | 12.2                       | (303.4)                            | <b>1,014.5</b>     | <b>(23.2)%</b>             |
| Total ongoing segments                  | 5,301.1            | (246.8)                               | –                       | 5,054.3                              | 26.4                       | (937.1)                            | <b>4,143.6</b>     | <b>(18.5)%</b>             |
| Exited segments                         | 214.8              | (0.6)                                 | (79.5)                  | 134.7                                | –                          | (98.2)                             | <b>36.5</b>        | <b>(72.9)%</b>             |
| Continuing operations                   | 5,515.9            | (247.4)                               | (79.5)                  | 5,189.0                              | 26.4                       | (1,035.3)                          | <b>4,180.1</b>     | <b>(20.0)%</b>             |
| <b>Adjusted operating profit/(loss)</b> |                    |                                       |                         |                                      |                            |                                    |                    |                            |
| Industrial & Automotive:                |                    |                                       |                         |                                      |                            |                                    |                    |                            |
| – Power Transmission                    | 228.1              | (14.4)                                | –                       | 213.7                                | –                          | (1.3)                              | <b>212.4</b>       | <b>(0.6)%</b>              |
| – Fluid Power                           | 46.2               | (0.5)                                 | –                       | 45.7                                 | (1.3)                      | (56.2)                             | <b>(11.8)</b>      | <b>(123.0)%</b>            |
| – Sensors & Valves                      | 29.6               | (4.0)                                 | –                       | 25.6                                 | –                          | (25.5)                             | <b>0.1</b>         | <b>(99.6)%</b>             |
| – Other I&A                             | 45.5               | (0.6)                                 | –                       | 44.9                                 | –                          | (19.5)                             | <b>25.4</b>        | <b>(43.4)%</b>             |
|   | 349.4              | (19.5)                                | –                       | 329.9                                | (1.3)                      | (102.5)                            | <b>226.1</b>       | <b>(31.1)%</b>             |
| Building Products:                      |                    |                                       |                         |                                      |                            |                                    |                    |                            |
| – Air Distribution                      | 104.2              | (1.6)                                 | –                       | 102.6                                | (0.3)                      | (24.5)                             | <b>77.8</b>        | <b>(23.9)%</b>             |
| – Bathware                              | (11.8)             | –                                     | –                       | (11.8)                               | –                          | 3.1                                | <b>(8.7)</b>       | <b>26.3%</b>               |
|   | 92.4               | (1.6)                                 | –                       | 90.8                                 | (0.3)                      | (21.4)                             | <b>69.1</b>        | <b>(23.6)%</b>             |
| Corporate                               | (37.0)             | –                                     | –                       | (37.0)                               | –                          | 4.7                                | <b>(32.3)</b>      | <b>12.7%</b>               |
| Total ongoing segments                  | 404.8              | (21.1)                                | –                       | 383.7                                | (1.6)                      | (119.2)                            | <b>262.9</b>       | <b>(31.1)%</b>             |
| Exited segments                         | (1.9)              | –                                     | (10.3)                  | (12.2)                               | –                          | (0.9)                              | <b>(13.1)</b>      | <b>7.4%</b>                |
| Continuing operations                   | 402.9              | (21.1)                                | (10.3)                  | 371.5                                | (1.6)                      | (120.1)                            | <b>249.8</b>       | <b>(32.3)%</b>             |

\* The underlying percentage change is the underlying change as a percentage of the like-for-like basis

Continuing operations – Underlying change in sales and adjusted operating profit  
2008 compared with 2007

|   | 2007<br>\$ million | Exchange<br>rate effect<br>\$ million | Disposals<br>\$ million | Like-for-like<br>basis<br>\$ million | Acquisitions<br>\$ million | Underlying<br>change<br>\$ million | 2008<br>\$ million | Underlying<br>change*<br>% |
|---|--------------------|---------------------------------------|-------------------------|--------------------------------------|----------------------------|------------------------------------|--------------------|----------------------------|
| <b>Sales</b>                            |                    |                                       |                         |                                      |                            |                                    |                    |                            |
| Industrial & Automotive:                |                    |                                       |                         |                                      |                            |                                    |                    |                            |
| – Power Transmission                    | 2,078.6            | 138.8                                 | –                       | 2,217.4                              | –                          | (92.2)                             | 2,125.2            | <b>(4.2)%</b>              |
| – Fluid Power                           | 769.1              | 13.4                                  | –                       | 782.5                                | 17.9                       | 31.9                               | 832.3              | <b>4.1%</b>                |
| – Sensors & Valves                      | 413.5              | 3.1                                   | –                       | 416.6                                | 4.5                        | (0.1)                              | 421.0              | <b>(0.0)%</b>              |
| – Other I&A                             | 717.5              | 2.1                                   | –                       | 719.6                                | –                          | (117.5)                            | 602.1              | <b>(16.3)%</b>             |
|   | 3,978.7            | 157.4                                 | –                       | 4,136.1                              | 22.4                       | (177.9)                            | 3,980.6            | <b>(4.3)%</b>              |
| Building Products:                      |                    |                                       |                         |                                      |                            |                                    |                    |                            |
| – Air Distribution                      | 1,083.6            | (1.3)                                 | –                       | 1,082.3                              | 41.1                       | (11.1)                             | 1,112.3            | <b>(1.0)%</b>              |
| – Bathware                              | 275.5              | –                                     | –                       | 275.5                                | –                          | (67.3)                             | 208.2              | <b>(24.4)%</b>             |
|   | 1,359.1            | (1.3)                                 | –                       | 1,357.8                              | 41.1                       | (78.4)                             | 1,320.5            | <b>(5.8)%</b>              |
| Total ongoing segments                  | 5,337.8            | 156.1                                 | –                       | 5,493.9                              | 63.5                       | (256.3)                            | 5,301.1            | <b>(4.7)%</b>              |
| Exited segments                         | 548.3              | 1.8                                   | (268.7)                 | 281.4                                | –                          | (66.6)                             | 214.8              | <b>(23.7)%</b>             |
| Continuing operations                   | 5,886.1            | 157.9                                 | (268.7)                 | 5,775.3                              | 63.5                       | (322.9)                            | 5,515.9            | <b>(5.6)%</b>              |
| <b>Adjusted operating profit/(loss)</b> |                    |                                       |                         |                                      |                            |                                    |                    |                            |
| Industrial & Automotive:                |                    |                                       |                         |                                      |                            |                                    |                    |                            |
| – Power Transmission                    | 267.9              | 17.6                                  | –                       | 285.5                                | –                          | (57.4)                             | 228.1              | <b>(20.1)%</b>             |
| – Fluid Power                           | 71.0               | 1.2                                   | –                       | 72.2                                 | 4.5                        | (30.5)                             | 46.2               | <b>(42.2)%</b>             |
| – Sensors & Valves                      | 31.8               | (0.4)                                 | –                       | 31.4                                 | 2.7                        | (4.5)                              | 29.6               | <b>(14.3)%</b>             |
| – Other I&A                             | 74.1               | 0.4                                   | –                       | 74.5                                 | –                          | (29.0)                             | 45.5               | <b>(38.9)%</b>             |
|   | 444.8              | 18.8                                  | –                       | 463.6                                | 7.2                        | (121.4)                            | 349.4              | <b>(26.2)%</b>             |
| Building Products:                      |                    |                                       |                         |                                      |                            |                                    |                    |                            |
| – Air Distribution                      | 102.5              | (0.2)                                 | –                       | 102.3                                | 3.1                        | (1.2)                              | 104.2              | <b>(1.2)%</b>              |
| – Bathware                              | 5.8                | –                                     | –                       | 5.8                                  | –                          | (17.6)                             | (11.8)             | <b>(303.4)%</b>            |
|   | 108.3              | (0.2)                                 | –                       | 108.1                                | 3.1                        | (18.8)                             | 92.4               | <b>(17.4)%</b>             |
| Corporate                               | (53.7)             | 1.7                                   | –                       | (52.0)                               | –                          | 15.0                               | (37.0)             | <b>28.8%</b>               |
| Total ongoing segments                  | 499.4              | 20.3                                  | –                       | 519.7                                | 10.3                       | (125.2)                            | 404.8              | <b>(24.1)%</b>             |
| Exited segments                         | 30.8               | 0.1                                   | (22.1)                  | 8.8                                  | –                          | (10.7)                             | (1.9)              | <b>(121.6)%</b>            |
| Continuing operations                   | 530.2              | 20.4                                  | (22.1)                  | 528.5                                | 10.3                       | (135.9)                            | 402.9              | <b>(25.7)%</b>             |

\* The underlying percentage change is the underlying change as a percentage of the like-for-like basis

## EXPLANATION OF KEY PERFORMANCE MEASURES (CONTINUED)

Continuing operations – Underlying change in sales and adjusted operating profit  
2007 compared with 2006

|   | 2006<br>\$ million | Exchange<br>rate effect<br>\$ million | Disposals<br>\$ million | Like-for-like<br>basis<br>\$ million | Acquisitions<br>\$ million | Underlying<br>change<br>\$ million | 2007<br>\$ million | Underlying<br>change*<br>% |
|---|--------------------|---------------------------------------|-------------------------|--------------------------------------|----------------------------|------------------------------------|--------------------|----------------------------|
| <b>Sales</b>                            |                    |                                       |                         |                                      |                            |                                    |                    |                            |
| Industrial & Automotive:                |                    |                                       |                         |                                      |                            |                                    |                    |                            |
| – Power Transmission                    | 1,852.8            | 88.9                                  | –                       | 1,941.7                              | 11.1                       | 125.8                              | 2,078.6            | <b>6.5%</b>                |
| – Fluid Power                           | 709.4              | 20.8                                  | –                       | 730.2                                | 10.7                       | 28.2                               | 769.1              | <b>3.9%</b>                |
| – Sensors & Valves                      | 284.8              | 18.0                                  | –                       | 302.8                                | 1.3                        | 109.4                              | 413.5              | <b>36.1%</b>               |
| – Other I&A                             | 767.9              | 5.7                                   | –                       | 773.6                                | 0.5                        | (56.6)                             | 717.5              | <b>(7.3)%</b>              |
|   | 3,614.9            | 133.4                                 | –                       | 3,748.3                              | 23.6                       | 206.8                              | 3,978.7            | <b>5.5%</b>                |
| Building Products:                      |                    |                                       |                         |                                      |                            |                                    |                    |                            |
| – Air Distribution                      | 1,070.6            | 5.4                                   | –                       | 1,076.0                              | 40.9                       | (33.3)                             | 1,083.6            | <b>(3.1)%</b>              |
| – Bathware                              | 344.7              | –                                     | –                       | 344.7                                | –                          | (69.2)                             | 275.5              | <b>(20.1)%</b>             |
|   | 1,415.3            | 5.4                                   | –                       | 1,420.7                              | 40.9                       | (102.5)                            | 1,359.1            | <b>(7.2)%</b>              |
| Total ongoing segments                  | 5,030.2            | 138.8                                 | –                       | 5,169.0                              | 64.5                       | 104.3                              | 5,337.8            | <b>2.0%</b>                |
| Exited segments                         | 715.9              | 1.7                                   | (116.8)                 | 600.8                                | –                          | (52.5)                             | 548.3              | <b>(8.7)%</b>              |
| Continuing operations                   | 5,746.1            | 140.5                                 | (116.8)                 | 5,769.8                              | 64.5                       | 51.8                               | 5,886.1            | <b>0.9%</b>                |
| <b>Adjusted operating profit/(loss)</b> |                    |                                       |                         |                                      |                            |                                    |                    |                            |
| Industrial & Automotive:                |                    |                                       |                         |                                      |                            |                                    |                    |                            |
| – Power Transmission                    | 257.6              | 10.9                                  | –                       | 268.5                                | 0.8                        | (1.4)                              | 267.9              | <b>(0.5)%</b>              |
| – Fluid Power                           | 64.4               | 1.7                                   | –                       | 66.1                                 | 2.1                        | 2.8                                | 71.0               | <b>4.2%</b>                |
| – Sensors & Valves                      | 10.4               | 0.8                                   | –                       | 11.2                                 | 1.1                        | 19.5                               | 31.8               | <b>174.1%</b>              |
| – Other I&A                             | 90.0               | 0.7                                   | –                       | 90.7                                 | 0.6                        | (17.2)                             | 74.1               | <b>(19.0)%</b>             |
|   | 422.4              | 14.1                                  | –                       | 436.5                                | 4.6                        | 3.7                                | 444.8              | <b>0.8%</b>                |
| Building Products:                      |                    |                                       |                         |                                      |                            |                                    |                    |                            |
| – Air Distribution                      | 106.3              | 0.6                                   | –                       | 106.9                                | 1.9                        | (6.3)                              | 102.5              | <b>(5.9)%</b>              |
| – Bathware                              | 30.9               | –                                     | –                       | 30.9                                 | –                          | (25.1)                             | 5.8                | <b>(81.2)%</b>             |
|   | 137.2              | 0.6                                   | –                       | 137.8                                | 1.9                        | (31.4)                             | 108.3              | <b>(22.8)%</b>             |
| Corporate                               | (52.8)             | (4.2)                                 | –                       | (57.0)                               | –                          | 3.3                                | (53.7)             | <b>(5.8)%</b>              |
| Total ongoing segments                  | 506.8              | 10.5                                  | –                       | 517.3                                | 6.5                        | (24.4)                             | 499.4              | <b>(4.7)%</b>              |
| Exited segments                         | 38.3               | 0.1                                   | (9.3)                   | 29.1                                 | –                          | 1.7                                | 30.8               | <b>5.8%</b>                |
| Continuing operations                   | 545.1              | 10.6                                  | (9.3)                   | 546.4                                | 6.5                        | (22.7)                             | 530.2              | <b>(4.2)%</b>              |

\* The underlying percentage change is the underlying change as a percentage of the like-for-like basis



Analysis of movements in net debt

|  | 2009<br>\$ million | 2008<br>\$ million | 2007<br>\$ million |
|--|--------------------|--------------------|--------------------|
| Cash generated from operations:                              |                    |                    |                    |
| – Before cash outflow on restructurings                      | 601.4              | 645.0              | 639.9              |
| – Cash outflow on restructurings                             | (69.3)             | (16.3)             | (1.2)              |
| Cash generated from operations                               | 532.1              | 628.7              | 638.7              |
| Capital expenditure:   |                    |                    |                    |
| – Purchase of property, plant and equipment                  | (115.2)            | (183.2)            | (231.3)            |
| – Purchase of computer software                              | (7.8)              | (10.6)             | (5.2)              |
|  | (123.0)            | (193.8)            | (236.5)            |
| Disposal of property, plant and equipment                    | 12.9               | 7.9                | 39.6               |
| Trading cash flow  | 422.0              | 442.8              | 441.8              |
| Tax:   |                    |                    |                    |
| – Income taxes paid  | (50.3)             | (116.3)            | (110.4)            |
| – Income taxes received                                      | 31.2               | 31.8               | 24.2               |
|  | (19.1)             | (84.5)             | (86.2)             |
| Interest and preference dividends:                           |                    |                    |                    |
| – Interest element of finance lease rental payments          | (0.4)              | (0.5)              | (1.4)              |
| – Interest received  | 3.6                | 11.2               | 12.2               |
| – Interest paid  | (37.5)             | (55.0)             | (64.8)             |
| – Preference dividend paid                                   | –                  | –                  | (2.0)              |
|  | (34.3)             | (44.3)             | (56.0)             |
| Other movements:   |                    |                    |                    |
| – Capitalisation of development costs                        | (0.6)              | (0.6)              | (0.4)              |
| – Dividends received from associates                         | 0.3                | 0.6                | 1.4                |
| – Financing costs paid                                       | (6.3)              | –                  | –                  |
| – 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)             |
|  | (10.6)             | (13.1)             | (9.6)              |
| Free cash flow   | 358.0              | 300.9              | 290.0              |
| Ordinary dividends   | (48.3)             | (246.2)            | (247.3)            |
| Acquisitions and disposals:                                  |                    |                    |                    |
| – Purchase of subsidiaries, net of cash acquired             | (26.5)             | (65.0)             | (17.0)             |
| – Sales of businesses and subsidiaries, net of cash disposed | 0.7                | 124.6              | 216.3              |
| – Leases disposed of on sale of businesses                   | –                  | –                  | 6.1                |
| – Purchase of available-for-sale investments                 | –                  | (0.1)              | (0.2)              |
| – Sale of available-for-sale investments                     | –                  | 1.6                | 0.6                |
| – Debt acquired on acquisition of subsidiaries               | (7.8)              | (0.8)              | –                  |
| – Investment in associates                                   | (2.7)              | (10.4)             | (3.8)              |
|  | (36.3)             | 49.9               | 202.0              |
| Ordinary share movements:                                    |                    |                    |                    |
| – Issue of ordinary shares                                   | 0.1                | 0.2                | 2.4                |
| – Purchase of own shares                                     | (1.4)              | (4.7)              | (6.9)              |
|  | (1.3)              | (4.5)              | (4.5)              |
| Foreign currency movements:                                  |                    |                    |                    |
| – Cash and cash equivalents                                  | 4.8                | (21.2)             | 19.5               |
| – Other net debt   | (48.1)             | 215.9              | (42.5)             |
| – Receipts/(payments) on foreign currency derivatives        | 39.6               | (178.6)            | (16.3)             |
|  | (3.7)              | 16.1               | (39.3)             |
| Cash movement in net debt                                    | 268.4              | 116.2              | 200.9              |
| Non-cash movements   | 0.5                | (1.1)              | (1.6)              |
| Conversion of preference shares                              | –                  | –                  | 130.0              |
| Decrease in net debt   | 268.9              | 115.1              | 329.3              |