

REMUNERATION COMMITTEE REPORT

1. Introduction

This report to shareholders sets out the membership of the Remuneration Committee and the names of the advisers who provided services to the Committee during the year ended 2 January 2010. The policies that have been followed by the Committee during the year in determining the elements of executive remuneration are also set out, together with the policies and principles to be followed by the Committee over the next two years.

This report has been prepared in accordance with the Companies Act 2006 and The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 ('Regulations') which set out statutory requirements for the disclosure of Directors' remuneration. The report also meets the relevant requirements of the Listing Rules of the UKLA and describes how the Board has applied the Principles of Good Governance relating to Directors' remuneration. The Regulations require the independent auditors to report to the Company's members on the auditable parts of this report and to state whether, in their opinion, those parts of the report have been properly prepared in accordance with the Companies Act 2006. The independent auditors' opinion is set out on page 135 and the audited sections of the report have been clearly marked.

The Board keeps under review the terms of reference for the Committee which are based on current best practice contained in the model terms of reference set out in the Guidance Note produced by the Institute of Chartered Secretaries and Administrators. The principal responsibility of the Committee is to determine the framework or broad policy for the Company's executive remuneration and the remuneration of the Chairman of the Board, for approval by the Board. The remuneration of Non-Executive Directors is a matter for the Board itself. The terms of reference of the Committee can be found under 'Governance' in the 'Responsibilities' area of the Company's website. In addition, the Company takes full account of the guidelines published by the Association of British Insurers and the National Association of Pension Funds.

During the year, the Committee updated its Terms of Reference and approved the granting of awards under the Sharesave Scheme. It also approved Directors' expenses for the year and assessed and approved awards under the PSP. A review of calculations was undertaken relating to awards made to Directors under the ABIP, and the annual base salary review for executives within the ABIP was carried out in accordance with the ABIP rules, using the 12-month average Retail Prices Index for UK executives and the Consumer Price Index for US executives and, as the result for both was below 1%, the Committee awarded a zero base salary increase.

In the light of the global financial crisis, the Committee oversaw the temporary suspension of the ABIP and introduction of the IBP, further details of which are given below. Finally, in response to feedback from institutional investors, the Committee negotiated major changes to the Executive Directors' contracts, further details of which are given below.

Details of the emoluments, variable compensation, benefits-in-kind, incentive arrangements (including share options and other long-term incentives), pensions and service contracts applicable to each Director who served during the year ended 2 January 2010 are given in this report, which will be put to the vote of shareholders at the forthcoming AGM.

2. Membership of the Remuneration Committee and advisers

The Committee is made up of the Chairman of the Board, and Non-Executive Directors whom the Board determined to be independent, as each was found to be free from any material business or other relationship with the Company (either directly or as a partner, shareholder or officer of an organisation that has a relationship with the Company). Accordingly, the Board believes that there are no such relationships that could materially interfere with the exercise of their independent judgement. John McDonough (Chairman), Richard Gillingwater and David Newlands were members of the Committee throughout the year ended 2 January 2010 and as at that date. Leo Quinn stepped down from the Board and his membership of the Committee on 3 November 2009 to take the position of CEO of another public company.

The Committee consults with the Chief Executive concerning matters of executive remuneration. The Committee appointed PA Consulting Group to provide independent verification of the cost of capital in respect of the PSP and to assist with briefing the Committee on issues relating to the ABIP and IBP and to the PSP, and to remuneration generally. Fees payable to PA Consulting Group in relation to advice on remuneration matters provided during 2009 amounted to £112,000.

Other than those consulting services mentioned above, PA Consulting Group had no connections with the Company.

3. Statement of the Company's policy on Directors' remuneration (unaudited information)

The policies operated by the Company during the year and those to be applied over the next two years are set out below:

A. Executive remuneration

The Company's policy on executive remuneration is that the Committee and the Board should each satisfy itself that executives, including Executive Directors, are fairly rewarded for their individual contributions to the Group's performance. The Committee has sought to ensure that, taking proper account of the global reach of the Group and the geographic markets in which it must compete for talent, Executive Directors receive a level of remuneration that is appropriate to their scale of responsibility and performance and which will attract, motivate and retain individuals of the necessary calibre. The only pensionable element of Executive Directors' remuneration is basic salary. This policy applies whether or not an Executive Director is a member of the Tomkins Retirement Benefits Plan or has a personal pension arrangement.

The Committee refers to the CSR Committee when considering performance on Environmental, Social and Governance ('ESG') issues when setting remuneration of Executive Directors and when considering whether the Committee has ensured that the incentive structure for senior management does not raise ESG risks by inadvertently motivating irresponsible behaviour.

B. Annual remuneration for executives

The Board recognises that one of its key objectives is to seek to maximise the value of the business for the benefit of shareholders and that this is strongly related, amongst other things, to the degree of entrepreneurial spirit in the Group. In order to create the necessary entrepreneurial impetus within an organisation, compensation arrangements are required which are similar to those that an owner of a business would seek. This has led to the adoption of a remuneration policy under which the levels of total remuneration are set in order to attract, retain and motivate executives.

The executive rewards at the Company have a standard composition, made up of three principal elements:

- Base salary;
- ABIP or, in 2009, IBP; and
- PSP.

These standard elements form part of a carefully-designed system put in place to create an entrepreneurial focus on value creation. The process had three stages:

- first, we agreed a clear set of principles to guide system design;
- secondly, we drafted system structures which would embody these principles; and
- finally, we calibrated each element of the system to ensure enhanced rewards for above-target performance and reduced rewards for above-threshold performance.

Remuneration is benchmarked against North American auto-component manufacturers as well as a series of UK companies and is provided through a combination of base salaries at median level or below and variable compensation that has a direct and proportionate link to total value created for shareholders. This provides the incentive for executives to act like owners of the business. The Committee and the Board believe that this more closely aligns the interests of shareholders and management whereby executives only receive substantial rewards when they have created exceptional value in the business.

Over time and subject to the achievement of value preservation and creation, this policy is designed to lead to a realignment of the component parts of total executive remuneration, so that a greater part of the total package received by executives is made up of incentive pay with the remainder coming from base salaries. The performance targets for the ABIP or IBP and the PSP ensure that a substantial proportion of total remuneration is directly related to actual measurable performance. Further details of the ABIP, IBP and the PSP are set out below.

C. Non-Executive Directors' fees and Chairman's remuneration

The Executive Directors review the fees of Non-Executive Directors who play no part in determining their own remuneration. The Chairman's remuneration is determined by the Committee and is approved by the Board. The Chairman takes no part in the discussions and decisions relating to his own remuneration. The review of Non-Executive Directors' fees and the Chairman's remuneration normally takes place every two years, the latest review having taken place on 1 January 2010, although, as explained in section 4 below, the next review will take place with effect from 1 January 2011.

D. Service contracts

The Company's policy on Directors' service contracts is that service contracts and letters of appointment for Executive Directors normally provide for notice periods of no longer than 12 months. On appointment, a longer notice period may apply, but this will reduce over time to the normal 12 months' notice period. Notwithstanding the provisions in an Executive Director's service contract or letter of appointment concerning termination payments, the Company will seek to reduce any compensation that may be payable to reflect the departing Director's obligation to mitigate loss.

E. External appointments

The Company's policy on external appointments is that, with the approval of the Chairman of the Board, Executive Directors are permitted to hold appointments outside the Company. Any fees payable in connection with such appointments are normally retained by the Director concerned unless otherwise agreed.

F. Long-term incentives and share options

The Company has operated a number of share-based long-term incentive schemes in the past but, following a review of executive remuneration, the number of plans and schemes has reduced over time as they lapsed and were not renewed or replaced. As previously reported, the Committee and the Board decided not to continue with an executive share option scheme beyond 9 May 2005, the date on which the Company's executive share option schemes lapsed for the purpose of new awards. Following shareholder approval, the PSP was introduced. The Company operates an employee savings related share option scheme, the Sharesave scheme, which applies to all UK employees.

REMUNERATION COMMITTEE REPORT (CONTINUED)

3. Statement of the Company's policy on Directors' remuneration (unaudited information) (continued)

G. Retirement benefits

The Company's defined benefit pension plan was closed to new members in April 2002 and, since that time, the Company's policy has been that new employees, including Executive Directors and senior executives, will receive a payment from the Company to enable them to make contributions to pension plans of their choice on behalf of themselves and their dependants. No change to this policy is expected over the next two years.

4. Elements of remuneration (audited information)

Executive remuneration is comprised of base salary, variable compensation (in three parts: cash, Restricted Award Shares and Deferred Award Shares) and benefits-in-kind. Non-Executive Directors are awarded a basic fee and fees for their work on Board Committees. The table below sets out the remuneration paid to each individual serving as a Director during 2009.

A. Base salary, fees, variable compensation and benefits-in-kind

Sterling (£)	Basic salary/fees £'000	Variable compensation					Total emoluments	
		Cash ⁽¹⁾ £'000	Restricted Award Shares ⁽¹⁾ £'000	Deferred Award Shares ⁽¹⁾⁽²⁾ £'000	Benefits-in-kind ⁽³⁾ £'000	Pension contribution ⁽⁴⁾ £'000	Year ended 2 January 2010 £'000	Year ended 3 January 2009 £'000
Directors' emoluments								
Chairman								
D B Newlands ⁽⁵⁾	214	–	–	–	–	–	214	211
Executive Director								
J Nicol	955	764 ⁽⁶⁾	191 ⁽⁶⁾	382 ⁽⁶⁾	35	358	2,685	1,690
Non-Executive Directors								
R D Gillingwater ⁽⁵⁾	79	–	–	–	–	–	79	78
J McDonough ⁽⁵⁾	75	–	–	–	–	–	75	74
L M Quinn ⁽⁵⁾ (to 3 November 2009)	53	–	–	–	–	–	53	62
D H Richardson ⁽⁵⁾	66	–	–	–	–	–	66	65
D D S Robertson ⁽⁵⁾	65	–	–	–	–	–	65	63
	1,507	764	191	382	35	358	3,237	2,243

US dollars (\$)	Basic salary/fees \$'000	Variable compensation					Total emoluments	
		Cash ⁽¹⁾ \$'000	Restricted Award Shares ⁽¹⁾ \$'000	Deferred Award Shares ⁽¹⁾⁽²⁾ \$'000	Benefits-in-kind ⁽³⁾ \$'000	Pension contribution ⁽⁴⁾ \$'000	Year ended 2 January 2010 \$'000	Year ended 3 January 2009 \$'000
Directors' emoluments								
Executive Director								
J W Zimmerman	597	478 ⁽⁷⁾	119 ⁽⁷⁾	239 ⁽⁷⁾	29	224	1,686	1,170

⁽¹⁾ Details of variable compensation payments in accordance with the ABIP or IBP are given below.

⁽²⁾ Deferred Award Shares are held under the ABIP or IBP.

⁽³⁾ Benefits-in-kind include medical cover, car and fuel benefits, and all other taxable benefits in accordance with their service contracts.

⁽⁴⁾ See section 'Retirement benefits' below for more details.

⁽⁵⁾ On 17 August 2009, 2,000 shares were purchased for each of the Non-Executive Directors and 5,000 shares were purchased for the Chairman at a market price of 180.80p per share. The cost of these shares formed part of their remuneration.

⁽⁶⁾ Comparative figures for James Nicol's variable compensation elements for 2008 were £225,000 cash, £56,000 in Restricted Award Shares and £112,000 in Deferred Award Shares, based on a Group bonusable profit of \$63.6 million.

⁽⁷⁾ Comparative figures for John Zimmerman's variable compensation elements for 2008 were \$203,000 cash, \$51,000 in Restricted Award Shares and \$102,000 in Deferred Award Shares, based on a Group bonusable profit of \$63.6 million.

Executive salaries

For information relating to executive salaries please refer to page 57 'Control of salary growth' and 'Annual base salaries for 2010'.

Chairman's remuneration

The Chairman's remuneration was last reviewed on 1 January 2008 and was due for a biennial review on 1 January 2010, but Mr Newlands declined any increase for this review because Executive Directors and other executives received no increase in their base salaries for the year commencing 1 January 2010. The Committee therefore recommended to the Board that no increase should be awarded, which was approved by the Board and consequently with effect from 1 January 2010, the Chairman's remuneration will remain at £205,000 (\$329,476) plus 5,000 Tomkins shares per annum. In view of the zero increase, a further review will take place on 1 January 2011.

Non-Executive Directors' fees

The fees paid to Non-Executive Directors were last reviewed on 1 January 2008 and were due for a biennial review by the Executive Directors on 1 January 2010, but all the Non-Executive Directors declined any increase for this review for the same reasons as the Chairman. Consequently with effect from 1 January 2010, their fees will remain at the 2008 levels, which are set out below. In view of the zero increases, a further review will take place on 1 January 2011.

Basic fee

£45,815 p.a. plus 2,000 Tomkins shares p.a.

Additional fees

Audit Committee

Chairman: £16,170 p.a. Other members: £8,085 p.a.

Remuneration Committee

Chairman: £10,780 p.a. Other members: £5,390 p.a.

CSR Committee

Chairman: £13,475 p.a. Other members: £5,390 p.a. plus £1,617 per meeting day.

Senior Independent Director

£16,170 p.a.

B. Current incentive schemes

Tomkins has a long-standing policy of continually seeking to align its executive remuneration plans better with the interests of shareholders:

- In 2003, in the most important move towards alignment, Tomkins introduced the ABIP which addressed many of the shortcomings of the previous incentive scheme.
- In the light of the economic crisis and the market conditions then prevailing, for 2009 the Board temporarily replaced the ABIP with the IBP which focused management rewards on addressing the short-term imperatives for the business.
- In addition, the Committee has introduced policies and practices, which include limits on the maximum that can be earned by way of bonus, that are more closely aligned with the current guidelines of institutional shareholders.

The rationale for and basis of each of these changes is expanded below.

INTRODUCTION TO THE ABIP – A VARIABLE COMPENSATION PLAN

RATIONALE FOR THE ABIP

In order to align the interests of senior executives more closely with those of shareholders, the Board adopted in 2003 the ABIP, a variable compensation programme designed to reward participants for creating shareholder value within the business. The ABIP contains a number of features which create a closer alignment between the rewards to managers and the value created for shareholders:

- The key measure of performance used in the ABIP is a form of economic profit, after a charge for the capital in the business, which aligns better with shareholders' interests than simply using earnings or operating profit.
- The ABIP introduced measures to ensure that managers hold a significant part of their wealth in Tomkins shares.
- The ABIP introduced a relationship between absolute value created as measured by economic profit, and variable compensation which is as far as possible linear.

Participation began for the Executive Directors and the most senior managers in 2003 and was extended to a wider group of senior managers in 2004.

HOW THE ABIP WORKS

Each participant receives a percentage of the 'bonusable profit' of the business for which he or she has responsibility, with the calculation of bonusable profit being essentially based on adjusted operating profit less a charge for invested capital and certain exceptional items. Adjustments can be made for restructuring charges relating to strategic manufacturing initiatives, to match the costs of those initiatives to the benefits over a period of up to three years.

REMUNERATION COMMITTEE REPORT (CONTINUED)

4. Elements of remuneration (audited information) (continued)

The Awards made to senior participants, including Executive Directors, are paid four-sevenths in cash, one-seventh in Restricted Award Shares and two-sevenths in Deferred Award Shares. The Awards payable to the remaining participants are paid three-quarters in cash, one-twelfth in Restricted Award Shares and one-sixth in Deferred Award Shares. Interim payments are made at the end of June, September and December based on 75% of the Award earned in respect of the relevant quarter, with the balance of the full entitlement for the calendar year paid at the end of March following the calendar year-end. Restricted Award Shares are entitled to receive dividends (or equivalent payments) but may not be traded for three years from the date of award. Deferred Award Shares do not receive dividends and only vest three years after the date of award provided that the participant remains employed during that period. On leaving the Company, the trading prohibition terminates with respect to Restricted Award Shares and, for good leavers, the Deferred Award Shares vest on a pro-rata basis.

As a condition of continued participation in the ABIP, senior participants, including Executive Directors, are required to retain shares with a value equivalent to one year's total after-tax remuneration including compensation under the ABIP, based on an average of the previous three years. Remaining participants are required to hold shares with a value equivalent to one-half of one year's total after-tax remuneration including compensation under the ABIP, based on an average of the previous three years. Increases in annual base salary of all participants, including Executive Directors, are restricted to the equivalent rate of increase in the Retail Prices Index (in the UK) or equivalent overseas index. The restrictions on the increases in salary, together with the growth in the value of the Awards, assuming increases in profit, have the result of the incentive pay element of remuneration increasing over time, increasing the investment of each of the participants, including Executive Directors, in Tomkins shares.

VARIABLE COMPENSATION FEATURES OF THE ABIP

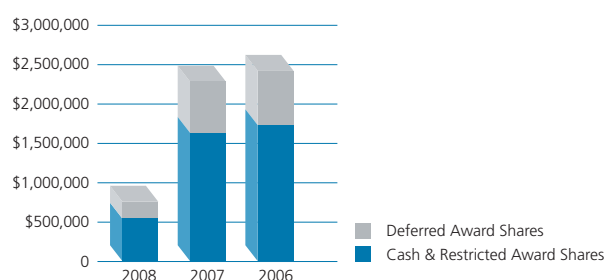
The incentive compensation of the Executive Directors was based on a percentage of the bonusable profit of the Group as defined in the Plan. Although the ABIP has been described as a 'bonus incentive plan', it is more accurately a variable compensation programme directly linked to the operating performance of the business, the benefits of which result from the application of a fixed percentage to fluctuating Group bonusable profit.

The following table shows the variable aspects of the compensation paid to James Nicol in previous years. No meaningful comparative information can be provided for John Zimmerman, who joined the Board in November 2007.

Variable compensation under ABIP

James Nicol

	2008	2007	2006
Cash & Restricted Award Shares	\$541,000	\$1,633,000	\$1,731,000
Deferred Award Shares	\$216,000	\$652,000	\$692,000



The decline in variable compensation paid to James Nicol under the ABIP corresponded directly to the underlying decline in the bonusable profit of the Group. As economic conditions worsened, culminating in the collapse of the North American housing and automotive markets, Tomkins saw its bonusable profit decline from \$203.7 million (2006) to \$192.1 million (2007) and to \$63.6 million (2008).

THE IBP

RATIONALE FOR THE IBP

As a result of the global financial crisis of 2008, the Committee reviewed in early 2009 the Group's immediate priorities and the most suitable mechanisms for incentivising those priorities. It was clear that the crisis would have a profound effect on business in general and Tomkins in particular: liquidity was at a premium and demand was falling fast – putting pressure both on sales and on prices. With certain customers and peers facing bankruptcy, both cash and profit would therefore come under severe pressure. The Committee concluded that, in the near term, management should concentrate on preservation of the business and balance sheet strength. It felt that the most appropriate basis for short-term remuneration was the generation of cash flow and the securing of liquidity. As a temporary one-year substitute for the ABIP, the IBP was therefore designed to reward both operating cash flow in 2009 and the effective restructuring of the business, which was to be accomplished through a major programme named Project Cheetah, designed to secure near-term cash flow and long-term profit improvement. In addition, it was necessary to restructure the Company's bank facilities, and the successful renegotiation of these with its banks was another objective of the IBP.

HOW THE IBP WORKS

For the reasons noted above the IBP was put in place solely for the 2009 financial year. To the extent that a participant receives IBP benefits for 2009, this programme replaces the ABIP with respect to that year. The terms of the ABIP are incorporated by reference with appropriate replacement of the Award entitlement of the IBP. The total benefits under the IBP are capped at 100% of base salary (payable 80% in cash and 20% in Restricted Award Shares) with, as under the ABIP, a 2:1 matching award of Deferred Award Shares vesting at the end of three years.

Benefits under the IBP are determined by the level of achievement of an operating cash flow element (70%) and a strategic milestone element (Project Cheetah and the renegotiation of the Company's bank facilities) (30%).

1. Operating cash flow element

Operating cash flow ('OCF') is defined as the calculation of trading cash flow in the Company's Annual Report, but eliminating the impact of Board-approved acquisitions from the calculation. When an individual becomes an eligible employee, he receives notification of his OCF floor (for Executive Directors this was \$172 million for 2009); his OCF ceiling (for Executive Directors this was \$332 million for 2009) between which rewards are made on a straight-line basis. These figures are derived from the first quarter of 2009 operating cash flow forecast (post-restructuring items), with the OCF ceiling being approximately 75% above the forecast.

2. Strategic achievement element

In addition each eligible employee has strategic achievement milestones together with a relative weighting of each milestone. For Executive Directors the strategic milestones and respective weightings for 2009 were refinancing of the Company's credit facilities with its banks (one third) and achievement of the 2009 Project Cheetah goals (two thirds).

As soon as practicable after the public announcement of the Company's results, the amount, if any, of each participant's award for 2009 is calculated. The participant's award is the sum of the OCF element and the strategic achievement element and the participant is paid partly in cash, with the remainder being in the form of Restricted Award Shares as described above. The participant is also awarded Deferred Award Shares equal to twice the value of the Restricted Award Shares, which award will vest after three years of continued service.

The Committee had discretion to restrict payments if the making of Awards would have breached the Company's bank covenants and in certain other circumstances.

RESULTS ACHIEVED

In 2009 the Group achieved or exceeded all of its IBP goals. With respect to the operating cash flow element, OCF was \$422 million against a target of the OCF ceiling of \$332 million. This allowed the Group to reduce its net debt from \$476.4 million at the end of 2008 to \$207.5 million at the end of 2009. With respect to the strategic achievement element for Executive Directors, refinancing of the Company's credit facilities was achieved as were all 2009 Project Cheetah goals.

ALIGNMENT WITH GOOD PRACTICE GUIDELINES

The Committee has taken advantage of the review of variable compensation to preserve or introduce a number of other shareholder-friendly principles in line with guidelines from the Association of British Insurers and National Association of Pension Funds. These relate to control of salary growth, capping of bonuses and termination provisions.

CONTROL OF SALARY GROWTH

Simply put, the policy at Tomkins is for zero real growth in salary, with the expectation that over time, managers create wealth by creating value. Those provisions of the ABIP which limit routine annual increases in the base salary to the equivalent rate of increase in the Retail Price Index (or equivalent overseas index) have therefore been preserved in the IBP. Since the increases in those indices were less than 1% in the past year, participants will receive no salary increase for 2010. For the five year period 2003-2008 these RPI increases to salary, on a compounded basis, have aggregated 17.4% (aggregate real growth 0.0%). By contrast, during the same period the corresponding increases for executive directors at UK peer companies aggregated 43.2% (aggregate real growth 26.9%).

CAPPING OF ABIP

The ABIP contains no general provision for capping payments on the basis that, since salary was fixed in real terms, increasing the profits of the business was the mechanism for managers to increase their rewards and that, given the nature of the businesses in which Tomkins is engaged, there was no risk of exceptional and unrepresentative growth in profit. Nevertheless, the Committee decided to cap the total benefits under the IBP at 100% of base salary plus, as under the ABIP, the potential to vest in an award of Deferred Award Shares of 40% of base salary at the end of three years. For Executive Directors, this cap will also be a feature of the ABIP for 2010 and thereafter.

TERMINATION PROVISIONS

The original contracts of employment of the Executive Directors included a provision for bonus payments in the event of termination. The Committee has renegotiated these so that contracts for Executive Directors now provide for no bonus being awarded beyond the termination date. In addition, Mr. Nicol gave up his entitlement to severance as a result of change of control. In view of the relinquishment of these entitlements, the Company agreed for Messrs. Nicol and Zimmerman to receive an extra week's holiday annually, and an advancement by six months of the grant date of their annual PSP award in 2010 which will align them with the balance of the PSP participants.

In summary, the Committee has continued to evolve the reward plans at Tomkins to provide better alignment between the interests of managers – particularly Executive Directors – and shareholders.

Annual base salaries for 2010

Those provisions of the ABIP which provide for zero real growth in salaries by limiting routine annual increases in the base salaries to the equivalent rate of increase in the Retail Price Index (or equivalent overseas index) also apply to the IBP. In the case of John Zimmerman, however, his strong performance since his appointment as Finance Director on 1 October 2007 and value to the Group necessitated further review to ensure compliance with the Company's remuneration policy. After a benchmarking analysis, Mr Zimmerman's salary was found to be significantly lower than the median. Accordingly, with effect from 1 January 2010, it was increased by 15% to \$686,000 per annum.

REMUNERATION COMMITTEE REPORT (CONTINUED)

4. Elements of remuneration (audited information) (continued)

The Tomkins 2006 Performance Share Plan

The PSP is a long-term incentive plan. The purpose of the PSP is two-fold. First, to provide a share-based long-term incentive arrangement for senior executives that more closely aligns the interests of executives with shareholders. Secondly, the PSP is in substitution of the Company's legal obligation to the Chief Executive to provide annual grants of options, which had previously been satisfied by the Executive Share Option Scheme that lapsed for the purpose of new awards in May 2005. The Committee considered the alternatives and, with the agreement of the Chief Executive and the assistance of PA Consulting Group, devised a plan that achieves those aims. The PSP will provide rewards in future years only if shareholders have seen value created over the preceding three years. No new shares will be issued for the purposes of the PSP and there will accordingly, be no dilution of shareholders' equity resulting from it.

How the plan works

Under the Plan, participants receive an award of Shares, the vesting of which is dependent upon the achievement of a performance target over a period of three years. Underlying the performance target is a requirement that, if any shares are to vest at the end of the three-year performance period, the Company's TSR (share price growth plus dividend reinvestment) over the performance period must have exceeded the Company's cost of equity (the cost of equity calculation is made at the commencement of the performance period and is subject to independent verification). If that baseline target is not met, then no shares vest; no re-testing will take place. Maximum vesting occurs if TSR is equal to or better than 60% for the three-year performance period. For performance between the baseline and the maximum, the award vests on a linear sliding scale, so that after three years, were Tomkins TSR, after deducting the cost of equity, to be for example 50% of the TSR required to receive the maximum award, minus the cost of equity, an award of shares to the value of 50% of the maximum value would be made. TSR is calculated using the average Net Return Index figure at the start of the performance period set against an average of the same measure for the three months immediately preceding the end of the performance period.

The maximum award of shares is calculated by dividing the maximum value by an estimate of the share price required to achieve an increase of 60% TSR. A participant who leaves (other than for cause) after at least one year of the performance period retains his award but the award remains subject to the performance target, which is measured after the performance period.

The Committee and the Board believe the PSP to be challenging. As shown in the table of average annual payouts below, the failure of any shares to vest under past awards illustrates the challenging nature of achieving a TSR in excess of the Company's cost of equity. Furthermore, as shown in the illustration when the Plan was introduced, achievement of a 60% TSR would require a net gain to shareholders more than sixty times the value of the underlying awards to Executive Directors and senior managers. The PSP is also more challenging than the option plans which it replaced in two further respects. Unlike traditional option schemes there is but a single performance measurement at the conclusion of the three year performance period. That measurement determines not only whether the award will have value but also the final value thereof in that entitlement to the benefit thereof ceases at the end of the three year period. By contrast, under the Company's previous share option plans, performance conditions could be satisfied at the conclusion of any successive three-year performance period and the value to participants was dependent upon subsequent share price performance for up to seven years.

Average annual payout for PSP

	Average annual payout since Plan inception
J Nicol	–
J W Zimmerman	–

The Committee and Board believe that a target which links TSR to the Company's cost of equity ensures a high degree of alignment between the rewards of the participants and the value delivered to shareholders and that improving the alignment in this way increases the likelihood of value being created for shareholders. For the Chief Executive and the Finance Director, the maximum value of the awards, with reference to both the date of grant and the date of vesting, are capped at £4.0 million and £1.2 million per annum, respectively.

Awards matured during the year

The following awards of Tomkins shares made to James Nicol and John Zimmerman under the PSP matured during the year:

Director	Date of award	Vesting date	Maximum number of shares	Maximum value of award at end of performance period £m	Share price at date of grant	Cost of equity/performance baseline	TSR required for maximum award to vest	TSR over the performance period	Value of award vested	Number of shares vested
J Nicol	22 Nov 06	22 Nov 09	1,152,737	4.0	247.00p	27.91%	60%	(14.11)%	–	–
J W Zimmerman	22 Nov 06	22 Nov 09	230,547	0.8	247.00p	27.91%	60%	(14.11)%	–	–

Awards made during the year

The following maximum awards of Tomkins shares were made to James Nicol and John Zimmerman under the PSP during the year:

Director	Date of award	Vesting date	Maximum number of shares	Maximum value of award at end of performance period £m	Share price at date of grant	Cost of equity/performance baseline	Estimated share price required for performance baseline to have been achieved*	TSR required for maximum award to vest	Estimated share price required for maximum award to vest*	Minimum total value of gross gain to shareholders were the maximum award to be made
J Nicol	17 Aug 09	17 Aug 12	1,460,387	4.0	186.50p	25.20%	214.20p	60%	279.10p	£989.4m
J W Zimmerman	17 Aug 09	17 Aug 12	438,116	1.2	186.50p	25.20%	214.20p	60%	279.10p	£989.4m

* Calculated as at 2 January 2010

Prior year awards outstanding at year end

The following maximum awards were granted in prior years and remain outstanding as at year end:

Director	Date of award	Vesting date	Maximum number of shares	Maximum value of award at end of performance period £m	Share price at date of grant	Cost of equity/performance baseline	Estimated share price required for performance baseline to have been achieved*	TSR required for maximum award to vest	Share price required for maximum award to vest*
J Nicol	22 Nov 07	22 Nov 10	1,606,296	4.0	177.25p	29.40%	202.57p	60%	256.81p
	20 Aug 08	20 Aug 11	1,744,794	3.0	136.25p	30.75%	156.22p	60%	196.07p
J W Zimmerman	22 Nov 07	22 Nov 10	481,889	1.2	177.25p	29.40%	202.57p	60%	256.81p
	20 Aug 08	20 Aug 11	523,438	0.9	136.25p	30.75%	156.22p	60%	196.07p

* Calculated as at 2 January 2010

Due to the nature of the performance criteria, it is impossible to provide exact minimum and maximum share prices that would be required for awards to begin to be made, and also to be made in full, at the end of the performance period. This is because future dividends and the relevant exchange rate to convert those dividends to sterling are unknown. The estimated share prices in the above two tables assume constant dividends and exchange rates throughout the remainder of each of the performance periods.

Based on the assumptions above, the net value of outstanding awards based on the share price as at year end 2 January 2010 was £3,619,000 (2009: £nil).

The Tomkins 2005 Sharesave Scheme

This is a standard HM Revenue & Customs-approved savings related share option scheme which is open to employees who are resident for tax purposes in the UK.

C. Closed incentive schemes

The following schemes are now closed:

The Tomkins Executive Share Option Scheme No. 3 and The Tomkins Executive Share Option Scheme No. 4

ESOS 3 and ESOS 4 lapsed for grant purposes on 9 May 2005 and the Committee and the Board decided not to continue with an executive share option scheme beyond that date.

ESOS 3 was an HM Revenue & Customs-approved scheme. ESOS 4 was not approved by HM Revenue & Customs. The options under both schemes mature after three years. All outstanding ESOS 4 options were granted to participants within the limit of four times their annual earnings. The performance condition for all outstanding options under ESOS 3 and ESOS 4 required that the growth in Tomkins' earnings per share must exceed the growth in the Retail Prices Index by an average of 2% per annum over a three-year period before an option could be exercised, which was in accordance with contemporary practice when the schemes were introduced in 1995. All options outstanding under these schemes have vested.

The Tomkins Savings Related Share Option Scheme No. 2

This was a standard HM Revenue & Customs-approved savings related share option scheme which lapsed for grant purposes on 9 May 2005.

REMUNERATION COMMITTEE REPORT (CONTINUED)

4. Elements of remuneration (audited information) (continued)

Tomkins Premium Priced Option

This was an option specifically and solely granted to James Nicol as part of the incentive package to ensure he joined Tomkins. No performance conditions were attached to this option and it therefore does not comply with Schedule A of the Combined Code. It consists of a non-transferable option to acquire 5,076,142 shares. The exercise price was 197p per share in respect of 2,538,072 shares (A option shares), 276p per share in respect of 1,522,842 shares (B option shares) and 345p per share in respect of 1,015,228 shares (C option shares). The options have all vested and will lapse on 11 February 2012 or earlier in certain circumstances.

Ongoing Option

This is an option specifically and solely granted to James Nicol on 11 February 2002 as part of the incentive package to attract him to the Company. It consists of a non-transferable option to acquire 1,522,842 shares at 197p per share, which became exercisable on 18 February 2005 provided the rate of increase of earnings per share over any three-year period was equal to or greater than the rate of increase of the Retail Prices Index plus 9%. This performance condition was met and the option has been exercised in respect of 972,842 shares. The balance of the option will lapse on 11 February 2012 or earlier in certain circumstances.

Directors' share options

	As at 2 January 2010	Granted in the year		Lapsed in the year		As at 3 January 2009	Period of exercise	
	Number	Number	Exercise price (p)	Number	Exercise price (p)	Number	From	To
J Nicol	9,411,159	9,531	96.00	8,014	204.00	9,409,642	3 Jan 10	28 Nov 14
J W Zimmerman	225,000	–	–	–	–	225,000	3 Jan 10	28 Nov 14

The table below details the weighted average price each Director would have had to pay to exercise his options and how much they were worth in monetary terms.

	Weighted average exercise price (p) as at 2 January 2010		Weighted average exercise price (p) as at 3 January 2009		Net value of unexercised options	
	Exercise price exceeds market price	Market price exceeds exercise price	Exercise price exceeds market price	Market price exceeds exercise price	As at 2 January 2010 £'000	As at 3 January 2009 £'000
J Nicol	242.40	96.00	242.36	–	9	–
J W Zimmerman	256.31	–	256.31	–	–	–

The closing mid-market price of a Tomkins share as at 2 January 2010 was 193.20p with a range of closing prices during the year 4 January 2009 to 2 January 2010 of 105.75p to 197.90p.

Options included in the above table at 2 January 2010 relate to ESOS 4 (J Nicol 3,775,486 shares and J W Zimmerman 225,000 shares) and, in the case of James Nicol, SAYE 2 (9,531 shares), the Premium Priced Option (5,076,142 shares) and the Ongoing Option (550,000 shares).

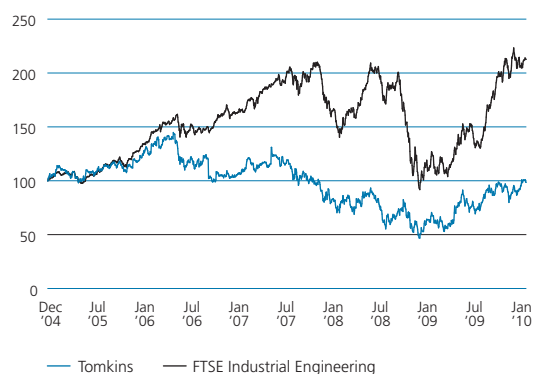
Directors' interests in Tomkins shares at 2 January 2010

The Directors' current interests in Tomkins shares are set out on page 41 and, in the case of the Executive Directors, where appropriate these included shares held through their participation in the ABIP.

5. Performance graph (unaudited information)

The graph below plots TSR on a holding in the Company's shares for each of the past five years ended 31 December, measured against the performance of the FTSE Industrial Engineering Index.

This index was chosen because its major constituents are, like Tomkins, moderately-diversified engineering groups with significant manufacturing operations outside the home UK market.



6. Retirement benefits (audited information)

James Nicol and John Zimmerman were not entitled to any retirement benefits defined in terms of final or average salary but they have received a payment at an annual rate of 37.5% of their basic salary to enable them to make contributions to retirement benefit schemes of their choice on behalf of themselves and their dependants. For 2009, this amounted to £358,000 (2008: £343,000) for James Nicol and \$224,000 (2008: \$215,000) for John Zimmerman.

7. Service contracts (unaudited information)

A summary of the service contract or letter of appointment of each of the Directors is as follows:

James Nicol – Chief Executive

The Company and James Nicol entered into a contract dated 11 February 2002 (amended 24 February 2010) which set out the terms and conditions under which he joined the Company as Chief Executive on 18 February 2002. The contract remains in force in normal circumstances until terminated by either party giving written notice of not less than 12 months. Mr Nicol has been a Director for eight years.

John Zimmerman – Finance Director (from 1 October 2007)

John Zimmerman's contract was signed on 18 February 2008 with an effective start date of 1 October 2007 and amended on 24 February 2010. The contract can be terminated by John Zimmerman by giving six months' notice and by the Company giving 12 months' notice. Mr. Zimmerman has been a Director for two years and four months.

Non-Executive Directors

None of the Non-Executive Directors has a service contract with the Company, their terms of engagement being set out in a letter of appointment. Ordinarily, Non-Executive Directors serve for a period of two years but, subject to agreement with the Board, a Non-Executive Director can be reappointed for further terms of up to three years. The appointment of Non-Executive Directors may be terminated before the conclusion of their two-year term by, and at the discretion of, either party upon two weeks' written notice.

In the case of David Newlands, the appointment is for a term of three years and may be terminated at any time by either party giving one month's written notice. None of the Non-Executive Directors is entitled to compensation for loss of office. The dates from which the respective letters of appointment are effective and the Directors' length of service are as follows: Richard Gillingwater: 20 December 2009, four years and one month; David Newlands: 18 February 2009, ten years and six months; John McDonough: 14 June 2009, two years and eight months; David Richardson: 1 March 2008, three years and eleven months; and Struan Robertson: 20 December 2009, four years and one month.

8. Former Directors (audited information)

Payments made in 2009 to former Director Leo Quinn, are included in the remuneration table above.

9. Sums paid to third parties in respect of a Director's services (audited information)

No amounts are paid to third parties in respect of a Director's services to the Company or any company within the Group.

10. Sums received by Executive Directors from other external directorships (audited information)

James Nicol and John Zimmerman hold no external directorships.

Compliance statement

The Company complies with the requirements of the Regulations, the Companies Act 2006 and the Listing Rules of the UKLA unless otherwise indicated. In preparing this report, the Remuneration Committee has given full consideration to the provisions set out in Section B to the Combined Code.

This report has been approved by the Remuneration Committee and the Board and signed on their behalf by:

John McDonough
Chairman, Remuneration Committee

26 February 2010