

# Tomkins Interim Report

Half year ended 2 July 2005



Tomkins

Tomkins is a world-class global engineering and manufacturing group with market and technical leadership across its two business groups; Industrial & Automotive and Building Products

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Notes

- The Group reports its results on a quarterly basis in sterling under International Financial Reporting Standards ("IFRS") and in US dollars under US GAAP. Unless otherwise stated, the commentary in this announcement refers to the IFRS financial information.
- Financial information for comparative periods previously reported under UK GAAP has been restated in accordance with IFRS.
- The term "underlying" indicates the amount has been adjusted for the effects of currency translation and acquisitions and disposals. Some figures and ratios mentioned are not readily available from the financial information and details of how these figures and ratios have been arrived at are set out in the Financial data section.
- Commentary on the second quarter results compares unaudited results for the 91-day period from 3 April 2005 to 2 July 2005 ("Q2 2005") with unaudited results for the 91-day period from 4 April 2004 to 3 July 2004 ("Q2 2004"). Commentary on the half-year interim results compares unaudited results for the 182-day period from 2 January 2005 to 2 July 2005 ("H1 2005") with unaudited results for the 182-day period from 4 January 2004 to 3 July 2004 ("H1 2004").
- Approximately 65 per cent of the Group's revenues arise in the USA. Financial information has been translated at an average rate of £1=\$1.85 for Q2 2005, compared with £1=\$1.81 in Q2 2004, and at the average rate of £1=\$1.87 in H1 2005, compared with £1=\$1.82 in H1 2004, reflecting a 2.2 per cent and a 2.7 per cent reduction in the US dollar/sterling exchange rate respectively. The closing rate at 2 July 2005 was £1=\$1.77, at 1 January 2005 was £1=\$1.92, and at 3 July 2004 was £1=\$1.83.
- The quarterly financial information provided in this announcement has not been subject to audit or review by the auditors. The financial information under IFRS for H1 2005 and H1 2004 has been reviewed by the auditors.

This document may contain "forward-looking statements" within the meaning of Section 27A of the U.S. Securities Act of 1933 and Section 21E of the U.S. Securities Exchange Act of 1934 (the "Exchange Act"). When used in this document, the words "anticipate", "believe", "estimate", "assume", "could", "should", "expect" and similar expressions, as they relate to Tomkins or its management, are intended to identify such forward-looking statements. Such statements are based on management's good faith assumptions, anticipations, expectations and forecasts concerning Tomkins' future business plans, products, services, financial results, performance and future events and on information relevant to our businesses, industries and operating environments. Such forward-looking statements are subject to certain risks and uncertainties that could cause the actual results, performance or achievements of Tomkins to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Such risks and uncertainties include, among others, adverse changes or uncertainties in general economic conditions in the markets we serve, changes in laws or regulatory developments adverse to us (including environmental-related laws or regulations), difficulties we may face in maintaining necessary licenses or other governmental approvals, changes in the competitive position or introduction of new competitors or new competitive products, reduced demand for our products, loss of key customers or lack of acceptance of new products or services by Tomkins' targeted customers, difficulties in controlling our costs in correlation with the prices charged to our customers, increases in the cost of raw materials, difficulties in obtaining sufficient levels of supplies or equipment in a timely or cost-effective manner, loss of key distributors, product liability claims, inability to preserve proprietary interests in intellectual property, changes in business strategy, any management level or large-scale employee turnover, any major disruption in production at our key facilities, difficulties in raising sufficient capital on favourable terms, adverse changes in foreign exchange rates, embargoes, acts of terrorism or war, and various other factors. Should one or more of these risks or uncertainties materialise, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein. For more discussion of the risks affecting us, please refer to Item 3.D. in our latest Annual Report on Form 20-F filed with the U.S. Securities and Exchange Commission.

These forward-looking statements represent our view only as of the date they are made, and we disclaim any obligation to update forward-looking statements contained herein, except as may be otherwise required by law.

Financial highlights

Revenue  
**£1,545.1m**  
 2004: £1,541.7m

Profit from operations  
**£140.4m**  
 2004: £137.9m

Basic earnings per share  
**12.50p**  
 2004: 9.98p

Interim dividend per share  
**5.07p**  
 2004: 4.83p

# We are continuing to focus on operational efficiency and financial discipline

PROFIT FROM OPERATIONS  
BEFORE RESTRUCTURING  
INITIATIVES\*

**£148.9m**  
2004: £155.7m

PROFIT FOR THE PERIOD  
FROM CONTINUING  
OPERATIONS

**£100.7m**  
2004: £92.8m

NET SALES FROM CONTINUING  
OPERATIONS IN US DOLLARS  
UNDER US GAAP

**\$2,889.4m**  
2004: \$2,751.5m

OPERATING INCOME FROM  
CONTINUING OPERATIONS IN US  
DOLLARS UNDER US GAAP

**\$241.4m**  
2004: \$255.5m

\* Restructuring initiatives include restructuring costs and gains and losses from disposals and exit of businesses

## Highlights of the period

The following are the main financial performance highlights for the first half of 2005:

- Revenue increased by 0.2 per cent to £1,545.1 million
- Profit from operations increased by 1.8 per cent to £140.4 million
- Profit before tax stated on a comparable basis<sup>(1)</sup> was ahead by 1.5 per cent
- Basic earnings per share were ahead by 25.3 per cent to 12.50 pence
- Interim dividend increased by 5.0 per cent to 5.07 pence
- Cash flow from operations after restructuring initiatives was ahead by 33.8 per cent at £82.3 million<sup>(2)</sup>
- Recent acquisitions Mectrol, Milcor and LE Technologies are performing ahead of expectations
- Completed the acquisition of Eifeler Maschinenbau GmbH ("EMB")

(1) See Financial data section

(2) See Cashflow section of Operating and financial review

# Our management has responded well to some challenging market conditions

David Newlands  
Chairman



Our management has responded well to some challenging market conditions. Currency translation is having less of an impact in the first half of the year and we are confident that we can make further progress for the year as a whole. Given our outlook for our business, the Board has declared an increase in the interim dividend of 5.0 per cent to 5.07 pence.

#### Summary of results

In the first half of 2005, consolidated reported revenue increased to £1,545.1 million (H1 2004: £1,541.7 million). Profit from operations in the first half of 2005 increased to £140.4 million (H1 2004: £137.9 million). Overall our performance in the first half was consistent with our expectations given weak North American automotive production volumes, delay in the implementation timetable following the revised final Transportation Recall Enhancement, Accountability and Documentation ("TREAD") Act and the continuing softness in our non-residential construction business.

Against this backdrop, we took action in the first quarter to protect profitability in the affected businesses and we have been successful in achieving that aim. Stackpole is benefitting from aggressive cost improvement initiatives and

1.8%  
PROFIT FROM  
OPERATIONS GROWTH

25.3%  
BASIC EARNINGS  
PER SHARE GROWTH

5.0%  
INCREASE IN  
INTERIM DIVIDEND

management changes, and has seen some volume pick-up in existing programmes. Overall the outlook for Stackpole continues to be strong and performance is expected to improve as the second half progresses. Schrader Electronics also benefitted from profit protection initiatives, despite adverse market conditions.

We continued to capitalise on the strong residential construction market and this was reflected in the solid performance from the residential business in Air Systems Components and Lasco Bathware. Despite the weakness in the non-residential business, we achieved market share gains particularly in non-standard product areas and have been successful in winning new business, resulting in a higher rate of order intake and increased order backlog for the remainder of the year.

Fluid Power continued to perform well in a strong industrial market, and the recent acquisition of EMB provides a platform for the further development of the business outside North America.

The acquisitions of Mectrol (industrial power transmission), Milcor (residential air systems and roofing products) and LE Technologies (recreational vehicle frames) have all been successfully integrated and are performing ahead of our expectations with synergies already starting to be realised. All three acquisitions will be providing a full contribution to profit in the second half.

Our business in Asia showed a return to good sales growth of 5.2 per cent, particularly in the automotive aftermarket. However, the comparative profit performance was adversely affected by a one-off pensions credit of £5.7m in the second quarter of 2004 which did not recur in 2005.

The benefit of selling price increases implemented during the second half of last year and the first half of this year will make a more significant contribution in the second half. We are taking specific actions to re-source a number of raw materials and components where we had

experienced difficulty in achieving cost concessions and we now anticipate the net impact from raw materials to be broadly neutral for the year as a whole.

Owing to a focus on working capital management, lower capital spending and lower restructuring expenditure, our second quarter cash generation was strong with operating cash flow significantly ahead of last year. As a result, the first half operating cash flow was well ahead of last year. We remain confident that cash flow after interest, tax and dividends will be positive for the full year.

Our continued focus on lean manufacturing generated savings of £13.1 million in the first half of the year (H1 2004: £11.0 million), with the Industrial & Automotive group achieving savings of £10.9 million and the Building Products group contributing savings of £2.2 million.

The Group operating margin, based on profit from operations before restructuring initiatives, was improved in the second quarter, but for the first half was lower at 9.6 per cent (H1 2004: 10.1 per cent). However, through our cost improvement initiatives, we anticipate further progress in Group margins going forward.

Our restructuring initiatives have continued in Wiper Systems and Air Systems Components, where restructuring costs in H1 2005 were £7.4 million (H1 2004: £13.5 million). Disposals and the exit of businesses during the first half of the year resulted in a loss of £1.1 million (H1 2004: £4.3 million).

Net finance costs in the period were £17.3 million (H1 2004: £12.3 million), reflecting the effect of the reclassification of £8.1 million of preference dividends to interest payable and the recognition of £3.7 million of fair valuation gains arising from hedging instruments in the first half of the year, following the adoption of IAS32 and IAS39 prospectively from 2 January 2005.

On a comparable basis, profit before tax was £127.5 million (H1 2004: £125.6 million), representing an increase in the first half of the year of 1.5 per cent (see Financial data section).

The tax rate charge for H1 2005 is calculated at an effective rate on profit from continuing operations of 18.2 per cent, resulting in a tax charge of £22.4 million (H1 2004: £32.8 million). The effective rate calculated on profit before tax, before preference dividends and other finance income, which compares with H1 2004, is 17.6 per cent (H1 2004: 26.1 per cent).

Profit for H1 2005 amounted to £100.0 million (H1 2004: £91.0 million) and fully diluted earnings per share were 11.93 pence (H1 2004: 9.68 pence), an increase of 23.2 per cent.

#### Dividend

The Board has declared an increase in the interim dividend of 5.0 per cent to 5.07 pence per share. The interim dividend will be paid on 14 November 2005 to shareholders on the register on 14 October 2005. Shareholders may elect to use the Dividend Reinvestment Plan ("DRIP") to reinvest the interim dividend. The closing date for receipt of new DRIP mandates is 24 October 2005.



David Newlands, Chairman

“Our performance in the second quarter gives us confidence that the developing momentum of the first half will carry over into the remainder of the year”

# The performance of our acquisitions is very encouraging

James Nicol  
Chief Executive



I am pleased with our profit and cash flow performance in the first half of 2005, which was in line with our expectations. We have maintained sales and increased profit from operations despite weakness in the North American automotive original equipment market. These results demonstrate our ability to respond quickly to changing market conditions and reflect our continued focus on operational efficiency and financial discipline. The performance of our acquisitions is very encouraging and, together with an improved raw material cost environment, should ensure progress in line with market expectations.

Our primary objective is to achieve long-term sustainable growth in the economic value of Tomkins through the strategic development of our businesses. The progress made during the first half in delivering our strategy is discussed below.

#### Product development and technology leading growth in the Powertrain

General Motors announced that at least two of its Saturn 2007 model year cars would be equipped with our Electro-Mechanical Drive™ system with stop-start technology. Our stop-start technology is already available as an option on Citroën's C3 model and has had a positive reaction from consumers. Several new products

£34.2m

SALES CONTRIBUTION FROM  
RECENT ACQUISITIONS

5.2%

SALES GROWTH  
IN ASIA

£13.1m

SAVINGS GENERATED FROM  
LEAN MANUFACTURING

were launched in Europe including the GD395 life-of-engine synchronous belt for the automotive original equipment market, which offers high durability and performance and improved fuel economy.

Stackpole saw volume pick up in several of its existing programmes, despite the weak automotive production volumes in North America. The Daimler Chrysler 45RFE gear carrier system programme has been successfully launched, and the launch of the Ford 6R transmission oil pump programme has recently commenced. The launch of the variable valve transmission components programme is progressing and we expect to see volumes increase as the second half progresses. Stackpole was awarded new business to the value of C\$31.3 million in the first half of the year including carriers, clutch plates and transfer case sprockets.

In industrial power transmission applications, we have seen a number of new product introductions and new product applications.

#### Differentiation of our capability in the Industrial & Automotive aftermarket

As part of our ongoing strategy to introduce new products into the aftermarket, Gates has introduced belt tensioners for the growing import vehicle market in North America. The Innovision™ beam blade continues to see strong sales, with additional capacity being added to meet strong demand. Gates has also launched several new products into the European aftermarket such as the Micro-V® XF multi-ribbed belt and DriveAlign™ tensioner.

#### Building Air Systems Components

During the first half we continued to rationalise existing production capacity, progressing the closure of the Tabor City, North Carolina facility and transfer of production to El Paso, Texas. Production commenced at Ruskin's new facility in Monterrey, Mexico, in the second quarter.

Hart & Cooley's integration of Milcor has progressed well and the businesses are already exploring cross-selling and new market opportunities, in addition to sourcing product from China. Product innovation continues to be a strong focus, with Titus's magnetically mounted grille and Ruskin's value flow balancing damper successfully introduced during the first half. Significant awards during the first half in the non-residential business included the Wachovia Securities building and the Town Square project, both in New York City, and the Cascade One project in Seattle.

#### Organic growth

Our continuing business excellence initiatives have had a positive effect on manufacturing efficiency and operating performance. Implementation of lean manufacturing techniques have also progressed well in the first half, in particular at the worldwide Power Transmission business. In line with our strategy to dispose of non-core automotive original equipment businesses, Gates completed the sale of its North American automotive original equipment curved hose business with the sale of a facility in Mexico.

#### Geographic expansion into higher growth markets

Construction of Trico's new facility in Suzhou, China, is progressing on schedule. Ideal has started trial production runs of clamps at its facility, also in Suzhou, China. Both facilities are scheduled to open in the fourth quarter of 2005. The Schrader-Lu Hai joint venture commenced operations earlier this year and has started to quote for new domestic business. The acquisition of EMB included assets in China, which will be consolidated into the existing Gates China operation. Through Milcor, Hart & Cooley's China sourcing programme is underway and they have already identified several potential suppliers. In the Czech Republic, our Fluid Systems business has commenced production of fuel caps and valves for domestic and export business.

#### Acquisition of value-enhancing businesses

In June 2005, Gates announced the acquisition of EMB and will integrate it into its European Fluid Power business. The acquisition broadens Gates' range of port-to-port solutions for the industrial markets and provides significant potential operational synergies. EMB had annual sales of around €29.0 million. Mectrol, Milcor and LE Technologies are all performing above expectations and are already contributing cross-selling synergies and new business opportunities to our Group businesses.

#### Outlook

Our performance in the second quarter gives us confidence that the developing momentum of the first half will carry over into the remainder of the year. Our continuing focus on operational efficiency and cost containment in business areas facing difficult market conditions, combined with the contribution from our recent acquisitions and an improved raw material cost environment, should ensure that progress for the year as a whole is in line with market expectations.



James Nicol, Chief Executive

“Our primary objective is to achieve long-term sustainable growth in the economic value of Tomkins”

# Industrial & Automotive

## AUTOMOTIVE ORIGINAL EQUIPMENT

**23.5%**  
GROUP SALES

Encompassing:  
Powertrain, Fluid  
Power, Fluid Systems,  
Wiper Systems  
and Other Industrial  
& Automotive

Global automotive production in the first half of 2005 increased by 2.2 per cent compared to 2004, with a total of 31 million light vehicles manufactured. Production in North America declined by 2.7 per cent where the Big Three automotive manufacturers' production volume declined by 9.2 per cent. The Big Three summer marketing programmes, extending employee discounts to all purchasers, were extremely successful from a sales and inventory reduction perspective. However, General Motors and Ford have maintained their scheduled production cuts, although no further production cuts were announced for the third quarter. Western European automotive production declined by 1.7 per cent, but growth was strong in South America (16.2 per cent) and Asia (6.0 per cent).

Latest CSM forecasts for the year estimate global production growth of 3.6 per cent. North American production volumes are forecast to decline by 0.8 per cent compared to last year, to 15.7 million units. Western European production is forecast to decrease by 1.2 per cent. Production in Asia is forecast to grow by 5.0 per cent this year, with China up by 17.6 per cent and South America is expected to grow by 9.8 per cent.

## AUTOMOTIVE AFTERMARKET

**21.2%**  
GROUP SALES

Encompassing:  
Powertrain, Fluid Power,  
Fluid Systems, Wiper  
Systems and Other  
Industrial & Automotive

The automotive aftermarket was higher in the first half of the year compared to H1 2004, although it was slightly softer in Q2. The trend for the full year is difficult to predict, but continued growth is anticipated in all regions with stronger growth coming from Asia.

## INDUSTRIAL ORIGINAL EQUIPMENT

**9.1%**  
GROUP SALES

Encompassing:  
Power Transmission,  
Fluid Power and Other  
Industrial & Automotive

Total industrial production in North America as measured by the US Federal Reserve was 3.9 per cent higher year-on-year and capacity utilisation was approximately 2.2 percentage points higher year-on-year. Indices for construction and agricultural equipment are also at a high level. The balance of the current year is predicted to show a continuing positive trend.

## INDUSTRIAL AFTERMARKET

**11.3%**  
GROUP SALES

Encompassing:  
Power Transmission,  
Fluid Power and Other  
Industrial & Automotive

The industrial replacement market has remained strong as distributors experience strong end market demand. Predictions for the balance of the current year are for a continuing positive trend.

## INDUSTRIAL/UTILITY TRAILERS

**5.3%**  
GROUP SALES

Encompassing:  
Dexter Axle

The industrial and utility trailers market was slightly down in H1 2005 compared to the same period last year. Predictions are that the market will remain flat for the year as a whole.

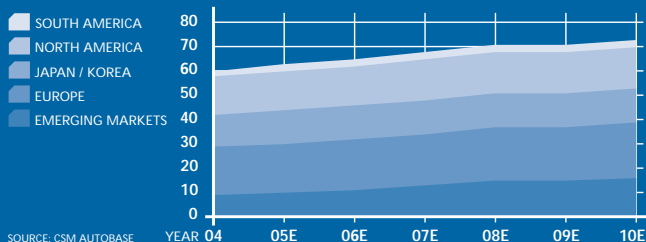
## RECREATIONAL VEHICLES

**2.7%**  
GROUP SALES

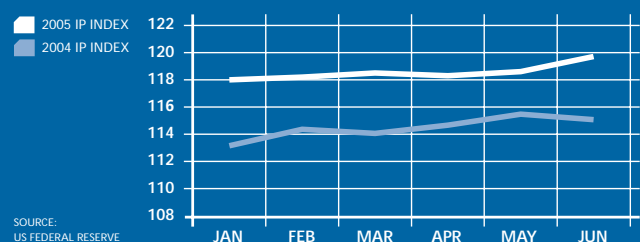
Encompassing:  
Dexter Axle and Philips

Recreational vehicle shipments were up 3.4 per cent in the first half of the year compared to the same period in 2004, driven by the relatively low interest rate environment in the US. The Recreation Vehicle Industry Association is forecasting 2005 to be the second best year for recreational vehicles since 1978.

GLOBAL AUTOMOTIVE PRODUCTION OUTLOOK (UNITS MILLIONS)



NORTH AMERICAN INDUSTRIAL PRODUCTION INDEX



# Building Products

## RESIDENTIAL CONSTRUCTION

**11.4%**  
GROUP SALES

Encompassing:  
Air Systems  
Components, Lasco  
Bathware and Philips

The residential construction market continued to be strong in the second quarter. Housing starts were up 5.1 per cent in H1 2005 compared to H1 2004; completions were up 5.4 per cent and housing permits increased by 2.8 per cent. The National Association of Home Builders has revised its estimate for housing starts from a year-on-year decline to an increase of 1.4 per cent over 2004, which was a record year for residential construction. The high level of permits granted but not yet started indicates continuing strength in the second half of the year.

## NON-RESIDENTIAL CONSTRUCTION

**12.8%**  
GROUP SALES

Encompassing:  
Air Systems Components,  
Lasco Bathware  
and Lasco Fittings

Industry data for the non-residential construction market indicates a mixed picture, although Dodge reports square footage in the first half of the year down by 9 per cent. Dodge has revised the full year forecast for non-residential construction from growth to a slight decline of 0.2 per cent, suggesting improvement in the second half.

## MANUFACTURED HOUSING

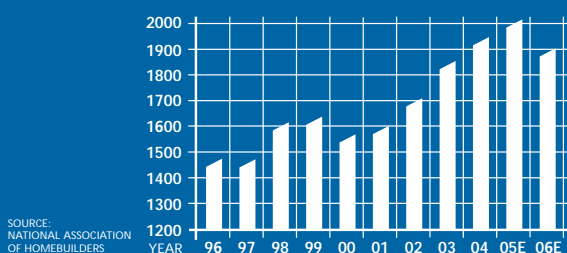
**1.4%**  
GROUP SALES

Encompassing:  
Dexter Axle and Philips

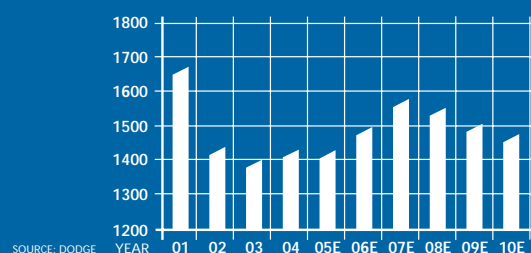
Manufactured home shipments maintained the strong momentum carried over from the first quarter, up 3.2 per cent in H1 2005 compared to H1 2004. Predictions for the full year are that the market will be flat year-on-year.

The remaining 1.3 per cent of Group sales relates to other markets, including bulk materials and postal handling.

NORTH AMERICAN RESIDENTIAL HOUSING STARTS (UNITS '000s)



NON-RESIDENTIAL SQUARE FOOTAGE (SQ. FT. MILLIONS)



# The Group operates two business groups

Industrial & Automotive and Building Products

## INDUSTRIAL & AUTOMOTIVE

	Q2 2005 £ million	Q2 2004 £ million	H1 2005 £ million	H1 2004 £ million
Sales:				
Powertrain	248.8	238.1	488.0	474.0
Fluid Power	91.3	85.1	178.2	165.7
Wiper Systems	54.5	62.8	116.1	133.7
Fluid Systems	56.8	59.2	114.9	121.0
Other Industrial & Automotive <sup>(1)</sup>	122.8	122.5	230.8	243.4
Total sales	574.2	567.7	1,128.0	1,137.8
Profit from operations before restructuring initiatives	64.5	73.0	123.5	133.2
Operating margin <sup>(2)</sup>	11.2%	12.9%	10.9%	11.7%
EBITDA margin <sup>(2)</sup>	15.5%	17.1%	15.1%	15.6%
Average net operating assets			782.8	690.3
Return on average net operating assets <sup>(2) (3)</sup>			31.6%	38.6%
Return on invested capital <sup>(3) (4)</sup>			11.3%	11.7%
Capital expenditure			55.2	67.0
Depreciation			46.9	44.0
Employees (number)			25,694	25,299

(1) Includes Dexter Axle, Dearborn Mid-West, Plews and Ideal

(2) Before restructuring initiatives

(3) Annualised

(4) Return on invested capital is calculated for total operations before restructuring initiatives

The underlying profitability and operating margin before restructuring initiatives of the Industrial & Automotive group in the first half was affected by:

- (a) lower production volumes in the Automotive OE market generally and reduction in volumes shipped to Ford and General Motors due to their market share declines in North America;
- (b) the impact of year-on-year raw material cost increases that could not be passed onto customers, particularly in Wiper Systems;
- (c) lower volumes on legacy programmes in Stackpole and the slower launch of new platforms;
- (d) the delayed implementation of the TREAD Act reducing volumes in RTPMS; and
- (e) reduced volumes in Q1 in the Dexter Axle business.

The reduction in underlying profitability has been offset in part by the profit contribution from the acquisitions of Mectrol and LE Technologies.

In the second half, the full impact of the profit protection plans and cost containment measures throughout the Industrial & Automotive group and the easing of raw material cost pressures, will enhance the overall underlying performance and there will be a further contribution to profit from Mectrol and LE Technologies. Comments on the businesses within Industrial & Automotive are set out below.

### Powertrain

Automotive original equipment sales continued to be impacted by North American automotive production cuts in the second quarter, especially at General Motors and Ford. Production volumes are expected to remain relatively weak for the third quarter of the year, though incentive-driven summer inventory reductions have eased pressure to reduce production rates further.

## INDUSTRIAL & AUTOMOTIVE KEY STATISTICS

**73%**  
OF GROUP SALES

**78%**  
OF GROUP PROFIT FROM OPERATIONS\*

**69%**  
OF GROUP EMPLOYEES

In Europe, automotive original equipment performance was down partly due to volume reduction, but offset by favourable product mix, strong industrial original equipment sales and an encouraging performance from Mectrol. The performance of our North American aftermarket business was up 1.3 per cent, driven by the good weather conditions. Worldwide aftermarket sales improved by 4.5 per cent, with automotive aftermarket and industrial replacement sales up by 5.0 per cent and 3.1 per cent respectively.

At Stackpole, second quarter sales were in line with last year. Aggressive action was taken to contain costs and specific profit protection plans were implemented in the second quarter. These initiatives, combined with a pick-up in volumes on some programmes, as well as new product launches, will continue to drive an improvement in performance through the second half of the year.

#### Fluid Power

Our North American business performed particularly well due to the continuing strength in industrial production and the easing of some raw material price pressures. Expectations are for a similar performance in the second half of the year. Europe, Brazil and India also posted good performances on the original equipment side. The performance from the replacement business in North America continued to be strong.

The opening of our new Customer Solutions Centre in Denver has had a very positive reception from our customers and emphasises our focus on developing new product technology. Sales of our new Quicklok™ product are ahead of expectations and the new coupling product is gaining rapid acceptance. During the period, the 8M5K wire braid hose for very high-pressure applications was introduced to the industrial original equipment market.

The acquisition of EMB is expected to provide further development opportunities for the Fluid

Power business in Europe, particularly in the replacement market. The acquisition included some sales and distribution assets in China and these will be consolidated into Gates' industrial business in China, providing further opportunity for expansion in that region.

#### Wiper Systems

A good aftermarket performance in North America was offset by disappointing automotive original equipment volumes, particularly in the UK. The business is undergoing a restructuring at its Pontypool facility in the UK, and we are continuing to take action to address the cost issues there. In Europe, our efforts to improve the aftermarket are yet to yield the expected improvement in performance. However, we expect raw material pressures to abate in the second half as steel prices, in particular, continue on a downward trend.

#### Fluid Systems

Performance at Schrader Electronics was impacted by the cancellation and delay of tyre pressure monitoring programmes following the revision of the TREAD Act implementation phase-in quantities. Quick action taken in the first half to reduce the impact on profit of the expected lower sales volumes has been successful. The majority of customers are choosing direct measurement tyre pressure monitoring systems to meet the National Highway Traffic Safety Administration ("NHTSA") specification. The Schrader Electronics system is a direct measurement type and fully meets the NHTSA requirements. There are a number of potential new business developments being pursued.

Elsewhere in Fluid Systems, Stant showed good year-on-year performance as sales of new fuel valve products accelerated. The balance of the Schrader business was broadly flat year-on-year with lower automotive volumes holding back progress.

#### Other Industrial & Automotive

Ideal's sales were higher in the first half, but operating profit declined due to slow sales in the higher margin business in the original equipment market and the aftermarket. An improved performance in the second half is expected with the introduction of new products and some recent new customer gains in the industrial market. Plews' sales and profit were impacted by tighter inventory controls at its major aftermarket customers and increased expenses relating to customer servicing and freight. Dearborn Mid-West's first half performance was in line with H1 2004, with higher sales and operating profits expected in the second half due to an increased order backlog. Dexter's sales improved in the second quarter and benefitted from the better than expected contribution from LE Technologies.

#### INDUSTRIAL & AUTOMOTIVE BRANDS



Stackpole



#### INDUSTRIAL & AUTOMOTIVE GLOBAL OPERATIONS

The Industrial & Automotive group operates in the Americas, Europe, Asia and Australia.



# Operating and financial review

continued

## BUILDING PRODUCTS

	Q2 2005 £ million	Q2 2004 £ million	H1 2005 £ million	H1 2004 £ million
Sales:				
Air Systems Components	118.1	109.5	227.9	211.4
Other Building Products <sup>(1)</sup>	101.0	100.4	189.2	192.5
Total sales	219.1	209.9	417.1	403.9
Profit from operations before restructuring initiatives	20.7	19.4	35.4	34.6
Operating margin <sup>(2)</sup>	9.5%	9.2%	8.5%	8.6%
EBITDA margin <sup>(2)</sup>	12.1%	12.2%	11.3%	11.5%
Average net operating assets			163.9	188.8
Return on average net operating assets <sup>(3)</sup>			43.2%	36.4%
Return on invested capital <sup>(3)(4)</sup>			24.0%	17.3%
Capital expenditure			10.3	6.1
Depreciation			11.6	11.8
Employees (number)			11,398	11,725

(1) Includes Lasco Bathware, Lasco Fittings, Philips; (2) Before restructuring initiatives; (3) Annualised; (4) Return on invested capital is calculated for total operations before restructuring initiatives

During the first half the underlying profitability and operating margin before restructuring initiatives of the Building Products group was affected by:

- (a) unfavourable product mix in the residential sector of the Air Systems Components business;
- (b) increases in PVC raw material costs; and
- (c) a provision for a bad debt of \$1.9 million in the doors and windows business.

This has been offset in part by the benefit of the profit contribution from Milcor, acquired in the first quarter. In the second half the full impact of the profit protection plans and cost containment measures throughout the Building Products group, some easing of raw material cost pressures and the impact of price increases will enhance the overall underlying performance and there will be a further contribution to profit from Milcor. Comments on the businesses in Building Products are set out below.

### Air Systems Components

Operating margins in the first quarter were impacted by the plant closure at Tabor City, North Carolina and the corresponding transfer of production to El Paso, Texas. Despite the softness in the non-residential construction market, our activity levels remain robust and we have seen an increased level of order intake, as well as a healthy order book for the second half. Our residential business continues to perform strongly, reflecting the continuation of strong residential market conditions. Milcor has already started to generate cross-selling synergies with Hart & Cooley in the residential market. Hart & Cooley has started to leverage Milcor's Chinese manufacturing operations for low cost sourcing opportunities.

### Other Building Products

Lasco Fittings' sales improved, but margin was impacted by unfavourable product mix and the continuing price rises in PVC resin. Lasco Bathware delivered a very good performance,

driven by strong sales to both the wholesale and retail markets and the continuing strength in the residential construction market. Philips experienced slower demand in the recreational vehicle and manufactured home markets and was further impacted by a provision for a bad debt of \$1.9 million in the second quarter.

## FINANCIAL REVIEW

### Restructuring initiatives

In the first half of 2005, restructuring costs were lower at £7.4 million (H1 2004: £13.5 million) and primarily related to the production rationalisation initiatives at Air Systems Components and the ongoing restructuring initiatives at the Wiper Systems facility in Pontypool, Wales. Disposals and exit of businesses in H1 2005 resulted in a loss of £1.1 million (H1 2004: £4.3 million). Of this, £0.8 million related to the disposal and exit of businesses and £0.3 million to the disposal of property.

### Interest payable, investment income and finance income

Interest payable for the first half was £40.2 million (H1 2004: £32.2 million), investment income was £19.2 million (H1 2004: £19.9 million) and other finance income was £3.7 million (H1 2004: £nil). Under IFRS, interest payable includes the finance cost related to the post employment benefits liability and investment income includes the expected return on post employment benefit plan assets of £17.0 million. With effect from the start of the financial year, interest costs include preference dividends and fair value gains and losses on derivative hedging instruments are included under other finance income or expense as required following the application of IAS32 and IAS39.

### Taxation

The tax charge in Q2 2005 benefitted from the reduction in the tax provisions of £16.6 million following the resolution of an outstanding tax issue in the United States and adjustments to deferred taxation. The overall effective tax rate on profit from continuing operations for the year is anticipated to be around 31.0 per cent before

27%  
OF GROUP SALES

22%  
OF GROUP PROFIT  
FROM OPERATIONS\*

31%  
OF GROUP EMPLOYEES

## BUILDING PRODUCTS KEY STATISTICS

taking into account these adjustments in Q2.

### Pensions

Pension costs charged to profit from operations before restructuring initiatives in the first half of 2005 for defined benefit schemes was £3.0 million (H1 2004: £1.0 million after non-recurring pension credits of £2.7 million) and pension contributions to defined benefit schemes was £22.4 million (H1 2004: £12.8 million). For the full year, contributions to defined benefit schemes are expected to be in the region of £38.0 million (2004: £24.2 million).

### Capital expenditure

Net capital expenditure in the first half was £54.3 million (H1 2004: £70.2 million) representing 1.0 times depreciation (H1 2004: 1.3 times). We have revisited our capital expenditure plans for the year in light of the first half, and the full year

net capital expenditure is expected to amount to around £150 million or less, depending on the timing of certain asset disposals.

### Working capital

During the period we have continued to address working capital. Although there have been further increases in inventory levels in Fluid Power to ensure we meet the customer service levels in the market, we have seen reductions elsewhere in working capital as we have re-examined trading terms with customers and suppliers. The average working capital as a percentage of moving annual total sales over the first half of the year was 12.03 per cent compared to 12.84 per cent in H1 2004. For the year as a whole we expect to see a broadly neutral working capital position excluding the impact of acquisitions, with much of the reduction in working capital occurring in the final quarter of the year.

### Cashflow

In H1 2005, cash flow from operations after restructuring initiatives was ahead by 33.8 per cent as a result of lower expenditure on restructuring initiatives and reduced net capital expenditure. There was a working capital outflow of £63.9 million, excluding the effect of restructuring costs, which was partly due to early pension payments of £22.5 million (H1 2004: £9.3 million). Net expenditure on acquisitions and disposals in the period was £82.4 million. Net debt also increased due to the impact of the strengthening of the US dollar and the fair value adjustment to the Group's outstanding bonds. Overall net debt, excluding the reclassification of preference shares, amounted to £378.0 million. The table below shows the cash movement for the first half of the year, excluding a net increase of £22.4 million relating to the preference shares (arising from the movement in the £/\$ exchange rate).

### Results prepared under US GAAP in US dollars

Operating income from continuing operations under US GAAP in the second quarter of 2005 was \$127.9 million (Q2 2004: \$136.7 million). Net income under US GAAP was \$94.3 million (Q2 2004: \$76.9 million).

Operating income from continuing operations under US GAAP in the first half of 2005 was \$241.4 million (H1 2004: \$255.5 million). Net income under US GAAP was \$164.7 million (H1 2004: \$169.1 million).

Shareholders' equity under US GAAP was \$2,964.6 million at 2 July 2005, compared to \$2,718.9 million at 3 July 2004.

The differences between IFRS and US GAAP arise from the treatment of restructuring costs, intangible assets, inventory, post-employment benefits and stock based compensation. Net income under US GAAP is subject to additional adjustments relating to the treatment of costs associated with exit or disposal activities, capitalised interest, derivatives and deferred tax. A reconciliation of financial information prepared under IFRS and US GAAP is shown on page 49.

Cashflow	H1 2005 £ million	H1 2004 £ million
Profit from operations before restructuring initiatives	148.9	155.7
Depreciation / Amortisation	56.7	56.0
	205.6	211.7
Cash effect of restructuring initiatives:		
Restructuring costs	(7.8)	(14.9)
Costs of exit from business	-	(19.3)
Capital expenditure:		
Restructuring costs (gross £1.7m; disposals £9.5m)	7.8	(4.5)
Business operations (gross £63.9m; disposals £1.8m)	(62.1)	(65.7)
Working capital, excluding the effect of restructuring costs	(63.9)	(48.0)
Other operating cash flows	2.7	2.2
Cash flow from operations after restructuring initiatives	82.3	61.5
Tax, interest and dividends	(107.1)	(92.2)
Cash flow after tax, interest and dividends	(24.8)	(30.7)
Acquisitions and disposals	(82.4)	14.4
Currency	(17.3)	6.3
Fair value on loan	(10.6)	-
Other	(1.9)	0.2
Increase in net debt	(137.0)	(9.8)

## BUILDING PRODUCTS BRANDS

LASCO  
BATHWARE



Hart & Cooley  
insult confidence

Titus  
The Leader in Air Management

## BUILDING PRODUCTS GLOBAL OPERATIONS

The Building Products group operates in the United States, the UK and Asia.



## Analysis of movement in Q2 revenue and profit from operations from 2004 to 2005 (unaudited)

£ million	Industrial & Automotive		Building Products		Unallocated Central Activities		Total	
<b>Revenue</b>								
Q2 2004	567.7		209.9		-		777.6	
Exchange rate effect	1.5		(4.8)		-		(3.3)	
Disposals	(7.5)		(5.6)		-		(13.1)	
	561.7		199.5		-		761.2	
Acquisitions	18.8		7.3		-		26.1	
Underlying change	(6.3)	(1.1)%	12.3	6.2%	-	-	6.0	0.8%
Q2 2005	574.2		219.1		-		793.3	
<b>Profit from operations before restructuring initiatives</b>								
Q2 2004	73.0		19.4		(6.4)		86.0	
Exchange rate effect	(0.1)		(0.3)		0.1		(0.3)	
Disposals	0.9		0.3		-		1.2	
	73.8		19.4		(6.3)		86.9	
Acquisitions	3.0		1.1		-		4.1	
Underlying change	(12.3)	(16.7)%	0.2	1.0%	1.3	20.6%	(10.8)	(12.4)%
Q2 2005	64.5		20.7		(5.0)		80.2	

## Analysis of movement in H1 revenue and profit from operations from 2004 to 2005 (unaudited)

£ million	Industrial & Automotive		Building Products		Unallocated Central Activities		Total	
<b>Revenue</b>								
H1 2004	1,137.8		403.9		-		1,541.7	
Exchange rate effect	(2.4)		(10.7)		-		(13.1)	
Disposals	(15.1)		(14.1)		-		(29.2)	
	1,120.3		379.1		-		1,499.4	
Acquisitions	22.4		11.8		-		34.2	
Underlying change	(14.7)	(1.3)%	26.2	6.9%	-	-	11.5	0.8%
H1 2005	1,128.0		417.1		-		1,545.1	
<b>Profit from operations before restructuring initiatives</b>								
H1 2004	133.2		34.6		(12.1)		155.7	
Exchange rate effect	(0.3)		(0.8)		0.1		(1.0)	
Disposals	3.1		0.5		-		3.6	
	136.0		34.3		(12.0)		158.3	
Acquisitions	3.6		1.6		-		5.2	
Underlying change	(16.1)	(11.8)%	(0.5)	(1.5)%	2.0	16.7%	(14.6)	(9.2)%
H1 2005	123.5		35.4		(10.0)		148.9	

## Segmental information (unaudited)

### Three months ended 2 July 2005

£ million	Industrial & Automotive	Building Products	Unallocated Central Activities	Total
<b>Revenue</b> (Note 2)	<b>574.2</b>	<b>219.1</b>	–	<b>793.3</b>
<b>Segment result</b> (Note 2)	<b>59.0</b>	<b>19.0</b>	–	<b>78.0</b>
<i>Adjust for:</i>				
Restructuring costs	4.3	1.6	–	5.9
Disposals and exit of businesses	1.1	0.1	–	1.2
Share of results of associates	0.1	–	–	0.1
Unallocated central activities	–	–	(5.0)	(5.0)
<b>Profit from operations before restructuring initiatives</b>	<b>64.5</b>	<b>20.7</b>	<b>(5.0)</b>	<b>80.2</b>
<b>Operating margin before restructuring initiatives</b>	<b>11.2%</b>	<b>9.4%</b>	–	<b>10.1%</b>

### Three months ended 3 July 2004

£ million	Industrial & Automotive	Building Products	Unallocated Central Activities	Total
<b>Revenue</b> (Note 2)	<b>567.7</b>	<b>209.9</b>	–	<b>777.6</b>
<b>Segment result</b> (Note 2)	<b>72.7</b>	<b>11.2</b>	–	<b>83.9</b>
<i>Adjust for:</i>				
Restructuring costs	3.4	0.8	–	4.2
Disposals and exit of businesses	(3.1)	7.4	–	4.3
Share of results of associates	–	–	–	–
Unallocated central activities	–	–	(6.4)	(6.4)
<b>Profit from operations before restructuring initiatives</b>	<b>73.0</b>	<b>19.4</b>	<b>(6.4)</b>	<b>86.0</b>
<b>Operating margin before restructuring initiatives</b>	<b>12.9%</b>	<b>9.2%</b>	–	<b>11.1%</b>

### Six months ended 2 July 2005

£ million	Industrial & Automotive	Building Products	Unallocated Central Activities	Total
<b>Revenue</b> (Note 2)	<b>1,128.0</b>	<b>417.1</b>	–	<b>1,545.1</b>
<b>Segment result</b> (Note 2)	<b>117.4</b>	<b>32.5</b>	–	<b>149.9</b>
<i>Adjust for:</i>				
Restructuring costs	4.8	2.6	–	7.4
Disposals and exit of businesses	0.8	0.3	–	1.1
Share of results of associates	0.5	–	–	0.5
Unallocated central activities	–	–	(10.0)	(10.0)
<b>Profit from operations before restructuring initiatives</b>	<b>123.5</b>	<b>35.4</b>	<b>(10.0)</b>	<b>148.9</b>
<b>Operating margin before restructuring initiatives</b>	<b>10.9%</b>	<b>8.5%</b>	–	<b>9.6%</b>

Segmental information (unaudited)  
continued

Six months ended 3 July 2004

£ million	Industrial & Automotive	Building Products	Unallocated Central Activities	Total
<b>Revenue</b> (Note 2)	1,137.8	403.9	–	1,541.7
<b>Segment result</b> (Note 2)	124.3	25.5	–	149.8
<i>Adjust for:</i>				
Restructuring costs	11.8	1.7	–	13.5
Disposals and exit of businesses	(3.1)	7.4	–	4.3
Share of results of associates	0.2	–	–	0.2
Unallocated central activities	–	–	(12.1)	(12.1)
<b>Profit from operations before restructuring initiatives</b>	133.2	34.6	(12.1)	155.7
<b>Operating margin before restructuring initiatives</b>	11.7%	8.6%	–	10.1%

Profit before tax

Tomkins adopted IAS32 "Financial Instruments: Disclosure and Presentation" and IAS39 "Financial Instruments: Recognition and Measurement" prospectively from 2 January 2005. As a result, profit before tax for the three and six months ended 2 July 2005 shown on the face of the income statement is not directly comparable to profit before tax for the three and six months ended 3 July 2004. In 2005, the preference dividend is disclosed within interest payable, while in 2004, it is shown below profit for the period. In addition, fair value gains on derivative instruments are included as Other finance income in 2005, while this adjustment was not recognised in 2004.

The following table sets out the effect of the adjustments in 2005 and shows the movement on Profit before tax on a comparable basis:

£ million	Q2 2005	Q2 2004	H1 2005	H1 2004
<b>Profit before tax</b>	<b>67.0</b>	71.2	<b>123.1</b>	125.6
<i>Adjust for:</i>				
Preference dividend (Note 4)	<b>3.9</b>	–	<b>8.1</b>	–
Fair value gains on derivative instruments (Note 6)	<b>(2.2)</b>	–	<b>(3.7)</b>	–
<b>Profit before tax on a comparable basis</b>	<b>68.7</b>	71.2	<b>127.5</b>	125.6
(Decrease)/Increase	(3.5)%	–	1.5%	–

## Introduction

We have been instructed by the company to review the financial information for the six months ended 2 July 2005, which comprises the income statement, cash flow statement, the balance sheet, statement of recognised income and expense, the statement of changes in shareholders' equity and the related notes 1 to 20 for the six month period. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the company in accordance with Bulletin 1999/4 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

## Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures are consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

## International Financial Reporting Standards

As disclosed in note 1, the next annual financial statements of the group will be prepared in accordance with International Financial Reporting Standards as adopted for use in the EU. Accordingly, the interim report has been prepared in accordance with the recognition and measurement criteria of IFRS and the disclosure requirements of the Listing Rules.

## Review work performed

We conducted our review in accordance with the guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

## Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 2 July 2005.

**Deloitte & Touche LLP**  
Chartered Accountants  
London  
24 August 2005

# Financial information in sterling prepared in accordance with IFRS

Consolidated income statement for the three months ended 2 July 2005  
prepared in accordance with IFRS (unaudited)

	Notes	3 months ended 2 July 2005 £ million	3 months ended 3 July 2004 £ million
<b>Continuing operations</b>			
Revenue	2	793.3	777.6
Cost of sales		(570.3)	(550.8)
Gross profit		223.0	226.8
Distribution costs		(79.2)	(84.5)
Administrative expenses		(63.7)	(56.3)
Share of results of associates		0.1	–
<b>Profit from operations before restructuring initiatives</b>		<b>80.2</b>	<b>86.0</b>
Restructuring costs	3	(5.9)	(4.2)
Loss on disposals and on the exit of businesses	3	(1.2)	(4.3)
<b>Profit from operations</b>		<b>73.1</b>	<b>77.5</b>
Interest payable		(21.0)	(16.6)
Investment income		9.7	10.3
Other finance income		5.2	–
<b>Profit before tax</b>		<b>67.0</b>	<b>71.2</b>
Tax		(6.1)	(18.4)
<b>Profit for the period from continuing operations</b>		<b>60.9</b>	<b>52.8</b>
<b>Discontinued operations</b>			
Loss for the period from discontinued operations		(0.7)	(1.9)
<b>Profit for the period</b>		<b>60.2</b>	<b>50.9</b>
Minority interests		(1.9)	(4.6)
Dividends payable on convertible cumulative preference shares		–	(4.1)
<b>Profit for the period attributable to equity shareholders</b>		<b>58.3</b>	<b>42.2</b>
<b>Earnings per share</b>			
<b>Basic</b>			
Continuing operations		7.64 p	5.72 p
Discontinued operations		(0.09)p	(0.24)p
<b>Total operations</b>		<b>7.55 p</b>	<b>5.48 p</b>
<b>Diluted</b>			
Continuing operations		7.21 p	5.49 p
Discontinued operations		(0.08)p	(0.21)p
<b>Total operations</b>		<b>7.13 p</b>	<b>5.28 p</b>

Consolidated income statement for the six months ended 2 July 2005  
prepared in accordance with IFRS (unaudited)

	Notes	6 months ended 2 July 2005 £ million	6 months ended 3 July 2004 £ million	Year ended 1 January 2005 £ million
<b>Continuing operations</b>				
Revenue	2	1,545.1	1,541.7	2,974.1
Cost of sales		(1,111.5)	(1,095.5)	(2,120.2)
Gross profit		433.6	446.2	853.9
Distribution costs		(157.3)	(169.3)	(333.5)
Administrative expenses		(127.9)	(121.4)	(216.9)
Share of results of associates		0.5	0.2	0.8
<b>Profit from operations before restructuring initiatives</b>		<b>148.9</b>	<b>155.7</b>	<b>304.3</b>
Restructuring costs	3	(7.4)	(13.5)	(20.5)
(Loss)/gain on disposals and on the exit of businesses	3	(1.1)	(4.3)	2.5
<b>Profit from operations</b>		<b>140.4</b>	<b>137.9</b>	<b>286.3</b>
Interest payable	4	(40.2)	(32.2)	(64.8)
Investment income	5	19.2	19.9	38.8
Other finance income	6	3.7	–	–
<b>Profit before tax</b>		<b>123.1</b>	<b>125.6</b>	<b>260.3</b>
Tax	7	(22.4)	(32.8)	(51.1)
<b>Profit for the period from continuing operations</b>		<b>100.7</b>	<b>92.8</b>	<b>209.2</b>
<b>Discontinued operations</b>				
(Loss)/profit for the period from discontinued operations	8	(0.7)	(1.8)	0.9
<b>Profit for the period</b>		<b>100.0</b>	<b>91.0</b>	<b>210.1</b>
Minority interests		(3.6)	(6.2)	(10.1)
Dividends payable on convertible cumulative preference shares		–	(7.9)	(15.6)
<b>Profit for the period attributable to equity shareholders</b>		<b>96.4</b>	<b>76.9</b>	<b>184.4</b>
<b>Earnings per share</b>				
	9			
<b>Basic</b>				
Continuing operations		12.59 p	10.21 p	23.81 p
Discontinued operations		(0.09)p	(0.23)p	0.12 p
<b>Total operations</b>		<b>12.50 p</b>	<b>9.98 p</b>	<b>23.93 p</b>
<b>Diluted</b>				
Continuing operations		12.01 p	9.89 p	22.71 p
Discontinued operations		(0.08)p	(0.21)p	0.10 p
<b>Total operations</b>		<b>11.93 p</b>	<b>9.68 p</b>	<b>22.81 p</b>
<b>Dividends per ordinary share</b>	10	<b>5.07 p</b>	<b>4.83 p</b>	<b>12.60 p</b>

Consolidated cash flow statement for the six months ended 2 July 2005  
prepared in accordance with IFRS (unaudited)

	Notes	6 months ended 2 July 2005 £ million	6 months ended 3 July 2004 £ million	Year ended 1 January 2005 £ million
<b>Operating activities</b>				
Cash generated by operations	11	136.6	131.7	333.9
Income taxes paid		(34.4)	(31.9)	(56.0)
Income taxes received		6.0	11.9	16.2
<b>Net cash inflow from operating activities</b>		<b>108.2</b>	<b>111.7</b>	<b>294.1</b>
<b>Investing activities</b>				
Purchase of property, plant and equipment		(65.6)	(73.2)	(157.7)
Disposal of property, plant and equipment		11.3	3.0	5.5
Purchase of subsidiaries		(85.3)	-	(24.0)
Sale of subsidiaries, net of cash disposed		2.9	14.4	21.3
Dividends received from associates		0.3	0.1	0.4
<b>Net cash outflow from investing activities</b>		<b>(136.4)</b>	<b>(55.7)</b>	<b>(154.5)</b>
<b>Financing activities</b>				
Issue of ordinary share capital		1.4	1.1	1.2
Decrease in convertible cumulative preference shares		(0.7)	-	-
Increase in collateralised cash		(0.2)	-	(1.1)
Increase/(decrease) in debt		93.4	(1.1)	(4.3)
Capital element of finance lease rental payments		(2.7)	(1.8)	(3.5)
Interest element of finance lease rental payments		(0.3)	(0.5)	(0.9)
Purchase of own shares		(0.6)	(3.6)	(4.1)
Sale of own shares		2.9	-	-
Interest received		1.8	2.4	4.0
Interest paid		(12.4)	(9.1)	(18.6)
Equity dividend paid		(60.0)	(57.1)	(94.5)
Preference dividend paid		(8.1)	(7.9)	(15.9)
Investment by a minority shareholder		-	4.3	3.9
Dividend paid to a minority shareholder		(4.9)	(1.7)	(2.7)
<b>Net cash inflow/(outflow) from financing activities</b>		<b>9.6</b>	<b>(75.0)</b>	<b>(136.5)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(18.6)</b>	<b>(19.0)</b>	<b>3.1</b>
<b>Cash and cash equivalents at beginning of period</b>		<b>172.1</b>	<b>162.0</b>	<b>162.0</b>
Currency translation differences		(15.6)	5.0	7.0
<b>Cash and cash equivalents at end of period</b>		<b>137.9</b>	<b>148.0</b>	<b>172.1</b>
<b>Cash and cash equivalents comprise:</b>				
		2 July 2005 £ million	3 July 2004 £ million	1 January 2005 £ million
Cash and cash equivalents		165.2	168.0	185.4
Bank overdrafts		(27.3)	(20.0)	(13.3)
		<b>137.9</b>	<b>148.0</b>	<b>172.1</b>

A reconciliation of the net decrease in cash and cash equivalents to the movement in net debt is presented in note 12.

Consolidated balance sheet as at 2 July 2005 prepared in accordance with IFRS (unaudited)

	Notes	2 July 2005 £ million	3 July 2004 £ million	1 January 2005 £ million
<b>Non-current assets</b>				
Goodwill		301.7	210.5	226.3
Other intangible assets		7.3	5.6	4.6
Property, plant and equipment		811.8	728.8	742.2
Interests in associates		4.1	3.7	3.7
Deferred tax assets		127.9	138.4	119.4
		1,252.8	1,087.0	1,096.2
<b>Current assets</b>				
Inventories		419.1	352.1	369.6
Trade and other receivables	13	599.3	546.2	512.7
Current tax recoverable		5.9	12.3	14.3
Investments		2.2	1.6	1.6
Cash and cash equivalents		165.2	168.0	185.4
		1,191.7	1,080.2	1,083.6
Assets held for sale	14	13.6	49.0	32.8
<b>Total assets</b>		<b>2,458.1</b>	<b>2,216.2</b>	<b>2,212.6</b>
<b>Current liabilities</b>				
Bank overdrafts		(27.3)	(20.0)	(13.3)
Bank and other loans		(10.7)	(10.0)	(7.2)
Unsecured loan notes		(0.3)	(0.3)	(0.3)
Obligations under finance leases		(1.6)	(2.9)	(3.4)
Trade and other payables	15	(413.3)	(368.6)	(381.4)
Current tax liabilities		(27.9)	(14.7)	(11.6)
Provisions	16	(39.2)	(37.2)	(40.2)
		(520.3)	(453.7)	(457.4)
Convertible cumulative preference shares		(297.9)	-	-
		(818.2)	(453.7)	(457.4)
<b>Non-current liabilities</b>				
Bank and other loans		(500.0)	(401.8)	(401.9)
Obligations under finance leases		(8.4)	(11.3)	(8.7)
Other payables	15	(7.3)	(7.4)	(3.7)
Post-employment benefit obligations		(273.8)	(313.6)	(279.3)
Deferred tax liabilities		(48.3)	(38.3)	(42.7)
Current tax liabilities		(130.7)	(168.1)	(154.1)
Provisions	16	(19.0)	(37.4)	(19.2)
		(987.5)	(977.9)	(909.6)
Liabilities directly associated with assets held for sale	14	-	(13.2)	(0.3)
<b>Total liabilities</b>		<b>(1,805.7)</b>	<b>(1,444.8)</b>	<b>(1,367.3)</b>
<b>NET ASSETS</b>		<b>652.4</b>	<b>771.4</b>	<b>845.3</b>
<b>Capital and reserves</b>				
Ordinary share capital		38.7	38.7	38.7
Share premium		95.4	93.9	94.0
Capital redemption reserve		461.9	461.9	461.9
Own shares		(7.1)	(8.6)	(8.9)
Currency translation reserve		3.9	(20.7)	(27.6)
Available for sale reserve		0.1	-	-
Retained profit/(losses)		17.0	(170.3)	(91.6)
<b>Shareholders' equity</b>		<b>609.9</b>	<b>394.9</b>	<b>466.5</b>
<b>Minority interests</b>		<b>42.5</b>	<b>39.3</b>	<b>41.6</b>
<b>TOTAL EQUITY</b>		<b>652.4</b>	<b>434.2</b>	<b>508.1</b>
Convertible cumulative preference shares		-	337.2	337.2
		652.4	771.4	845.3

Consolidated statement of recognised income and expense for the six months ended 2 July 2005 prepared in accordance with IFRS (unaudited)

	6 months ended 2 July 2005 £ million	6 months ended 3 July 2004 £ million	Year ended 1 January 2005 £ million
Exchange differences arising on translation of overseas operations	78.6	(21.4)	(28.2)
Fair value loss on net investment hedges	(45.0)	-	-
Post employment benefits			
- Actuarial gains	-	-	11.6
- Effect of the asset ceiling	-	-	0.1
Tax on items taken directly to equity	(0.1)	-	(5.5)
<b>Net income and expense recognised directly in equity</b>	<b>33.5</b>	<b>(21.4)</b>	<b>(22.0)</b>
Profit for the period	100.0	91.0	210.1
<b>Total recognised income and expense for the period</b>	<b>133.5</b>	<b>69.6</b>	<b>188.1</b>
Attributable to:			
Equity shareholders	127.8	56.2	163.1
Preference shareholders	-	7.9	15.6
Minority interests	5.7	5.5	9.4
	133.5	69.6	188.1

Consolidated statement of changes in shareholders' equity for the six months ended 2 July 2005 prepared in accordance with IFRS (unaudited)

	6 months ended 2 July 2005 £ million	6 months ended 3 July 2004 £ million	Year ended 1 January 2005 £ million
Total recognised income and expense attributable to equity shareholders	127.8	56.2	163.1
Dividends on ordinary shares	(60.0)	(57.2)	(94.5)
New share issues (net of costs)	1.4	1.1	1.2
Purchase of own shares	(0.6)	(3.6)	(4.1)
Sale of own shares	2.9	-	-
Equity-settled employee share schemes	3.1	2.0	4.4
<b>Net addition to/(reduction in) shareholders' equity</b>	<b>74.6</b>	<b>(1.5)</b>	<b>70.1</b>
Shareholders' equity at the beginning of the period	466.5	396.4	396.4
Adoption of IAS32 and IAS39 (See note 1)	68.8	-	-
	535.3		
<b>Shareholders' equity at the end of the period</b>	<b>609.9</b>	<b>394.9</b>	<b>466.5</b>

# Notes to the financial information prepared in accordance with IFRS

## 1 BASIS OF PREPARATION

The financial statements on pages 16 to 33 and the related information in pages 34 to 43 have been prepared in accordance with IFRS that the Directors expect to be applicable as at 31 December 2005.

Tomkins adopted IFRS with a transition date of 4 January 2004. Comparative figures for 2004, which were previously reported in accordance with accounting principles generally accepted in the United Kingdom ("UK GAAP"), have been restated to comply with IFRS. An analysis of the restatement of the Group's results for the year ended 1 January 2005 was included in an announcement published on 22 April 2005 that is available on the Company's website, [www.tomkins.co.uk](http://www.tomkins.co.uk). An analysis of the restatement of the Group's results for the relevant comparative periods within the year ended 1 January 2005 is presented in pages 34 to 43.

With the exception of a change with regard to trade investments explained below, these financial statements have been prepared in accordance with the accounting policies that were set out in the announcement of the Group's restated results for the year ended 1 January 2005.

Tomkins adopted IAS32 "Financial Instruments: Disclosure and Presentation" and IAS39 "Financial Instruments: Recognition and Measurement" prospectively from 2 January 2005. As a consequence of adopting IAS32 and IAS39, the Group recognised an increase in net debt of £272.0 million and an increase in shareholders' equity of £68.8 million as at 2 January 2005, as follows:

	£ million
Convertible cumulative preference shares	273.6
Accrued dividend on convertible cumulative preference shares	1.9
Net interest accrual reclassified from payables and receivables	(3.5)
<b>Increase in net debt</b>	<b>272.0</b>
Fair value of trade investments, net of related tax effects	0.2
Fair value of derivatives, net of related tax effects	5.1
Convertible cumulative preference shares	63.6
	68.9
Minority interest in the above	(0.1)
<b>Increase in shareholders' equity</b>	<b>68.8</b>

As shown above, the most significant financial effect arises from the change in the accounting treatment of the US dollar denominated 5.56% Convertible Cumulative Preference Shares ("the Preference Shares"). As at 1 January 2005, the Preference Shares were classified as non-equity shareholders' funds with a carrying value of £337.2 million. Presented in accordance with IAS32, they are reclassified as current liabilities and the carrying value of the principal outstanding was £273.6 million at 1 January 2005.

As a consequence of the publication of "Amendment to IAS39: The Fair Value Option" in June 2005, it was necessary to reclassify the Group's trade investments as available for sale. While these investments continue to be measured at their fair values under IFRS, changes in their fair values are now recognised in a separate component of equity rather than in the income statement. Accordingly, £0.1 million has been transferred from retained earnings to the available for sale reserve as at 1 January 2005, representing accumulated fair value gains on these investments (net of related tax effects).

IFRS are subject to amendment or interpretation by the International Accounting Standards Board and there is an ongoing process of review and endorsement by the European Commission. For these reasons, it is possible that the information for the six months ended 2 July 2005 and the restated information for the year ended 1 January 2005 may be subject to further change before its inclusion in the Group's 2005 Report and Accounts, which will contain the Group's first complete financial statements prepared in accordance with IFRS.

These financial statements do not constitute statutory accounts as defined by Section 240 of the Companies Act 1985. A copy of the Group's statutory accounts for the year ended 1 January 2005 prepared in accordance with UK GAAP, on which the auditors gave an unqualified opinion, has been filed with the Registrar of Companies.

## 2 SEGMENT INFORMATION – CONTINUING OPERATIONS

Tomkins is a global engineering and manufacturing business. The segmental presentation given below has been revised to reflect changes in the business segments presented to the Board of Directors. The Group is organised into two principal operating divisions, which provide the basis on which the Group reports its primary segment information:

- (1) *Industrial & Automotive*, which supplies car, truck and industrial equipment manufacturing markets, and industrial and automotive aftermarkets, throughout the world;
- (2) *Building Products* includes Air Systems Components, which supplies the heating, ventilation and air conditioning market mainly in North America and Other Building Products, which supplies the building and construction industries mainly in North America.

The segment information provided below relates to the Group's continuing operations. Segment information for the Group's discontinued operations is provided in note 8.

Notes to the financial information prepared in accordance with IFRS  
continued

2 SEGMENT INFORMATION – CONTINUING OPERATIONS (CONTINUED)

a) For the three months ended 2 July 2005

	Segment revenue		Segment result <sup>(1)</sup>	
	3 months ended 2 July 2005 £ million	3 months ended 3 July 2004 £ million	3 months ended 2 July 2005 £ million	3 months ended 3 July 2004 £ million
<b>Industrial &amp; Automotive</b>				
Powertrain	248.8	238.1	34.1	41.4
Fluid Power	91.3	85.1	10.0	10.3
Wipers	54.5	62.8	(2.8)	(0.7)
Fluid Systems	56.8	59.2	5.5	6.4
Other Industrial & Automotive	122.8	122.5	12.2	15.3
	574.2	567.7	59.0	72.7
<b>Building Products</b>				
Air Systems Components	118.1	109.5	11.1	11.7
Other Building Products	101.0	100.4	7.9	(0.5)
	219.1	209.9	19.0	11.2
	793.3	777.6	78.0	83.9
<b>By origin</b>				
United States of America	524.0	507.3	54.2	54.3
United Kingdom	42.5	46.4	2.0	3.9
Rest of Europe	68.5	84.9	8.2	9.8
Rest of the World	158.3	139.0	13.6	15.9
	793.3	777.6	78.0	83.9
<b>By location of customers</b>				
United States of America	533.8	535.0		
United Kingdom	19.5	20.9		
Rest of Europe	93.0	98.1		
Rest of the World	147.0	123.6		
	793.3	777.6		

(1) Segment result includes restructuring costs and gains and losses on the disposal and exit of businesses, but excludes the share of results of associates.

Reconciliation of total segment result from continuing operations to profit from operations:

	3 months ended 2 July 2005 £ million	3 months ended 3 July 2004 £ million
Segment result	78.0	83.9
Share of results of associates	0.1	–
Unallocated central activities	(5.0)	(6.4)
<b>Profit from operations</b>	<b>73.1</b>	<b>77.5</b>

The split of the profits of associates analysed by class of business is Industrial & Automotive £0.1 million (3 July 2004 – £nil) and Building Products £nil (3 July 2004 – £nil).

Notes to the financial information prepared in accordance with IFRS  
continued

2 SEGMENT INFORMATION – CONTINUING OPERATIONS (CONTINUED)

b) For the six months ended 2 July 2005

	Segment revenue			Segment result <sup>(1)</sup>		
	6 months ended 2 July 2005 £ million	6 months ended 3 July 2004 £ million	Year ended 1 January 2005 £ million	6 months ended 2 July 2005 £ million	6 months ended 3 July 2004 £ million	Year ended 1 January 2005 £ million
<b>Industrial &amp; Automotive</b>						
Powertrain	488.0	474.0	913.7	62.3	68.9	132.3
Fluid Power	178.2	165.7	323.7	21.1	14.8	32.9
Wipers	116.1	133.7	253.6	(0.3)	0.6	7.2
Fluid Systems	114.9	121.0	228.0	10.1	13.3	21.5
Other Industrial & Automotive	230.8	243.4	463.3	24.2	26.7	54.8
	<b>1,128.0</b>	<b>1,137.8</b>	<b>2,182.3</b>	<b>117.4</b>	<b>124.3</b>	<b>248.7</b>
<b>Building Products</b>						
Air Systems Components	227.9	211.4	423.0	20.5	22.3	46.6
Other Building Products	189.2	192.5	368.8	12.0	3.2	13.8
	<b>417.1</b>	<b>403.9</b>	<b>791.8</b>	<b>32.5</b>	<b>25.5</b>	<b>60.4</b>
	<b>1,545.1</b>	<b>1,541.7</b>	<b>2,974.1</b>	<b>149.9</b>	<b>149.8</b>	<b>309.1</b>
<b>By origin</b>						
United States of America	1,009.8	990.6	1,924.2	104.2	95.2	197.9
United Kingdom	88.2	97.0	177.1	2.5	4.2	2.3
Rest of Europe	162.4	173.6	320.6	15.8	17.4	41.9
Rest of the World	284.7	280.5	552.2	27.4	33.0	67.0
	<b>1,545.1</b>	<b>1,541.7</b>	<b>2,974.1</b>	<b>149.9</b>	<b>149.8</b>	<b>309.1</b>
<b>By location of customers</b>						
United States of America	1,038.4	1,044.9	2,008.3			
United Kingdom	39.8	42.4	84.4			
Rest of Europe	187.9	200.8	362.7			
Rest of the World	279.0	253.6	518.7			
	<b>1,545.1</b>	<b>1,541.7</b>	<b>2,974.1</b>			

(1) Segment result includes restructuring costs and gains and losses on the disposal and exit of businesses, but excludes the share of results of associates.

Reconciliation of total segment result from continuing operations to profit from operations:

	6 months ended 2 July 2005 £ million	6 months ended 3 July 2004 £ million	Year ended 1 January 2005 £ million
Segment result	149.9	149.8	309.1
Share of results of associates	0.5	0.2	0.8
Unallocated central activities	(10.0)	(12.1)	(23.6)
<b>Profit from operations</b>	<b>140.4</b>	<b>137.9</b>	<b>286.3</b>

The split of the profits of associated undertakings analysed by class of business is Industrial & Automotive £0.5 million (3 July 2004 – £0.2 million, 1 January 2005 – £0.5 million) and Building Products £nil (3 July 2004 – £nil, 1 January 2005 – £0.3 million).

Notes to the financial information prepared in accordance with IFRS  
continued

3 RESTRUCTURING INITIATIVES

a) For the three months ended 2 July 2005

	3 months ended 2 July 2005		3 months ended 3 July 2004	
	Restructuring costs £ million	Disposals and exit of businesses £ million	Restructuring costs £ million	Disposals and exit of businesses £ million
<b>Industrial &amp; Automotive</b>				
Powertrain	(0.1)	–	(1.3)	–
Fluid Power	–	–	0.3	–
Wipers	(2.6)	–	(1.5)	–
Fluid Systems	–	–	(0.7)	–
Other Industrial & Automotive	(1.6)	(1.1)	(0.2)	3.1
	(4.3)	(1.1)	(3.4)	3.1
<b>Building Products</b>				
Air Systems Components	(1.7)	–	–	–
Other Building Products	0.1	(0.1)	(0.8)	(7.4)
	(1.6)	(0.1)	(0.8)	(7.4)
	(5.9)	(1.2)	(4.2)	(4.3)

b) For the six months ended 2 July 2005

	6 months ended 2 July 2005		6 months ended 3 July 2004		Year ended 1 January 2005	
	Restructuring costs £ million	Disposals and exit of businesses £ million	Restructuring costs £ million	Disposals and exit of businesses £ million	Restructuring costs £ million	Disposals and exit of businesses £ million
<b>Industrial &amp; Automotive</b>						
Powertrain	(0.1)	–	(2.5)	–	(4.6)	–
Fluid Power	–	–	(0.4)	–	(1.2)	–
Wipers	(3.1)	–	(5.9)	–	(7.9)	–
Fluid Systems	–	–	(1.6)	–	(2.4)	–
Other Industrial & Automotive	(1.6)	(0.8)	(1.4)	3.1	(1.7)	9.4
	(4.8)	(0.8)	(11.8)	3.1	(17.8)	9.4
<b>Building Products</b>						
Air Systems Components	(2.7)	–	–	–	(1.0)	–
Other Building Products	0.1	(0.3)	(1.7)	(7.4)	(1.7)	(6.9)
	(2.6)	(0.3)	(1.7)	(7.4)	(2.7)	(6.9)
	(7.4)	(1.1)	(13.5)	(4.3)	(20.5)	2.5

4 INTEREST PAYABLE

	6 months ended 2 July 2005 £ million	6 months ended 3 July 2004 £ million	Year ended 1 January 2005 £ million
Bank and other interest payable	12.3	10.1	20.6
Interest element of finance lease rentals	0.3	0.5	0.9
Interest cost on post-employment benefit obligations	19.5	21.6	43.3
Dividends payable on convertible cumulative preference shares	8.1	–	–
	40.2	32.2	64.8

Notes to the financial information prepared in accordance with IFRS  
continued

5 INVESTMENT INCOME

	6 months ended 2 July 2005 £ million	6 months ended 3 July 2004 £ million	Year ended 1 January 2005 £ million
Bank and other interest receivable	2.2	3.8	6.4
Expected return on post-employment benefit plan assets	17.0	16.1	32.4
	19.2	19.9	38.8

6 OTHER FINANCE INCOME

	6 months ended 2 July 2005 £ million	6 months ended 3 July 2004 £ million	Year ended 1 January 2005 £ million
Fair value gains on derivative instruments	3.7	-	-

7 TAX

	6 months ended 2 July 2005 £ million	6 months ended 3 July 2004 £ million	Year ended 1 January 2005 £ million
UK	-	-	(15.9)
Overseas	24.7	29.2	51.5
Deferred tax	(2.3)	3.6	15.5
	22.4	32.8	51.1

The tax charge in the period benefitted from the reduction in the tax provision of £16.6 million following the resolution of an outstanding tax issue and adjustments to deferred taxation.

8 DISCONTINUED OPERATIONS

	6 months ended 2 July 2005 £ million	6 months ended 3 July 2004 £ million	Year ended 1 January 2005 £ million
Revenue	-	6.2	6.2
Cost of sales	-	(5.8)	(5.8)
Gross profit	-	0.4	0.4
Distribution costs	-	(0.4)	(0.4)
Administrative expenses	-	(1.7)	(1.7)
	-	(1.7)	(1.7)
(Loss)/gain on disposal of business	(1.1)	1.3	3.8
<b>(Loss)/profit from operations</b>	<b>(1.1)</b>	<b>(0.4)</b>	<b>2.1</b>
Tax	0.4	(1.4)	(1.2)
<b>(Loss)/profit for the period from discontinued operations</b>	<b>(0.7)</b>	<b>(1.8)</b>	<b>0.9</b>

Discontinued operations for the six months ended 2 July 2005 include an additional loss arising on the disposal of part of the Group's Professional, Garden and Leisure businesses in October 2000. In the six months ended 3 July 2004 and in the year ended 1 January 2005 discontinued operations comprised the Group's former Valves, Taps and Mixers businesses. All of these operations were included in the Other Building Products business segment.

Notes to the financial information prepared in accordance with IFRS  
continued

9 EARNINGS PER SHARE

	Earnings			Weighted average shares				Earnings per share
	Profit attributable to equity shareholders £ million	Preference dividends £ million	Total £ million	Ordinary shares Number	Dilutive items Number	Total Number		
<b>6 months ended 2 July 2005</b>								
<i>a) Continuing operations</i>								
Basic	97.1	–	97.1	771,318,034	–	771,318,034	12.59 p	
Exercise of share options	–	–	–	–	2,167,533	2,167,533	(0.04)p	
	97.1	–	97.1	771,318,034	2,167,533	773,485,567	12.55 p	
Conversion of preference shares and reversal of preference dividend	–	8.1	8.1	–	102,488,649	102,488,649	(0.54)p	
Diluted	97.1	8.1	105.2	771,318,034	104,656,182	875,974,216	12.01 p	
<i>b) Discontinued operations</i>								
Basic	(0.7)	–	(0.7)	771,318,034	–	771,318,034	(0.09)p	
Exercise of share options	–	–	–	–	2,167,533	2,167,533	–	
	(0.7)	–	(0.7)	771,318,034	2,167,533	773,485,567	(0.09)p	
Conversion of preference shares and reversal of preference dividend	–	–	–	–	102,488,649	102,488,649	0.01 p	
Diluted	(0.7)	–	(0.7)	771,318,034	104,656,182	875,974,216	(0.08)p	
<i>c) Continuing and discontinued operations</i>								
Basic	96.4	–	96.4	771,318,034	–	771,318,034	12.50 p	
Exercise of share options	–	–	–	–	2,167,533	2,167,533	(0.04)p	
	96.4	–	96.4	771,318,034	2,167,533	773,485,567	12.46 p	
Conversion of preference shares and reversal of preference dividend	–	8.1	8.1	–	102,488,649	102,488,649	(0.53)p	
Diluted	96.4	8.1	104.5	771,318,034	104,656,182	875,974,216	11.93 p	
<b>6 months ended 3 July 2004</b>								
<i>a) Continuing operations</i>								
Basic	78.7	–	78.7	770,896,303	–	770,896,303	10.21 p	
Exercise of share options	–	–	–	–	2,871,976	2,871,976	(0.04)p	
	78.7	–	78.7	770,896,303	2,871,976	773,768,279	10.17 p	
Conversion of preference shares and reversal of preference dividend	–	7.9	7.9	–	102,650,664	102,650,664	(0.28)p	
Diluted	78.7	7.9	86.6	770,896,303	105,522,640	876,418,943	9.89 p	
<i>b) Discontinued operations</i>								
Basic	(1.8)	–	(1.8)	770,896,303	–	770,896,303	(0.23)p	
Exercise of share options	–	–	–	–	2,871,976	2,871,976	–	
	(1.8)	–	(1.8)	770,896,303	2,871,976	773,768,279	(0.23)p	
Conversion of preference shares and reversal of preference dividend	–	–	–	–	102,650,664	102,650,664	0.02 p	
Diluted	(1.8)	–	(1.8)	770,896,303	105,522,640	876,418,943	(0.21)p	

Notes to the financial information prepared in accordance with IFRS  
continued

9 EARNINGS PER SHARE (CONTINUED)

	Earnings			Weighted average shares			
	Profit attributable to equity shareholders £ million	Preference dividends £ million	Total £ million	Ordinary shares Number	Dilutive items Number	Total Number	Earnings per share
<b>6 months ended 3 July 2004 (continued)</b>							
<i>c) Continuing and discontinued operations</i>							
Basic	76.9	–	76.9	770,896,303	–	770,896,303	9.98 p
Exercise of share options	–	–	–	–	2,871,976	2,871,976	(0.05)p
	76.9	–	76.9	770,896,303	2,871,976	773,768,279	9.93 p
Conversion of preference shares and reversal of preference dividend	–	7.9	7.9	–	102,650,664	102,650,664	(0.25)p
Diluted	76.9	7.9	84.8	770,896,303	105,522,640	876,418,943	9.68 p
<b>Year ended 1 January 2005</b>							
<i>a) Continuing operations</i>							
Basic	183.5	–	183.5	770,716,582	–	770,716,582	23.81 p
Exercise of share options	–	–	–	–	3,449,582	3,449,582	(0.11)p
	183.5	–	183.5	770,716,582	3,449,582	774,166,164	23.70 p
Conversion of preference shares and reversal of preference dividend	–	15.6	15.6	–	102,650,664	102,650,664	(0.99)p
Diluted	183.5	15.6	199.1	770,716,582	106,100,246	876,816,828	22.71 p
<i>b) Discontinued operations</i>							
Basic	0.9	–	0.9	770,716,582	–	770,716,582	0.12 p
Exercise of share options	–	–	–	–	3,449,582	3,449,582	–
	0.9	–	0.9	770,716,582	3,449,582	774,166,164	0.12 p
Conversion of preference shares and reversal of preference dividend	–	–	–	–	102,650,664	102,650,664	(0.02)p
Diluted	0.9	–	0.9	770,716,582	106,100,246	876,816,828	0.10 p
<i>c) Continuing and discontinued operations</i>							
Basic	184.4	–	184.4	770,716,582	–	770,716,582	23.93 p
Exercise of share options	–	–	–	–	3,449,582	3,449,582	(0.11)p
	184.4	–	184.4	770,716,582	3,449,582	774,166,164	23.82 p
Conversion of preference shares and reversal of preference dividend	–	15.6	15.6	–	102,650,664	102,650,664	(1.01)p
Diluted	184.4	15.6	200.0	770,716,582	106,100,246	876,816,828	22.81 p

# Notes to the financial information prepared in accordance with IFRS continued

## 10 DIVIDENDS ON ORDINARY SHARES

	6 months ended 2 July 2005 £ million	6 months ended 3 July 2004 £ million	Year ended 1 January 2005 £ million
<b>Recognised</b>			
Final 2004 – 7.77 pence per share, paid 26 May 2005	60.0	–	–
Final 2003 – 7.40 pence per share, paid 1 June 2004	–	57.2	57.2
Interim 2004 – 4.83 pence per share, paid 12 November 2004	–	–	37.3
	<b>60.0</b>	<b>57.2</b>	<b>94.5</b>
<b>Proposed</b>			
Final 2004 dividend – 7.77 pence per share (Final 2003 dividend – 7.40 pence per share)	–	–	60.0
Interim 2005 – 5.07 pence per share (Interim 2004 dividend – 4.83 pence per share)	39.3	37.3	–
	<b>39.3</b>	<b>37.3</b>	<b>60.0</b>

The interim 2005 dividend will be paid on 14 November 2005 to shareholders on the register of members on 14 October 2005. Ordinary dividends are recognised as a liability in the period in which they are declared.

## 11 CASH GENERATED BY OPERATIONS

	6 months ended 2 July 2005 £ million	6 months ended 3 July 2004 £ million	Year ended 1 January 2005 £ million
<b>Profit from operations</b>			
– Continuing operations	140.4	137.9	286.3
– Discontinued operations	(1.1)	(0.4)	2.1
	<b>139.3</b>	<b>137.5</b>	<b>288.4</b>
Share of results of associates	(0.5)	(0.4)	(0.8)
Depreciation	56.6	56.0	115.9
Amortisation of intangible asset	0.1	–	–
Loss on sale of property, plant and equipment	0.1	0.1	1.1
Gain/(loss) on disposal of business – continuing operations	1.1	(12.1)	(18.0)
Gain/(loss) on disposal of business – discontinued operations	1.1	(1.4)	(3.8)
Equity-settled employee share schemes	3.1	2.0	4.4
Decrease in post-employment benefit obligations	(27.0)	(10.6)	(26.3)
Decrease in provisions	(0.4)	(1.7)	(7.3)
Operating cash flows before movements in working capital	<b>173.5</b>	<b>169.4</b>	<b>353.6</b>
Increase in inventories	(10.2)	(9.9)	(34.3)
Increase in receivables	(30.6)	(56.1)	(20.9)
Increase in payables	3.9	28.3	35.5
<b>Cash generated by operations</b>	<b>136.6</b>	<b>131.7</b>	<b>333.9</b>

Notes to the financial information prepared in accordance with IFRS  
continued

**12 RECONCILIATION OF NET DECREASE IN CASH AND CASH EQUIVALENTS TO THE MOVEMENT IN NET DEBT**

	6 months ended 2 July 2005 £ million	6 months ended 3 July 2004 £ million	Year ended 1 January 2005 £ million
(Decrease)/increase in cash and cash equivalents	(18.6)	(19.0)	3.1
(Increase)/decrease in debt and lease financing	(90.7)	2.9	7.8
Decrease in convertible cumulative preference shares	0.7	–	–
Increase in collateralised cash	0.2	–	1.1
(Increase)/decrease in net debt resulting from cash flows	(108.4)	(16.1)	12.0
Other non-cash movements	(10.6)	–	–
Foreign currency translation differences	(40.4)	6.3	8.2
(Increase)/decrease in net debt during the period	(159.4)	(9.8)	20.2
Net debt at the beginning of the period	(244.5)	(264.7)	(264.7)
Adoption of IAS32 and IAS39 (see note 1)	(272.0)	–	–
	(516.5)		
Net debt at the end of the period	(675.9)	(274.5)	(244.5)

Net debt comprises:	2 July 2005 £ million	3 July 2004 £ million	1 January 2005 £ million
Collateralised cash	5.1	3.8	4.9
Cash and cash equivalents	165.2	168.0	185.4
Bank overdrafts	(27.3)	(20.0)	(13.3)
Bank and other loans	(510.7)	(411.8)	(409.1)
Unsecured loan notes	(0.3)	(0.3)	(0.3)
Obligations under finance leases	(10.0)	(14.2)	(12.1)
	(378.0)	(274.5)	(244.5)
Convertible cumulative preference shares	(297.9)	–	–
	(675.9)	(274.5)	(244.5)

**13 TRADE AND OTHER RECEIVABLES**

	2 July 2005 £ million	3 July 2004 £ million	1 January 2005 £ million
Trade receivables	496.3	455.2	414.3
Amounts recoverable on construction contracts	15.5	–	15.6
Prepayments	20.3	22.4	21.0
Other receivables	62.1	64.8	56.9
Collateralised cash	5.1	3.8	4.9
	599.3	546.2	512.7

## Notes to the financial information prepared in accordance with IFRS continued

### 14 ASSETS HELD FOR SALE

The major classes of assets and associated liabilities classified as held for sale are as follows:	2 July 2005 £ million	3 July 2004 £ million	1 January 2005 £ million
Property, plant and equipment	13.6	29.6	29.8
Deferred tax assets	–	–	0.1
Inventories	–	1.9	2.0
Trade receivables	–	2.4	0.9
Amounts recoverable on construction contracts	–	15.1	–
<b>Total assets classified as held for sale</b>	<b>13.6</b>	<b>49.0</b>	<b>32.8</b>
Trade and other payables	–	(9.5)	(0.3)
Post-employment benefit obligations	–	(1.2)	–
Provisions	–	(2.5)	–
<b>Total liabilities associated with assets classified as held for sale</b>	<b>–</b>	<b>(13.2)</b>	<b>(0.3)</b>
	<b>13.6</b>	<b>35.8</b>	<b>32.5</b>

### 15 TRADE AND OTHER PAYABLES

	2 July 2005 £ million	3 July 2004 £ million	1 January 2005 £ million
<b>Current liabilities</b>			
Trade payables	263.8	217.9	233.6
Other taxes and social security	14.2	16.2	14.9
Accruals and deferred income	117.9	113.5	103.2
Other payables	17.4	21.0	29.7
	<b>413.3</b>	<b>368.6</b>	<b>381.4</b>
<b>Non-current liabilities</b>			
Accruals and deferred income	0.6	4.5	3.2
Other payables	6.7	2.9	0.5
	<b>7.3</b>	<b>7.4</b>	<b>3.7</b>

### 16 PROVISIONS FOR LIABILITIES AND CHARGES

	Restructuring provisions £ million	Other provisions £ million	Total £ million
At 1 January 2005	14.7	44.7	59.4
Foreign exchange translation	0.7	2.9	3.6
Subsidiaries acquired	–	0.3	0.3
Charge for the period	7.4	7.7	15.1
Reversal of provisions for disposal of operations	(4.1)	–	(4.1)
Utilised during the period	(8.5)	(7.6)	(16.1)
<b>At 2 July 2005</b>	<b>10.2</b>	<b>48.0</b>	<b>58.2</b>
Included in current liabilities	6.5	32.7	39.2
Included in non-current liabilities	3.7	15.3	19.0
	<b>10.2</b>	<b>48.0</b>	<b>58.2</b>

### 17 CONTINGENCIES

The Company guarantees the bank facilities of certain subsidiaries and the Group provides cash as security for letters of credit in order to reduce their cost. The Company has also guaranteed certain property leases and performance bonds entered into in the ordinary course of business by certain of its subsidiaries. The Group is also, from time to time, party to legal proceedings and claims, which arise in the ordinary course of business. The Directors do not anticipate that the outcome of any of the above proceedings and claims, either individually or in aggregate, will have a material adverse effect upon the Group's financial position.

# Notes to the financial information prepared in accordance with IFRS continued

## 18 ACQUISITIONS AND DISPOSALS

### Acquisitions

#### *Industrial and Automotive*

On 1 July 2005, Tomkins acquired Eifeler Maschinenbau GmbH for a provisional net cash consideration of €30.7 million (£20.7 million). Provisional goodwill of £17.9 million arising on the acquisition was capitalised.

#### *Building Products*

On 27 January 2005, Tomkins acquired Milcor Inc, a multi-brand manufacturer of building products, for a provisional net cash consideration of \$42.9 million (£22.8 million). Provisional goodwill of £12.8 million arising on the acquisition was capitalised. On 18 March 2005, Tomkins acquired LE Technologies, a recreational vehicle frame manufacturer, for a provisional net cash consideration of \$79.7 million (£41.6 million). Provisional goodwill of £25.8 million arising on the acquisition was capitalised.

### Disposals

#### *Industrial and Automotive*

On 9 February 2005, the business and assets of the AirSprings division were sold for a net consideration of \$12.5 million, of which \$5.5 million is deferred. This resulted in a loss of £3.2 million before the release of a provision for expected loss on disposal of £2.9 million, which was provided for in 2004.

#### *Building Products*

On 2 January 2005, Unified Industries, Inc., a business in the Other Building Products segment, was sold for \$1.0 million. This resulted in a loss of £1.1 million, which was fully provided for in 2004.

In addition to the above, costs of £0.5 million relating to the prior year disposal and exit of businesses and a £0.3 million loss on disposal of property arose in the six months ended 2 July 2005.

## 19 POST BALANCE SHEET EVENTS

Tomkins North American Automotive Curved Hose Business was disposed of on 25 July 2005. The small gain arising will be recognised in the third quarter of 2005.

## 20 APPROVAL AND REVIEW

The financial statements on pages 16 to 33 were approved by the Board of Directors on 24 August 2005.

The financial statements are unaudited, but the information for the six months ended 2 July 2005 contained within them has been reviewed by the auditors and their review report is presented on page 15.

The financial information for the three months ended 2 July 2005 and 3 July 2004 has not been audited or reviewed by the auditors.

## 21 RECONCILIATION BETWEEN IFRS AND UK GAAP

Comparative information for 2004 presented in these financial statements was initially reported under UK GAAP and has been restated in accordance with IFRS. A summary of the adjustments that affected profit for the period and shareholders' equity in each of the comparative interim periods is presented below.

A summary of the adjustments that affected profit for the year ended 1 January 2005 and shareholders' equity as at 4 January 2004 and 1 January 2005 was presented in the Group's results announcement for the three months ended 2 April 2005 which is available on the Company's website, [www.tomkins.co.uk](http://www.tomkins.co.uk).

	Note	3 months ended 3 July 2004 £ million	6 months ended 3 July 2004 £ million
<b>Profit for the period under UK GAAP</b>		32.3	70.6
Adjustments:			
Goodwill	a	16.1	19.2
Share based payments	b	(0.1)	(0.3)
Post-employment benefits	c	7.8	6.5
Future operating losses	d	(0.6)	(0.5)
Cumulative translation differences	e	(0.9)	(0.9)
Deferred tax on IFRS adjustments	g	(3.7)	(3.6)
<b>Profit for the period under IFRS</b>		50.9	91.0

# Notes to the financial information prepared in accordance with IFRS continued

## 21 RECONCILIATION BETWEEN IFRS AND UK GAAP (CONTINUED)

	Note	3 July 2004 £ million
<b>Shareholders' equity under UK GAAP</b>		<b>415.2</b>
Adjustments:		
Goodwill	a	6.1
Share based payments	b	(1.5)
Post-employment benefits	c	(126.7)
Future operating losses	d	0.6
Proposed dividend	f	37.3
Deferred tax	g	13.3
Deferred tax on IFRS adjustments	g	50.1
Minority interest in IFRS adjustments		0.5
<b>Shareholders' equity under IFRS</b>		<b>394.9</b>

Reported cash flows were unaffected by the adoption of IFRS, but the cash flow statements for the comparative periods have been re-presented in the format specified by IAS7 "Cash Flow Statements".

An explanation of the significant adjustments between UK GAAP and IFRS is provided below.

### a. Goodwill

Under UK GAAP, capitalised goodwill was amortised over its useful economic life. Under IFRS, this goodwill is not amortised but is tested at least annually for impairment. The impairment tests carried out by the Group as at 4 January 2004 and 1 January 2005 identified no impairment loss. Goodwill amortisation charged under UK GAAP during the first half of 2004 was £6.1 million (Q2 2004 – £3.0 million) and this amount is credited back to the income statement under IFRS.

Under UK GAAP, goodwill written off directly to reserves was recycled to the income statement on disposal or impairment of the acquired business. Under IFRS, this goodwill is not recycled. Accordingly, goodwill of £13.1 million recycled to the income statement under UK GAAP on the disposal of Mayfran International Inc in Q2 2004 has been reversed under IFRS.

### b. Share based payments

Under UK GAAP, the cost of awards made under the Group's employee share schemes was based on the intrinsic value of the awards, with the exception of SAYE schemes for which no cost was recognised. Under IFRS, the cost of all employee share schemes is based on the fair value of the awards. As a result of this change, the cost of employee share schemes recognised during the first half of 2004 increased by £0.3 million under IFRS (Q2 2004 – increase of £0.1 million). An additional liability of £1.5 million was recognised as at 3 July 2004 in respect of cash-settled awards.

### c. Post-employment benefits

Under UK GAAP, the cost of providing defined benefit pensions and post-retirement healthcare benefits was recognised on a systematic basis and surpluses and deficits arising were spread over the expected average remaining service lives of participating employees. Under IFRS, the cost of benefits accruing under defined benefit plans is recognised over the average remaining service lives of participating employees, but the total cost recognised in each period is dependent on the change during the period in the recognised defined benefit liability or asset.

The total cost of post-employment benefits recognised during the first half of 2004 was reduced by £6.5 million to £8.2 million (Q2 2004 – total cost reduced by £7.8 million to a credit of £0.7 million) analysed as follows:

	3 months ended 3 July 2004			6 months ended 3 July 2004		
	UK GAAP IFRS format £ million	Adjustment £ million	Restated under IFRS £ million	UK GAAP IFRS format £ million	Adjustment £ million	Restated under IFRS £ million
Continuing operations:						
– Charge/(credit) to profit from operations	7.1	(10.6)	(3.5)	14.7	(9.8)	4.9
– Charge to net finance costs	–	2.8	2.8	–	5.5	5.5
Discontinued operations	–	–	–	–	(2.2)	(2.2)
<b>Total cost of defined benefit plans</b>	<b>7.1</b>	<b>(7.8)</b>	<b>(0.7)</b>	<b>14.7</b>	<b>(6.5)</b>	<b>8.2</b>

During the first half of 2004, the net charge to profit from operations under IFRS includes a net charge of £0.3 million (Q2 2004 – net credit of £5.7 million) arising from settlement and curtailments and adjustments to past service costs. These are one-off items and have not been repeated in 2005.

Liabilities at 3 July 2004 increased by £126.7 million due to the recognition of the net post-employment benefit obligation under IFRS.

## 21 RECONCILIATION BETWEEN IFRS AND UK GAAP (CONTINUED)

### d. Future operating losses

Under UK GAAP, Tomkins provided for the expected future operating losses of operations that are to be sold or terminated. Under IFRS, it is not permissible to provide for future operating losses and the provision recognised under UK GAAP as at 3 July 2004 of £0.6 million was reversed under IFRS. Overall during the first half of 2004, there was a net utilisation of £0.5 million (Q2 2004 – £0.6 million) of the provision for future operating losses recognised under UK GAAP that was charged to the income statement under IFRS.

### e. Cumulative translation differences

Under UK GAAP, cumulative foreign currency translation differences arising on the retranslation into sterling of the Group's net investment in foreign operations were recognised within reserves. Under IFRS, cumulative foreign currency translation differences arising on or after 4 January 2004 are recognised as a separate component of equity and are taken into account in calculating the gain or loss on the disposal of a foreign operation. During the first half of 2004, cumulative translation losses of £0.9 million (Q2 2004 – £0.9 million) were taken into account in calculating the net gain on disposal of businesses recognised under IFRS.

### f. Proposed dividends

Under UK GAAP, proposed equity dividends were recognised as a liability in the period to which they related. Under IFRS, equity dividends are recognised as a liability in the period in which they are declared, i.e. following approval by the shareholders for final dividends and by the directors for interim dividends. Accordingly, net assets at 3 July 2004 increased by £37.3 million, representing the reversal of the accrual for the interim ordinary dividend in respect of 2004 that was recognised under IFRS in Q3 2004.

### g. Deferred tax

Under UK GAAP, deferred tax was provided on timing differences between the accounting and taxable profit (an income statement approach). Under IFRS, deferred tax is provided on temporary differences between the book carrying value and tax base of assets and liabilities (a balance sheet approach).

While the difference in the method of determining taxable differences did not give rise to a significant adjustment, additional deferred tax assets of £13.3 million were recognised under IFRS at 3 July 2004 due to the unrestricted look forward period for estimating future taxable profits. Under UK GAAP, the look forward period was restricted to the period for which forecasts were prepared.

Deferred tax on the IFRS adjustments largely relates to post-employment benefits, reflecting the substantially increased defined benefit liability recognised under IFRS.

# Reconciliation of the financial statements prepared in accordance with UK GAAP to the financial information prepared in accordance with IFRS

Consolidated income statement for the three months ended 3 July 2004 (unaudited)

	UK GAAP IFRS format £ million	Goodwill £ million	Share based payments £ million	Post- employment benefits £ million	Future operating losses £ million	Cumulative translation differences £ million	Restated under IFRS £ million
<b>Continuing operations</b>							
Revenue	777.6	-	-	-	-	-	777.6
Cost of sales	(550.8)	-	-	-	-	-	(550.8)
Gross profit	226.8	-	-	-	-	-	226.8
Distribution costs	(84.5)	-	-	-	-	-	(84.5)
Administrative expenses	(69.7)	3.0	(0.1)	10.6	(0.1)	-	(56.3)
Share of results of associates	-	-	-	-	-	-	-
<b>Profit from operations before restructuring initiatives</b>	<b>72.6</b>	<b>3.0</b>	<b>(0.1)</b>	<b>10.6</b>	<b>(0.1)</b>	<b>-</b>	<b>86.0</b>
Restructuring costs	(4.2)	-	-	-	-	-	(4.2)
Loss on disposal of business	(16.5)	13.1	-	-	-	(0.9)	(4.3)
<b>Profit from operations</b>	<b>51.9</b>	<b>16.1</b>	<b>(0.1)</b>	<b>10.6</b>	<b>(0.1)</b>	<b>(0.9)</b>	<b>77.5</b>
Interest payable	(5.7)	-	-	(10.9)	-	-	(16.6)
Investment income	2.2	-	-	8.1	-	-	10.3
Profit before tax	48.4	16.1	(0.1)	7.8	(0.1)	(0.9)	71.2
Tax	(14.7)	(0.8)	-	(2.9)	-	-	(18.4)
<b>Profit for the period from continuing operations</b>	<b>33.7</b>	<b>15.3</b>	<b>(0.1)</b>	<b>4.9</b>	<b>(0.1)</b>	<b>(0.9)</b>	<b>52.8</b>
<b>Discontinued operations</b>							
Loss for the period from discontinued operations	(1.4)	-	-	-	(0.5)	-	(1.9)
<b>Profit for the period</b>	<b>32.3</b>	<b>15.3</b>	<b>(0.1)</b>	<b>4.9</b>	<b>(0.6)</b>	<b>(0.9)</b>	<b>50.9</b>
Minority interests	(2.8)	-	-	(1.8)	-	-	(4.6)
Dividends payable on convertible cumulative preference shares	(4.1)	-	-	-	-	-	(4.1)
<b>Profit for the period attributable to equity shareholders</b>	<b>25.4</b>	<b>15.3</b>	<b>(0.1)</b>	<b>3.1</b>	<b>(0.6)</b>	<b>(0.9)</b>	<b>42.2</b>
<b>Earnings per share</b>							
<b>Basic</b>							
Continuing operations	3.48 p						5.72 p
Discontinued operations	(0.19)p						(0.24)p
Total operations	3.29 p						5.48 p
<b>Diluted</b>							
Continuing operations	3.53 p						5.49 p
Discontinued operations	(0.17)p						(0.21)p
Total operations	3.36 p						5.28 p

## Consolidated income statement for the six months ended 3 July 2004 (unaudited)

	UK GAAP IFRS format £ million	Goodwill £ million	Share based payments £ million	Post- employment benefits £ million	Future operating losses £ million	Cumulative translation differences £ million	Restated under IFRS £ million
<b>Continuing operations</b>							
Revenue	1,541.7	-	-	-	-	-	1,541.7
Cost of sales	(1,095.5)	-	-	-	-	-	(1,095.5)
Gross profit	446.2	-	-	-	-	-	446.2
Distribution costs	(169.3)	-	-	-	-	-	(169.3)
Administrative expenses	(139.0)	6.1	(0.3)	12.8	(1.0)	-	(121.4)
Share of results of associates	0.2	-	-	-	-	-	0.2
<b>Profit from operations before restructuring initiatives</b>	<b>138.1</b>	<b>6.1</b>	<b>(0.3)</b>	<b>12.8</b>	<b>(1.0)</b>	<b>-</b>	<b>155.7</b>
Restructuring costs	(10.5)	-	-	(3.0)	-	-	(13.5)
Loss on disposal of businesses	(16.5)	13.1	-	-	-	(0.9)	(4.3)
<b>Profit from operations</b>	<b>111.1</b>	<b>19.2</b>	<b>(0.3)</b>	<b>9.8</b>	<b>(1.0)</b>	<b>(0.9)</b>	<b>137.9</b>
Interest payable	(10.6)	-	-	(21.6)	-	-	(32.2)
Investment income	3.8	-	-	16.1	-	-	19.9
Profit before tax	104.3	19.2	(0.3)	4.3	(1.0)	(0.9)	125.6
Tax	(29.9)	(1.5)	0.1	(1.8)	0.3	-	(32.8)
<b>Profit for the period from continuing operations</b>	<b>74.4</b>	<b>17.7</b>	<b>(0.2)</b>	<b>2.5</b>	<b>(0.7)</b>	<b>(0.9)</b>	<b>92.8</b>
<b>Discontinued operations</b>							
(Loss)/profit for the period from discontinued operations	(3.8)	-	-	1.5	0.5	-	(1.8)
<b>Profit for the period</b>	<b>70.6</b>	<b>17.7</b>	<b>(0.2)</b>	<b>4.0</b>	<b>(0.2)</b>	<b>(0.9)</b>	<b>91.0</b>
Minority interests	(4.4)	-	-	(1.8)	-	-	(6.2)
Dividends payable on convertible cumulative preference shares	(7.9)	-	-	-	-	-	(7.9)
<b>Profit for the period attributable to equity shareholders</b>	<b>58.3</b>	<b>17.7</b>	<b>(0.2)</b>	<b>2.2</b>	<b>(0.2)</b>	<b>(0.9)</b>	<b>76.9</b>
<b>Earnings per share</b>							
<b>Basic</b>							
Continuing operations	8.06 p						10.21 p
Discontinued operations	(0.50)p						(0.23)p
Total operations	7.56 p						9.98 p
<b>Diluted</b>							
Continuing operations	7.99 p						9.89 p
Discontinued operations	(0.44)p						(0.21)p
Total operations	7.55 p						9.68 p

Consolidated income statement for the three months ended 3 July 2004  
– presentational changes (unaudited)

UK GAAP balances in UK GAAP Format	£ million	Discontinued operations £ million	Operating exceptional items £ million	Non-operating exceptional items £ million	Gross up interest £ million	Transfer dividend £ million	£ million	UK GAAP balances in IFRS Format
<b>Turnover</b>	778.2	(0.6)	–	–	–	–	777.6	<b>Continuing operations</b>
Cost of sales	(551.6)	0.8	–	–	–	–	(550.8)	<b>Revenue</b>
Gross profit	226.6	0.2	–	–	–	–	226.8	Cost of sales
Distribution costs	(84.6)	0.1	–	–	–	–	(84.5)	Gross profit
Administrative expenses	(73.7)	(0.2)	4.2	–	–	–	(69.7)	Distribution costs
Share of profits of associates	–	–	–	–	–	–	–	Administrative expenses
<b>Operating profit including associates</b>	<b>68.3</b>	<b>0.1</b>	<b>4.2</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>72.6</b>	Share of results of associates
Loss on disposal of businesses	(17.3)	–	(4.2)	–	–	–	(4.2)	<b>Profit from operations before restructuring initiatives</b>
Reversal of provision for loss on disposal of business	–	0.8	–	–	–	–	(16.5)	Restructuring costs
Costs on exit of business	(12.3)	–	–	12.3	–	–	–	Loss on disposal of businesses
Reversal of provision for loss on exit of business	12.3	–	–	(12.3)	–	–	–	
<b>Profit before interest</b>	<b>51.0</b>	<b>0.9</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>51.9</b>	<b>Profit from operations</b>
Net interest payable	(3.5)	–	–	–	(2.2)	–	(5.7)	Interest payable
					2.2	–	2.2	Investment income
<b>Profit on ordinary activities before tax</b>	<b>47.5</b>	<b>0.9</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>48.4</b>	Profit before tax
Tax on profit on ordinary activities	(15.2)	0.5	–	–	–	–	(14.7)	Tax on profit on ordinary activities
<b>Profit on ordinary activities after tax</b>	<b>32.3</b>	<b>1.4</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>33.7</b>	<b>Profit for the period from continuing operations</b>
		(1.4)	–	–	–	–	(1.4)	<b>Discontinued operations</b>
								Loss for the period from discontinued operations
Minority interests	(2.8)	–	–	–	–	–	(2.8)	<b>Profit for the period</b>
<b>Profit attributable to shareholders</b>	<b>29.5</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>29.5</b>	Minority interests
Dividends on equity and non-equity shares	(41.4)	–	–	–	–	37.3	(4.1)	Dividends on convertible cumulative preference shares
<b>Retained profit</b>	<b>(11.9)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>37.3</b>	<b>25.4</b>	<b>Profit for the period attributable to equity shareholders</b>

Consolidated income statement for the six months ended 3 July 2004  
– presentational changes (unaudited)

UK GAAP balances in UK GAAP Format	£ million	Discontinued operations £ million	Operating exceptional items £ million	Associates £ million	Non-operating exceptional items £ million	Gross up interest £ million	Transfer ordinary dividend to equity £ million	£ million	UK GAAP balances in IFRS Format
<b>Turnover</b>	1,547.9	(6.2)	–	–	–	–	–	1,541.7	<b>Continuing operations</b>
Cost of sales	(1,100.2)	4.7	–	–	–	–	–	(1,095.5)	<b>Revenue</b>
Gross profit	447.7	(1.5)	–	–	–	–	–	446.2	Gross profit
Distribution costs	(169.7)	0.4	–	–	–	–	–	(169.3)	Distribution costs
Administrative expenses	(150.5)	1.0	10.5	–	–	–	–	(139.0)	Administrative expenses
Share of profits of associates	0.4	–	–	(0.2)	–	–	–	0.2	Share of results of associates
<b>Operating profit including associates</b>	127.9	(0.1)	10.5	(0.2)	–	–	–	138.1	<b>Profit from operations before restructuring initiatives</b>
Loss on disposal of businesses	(92.6)	76.1	(10.5)	–	–	–	–	(10.5)	Restructuring costs
Reversal of provision for loss on disposal of business	72.9	(72.9)	–	–	–	–	–	–	Loss on disposal of businesses
Costs on exit of business	(17.5)	–	–	–	17.5	–	–	–	
Reversal of provision for loss on exit of business	17.5	–	–	–	(17.5)	–	–	–	
<b>Profit before interest</b>	108.2	3.1	–	(0.2)	–	–	–	111.1	<b>Profit from operations</b>
Net interest payable	(6.8)	–	–	–	–	(3.8)	–	(10.6)	Interest payable
						3.8	–	3.8	Investment income
<b>Profit on ordinary activities before tax</b>	101.4	3.1	–	(0.2)	–	–	–	104.3	Profit before tax
Tax on profit on ordinary activities	(30.8)	0.7	–	0.2	–	–	–	(29.9)	Tax on profit on ordinary activities
<b>Profit on ordinary activities after tax</b>	70.6	3.8	–	–	–	–	–	74.4	<b>Profit for the period from continuing operations</b>
		(3.8)	–	–	–	–	–	(3.8)	<b>Discontinued operations</b>
									Loss for the period from discontinued operations
Minority interests	70.6	–	–	–	–	–	–	70.6	<b>Profit for the period</b>
	(4.4)	–	–	–	–	–	–	(4.4)	Minority interests
<b>Profit attributable to shareholders</b>	66.2	–	–	–	–	–	–	66.2	
Dividends on equity and non-equity shares	(45.2)	–	–	–	–	–	37.3	(7.9)	Dividends on convertible cumulative preference shares
<b>Retained profit</b>	21.0	–	–	–	–	–	37.3	58.3	<b>Profit for the period attributable to equity shareholders</b>

Consolidated balance sheet as at 3 July 2004 (unaudited)

	UK GAAP IFRS format £ million	Goodwill £ million	Computer software £ million	Share based payments £ million	Post-employment benefits £ million	Proposed dividend £ million	Future operating losses £ million	Cumulative translation differences £ million	Deferred tax £ million	Restated under IFRS £ million
<b>Non-current assets</b>										
Goodwill	204.4	6.1	-	-	-	-	-	-	-	210.5
Other intangible assets	-	-	5.6	-	-	-	-	-	-	5.6
Property, plant and equipment	734.4	-	(5.6)	-	-	-	-	-	-	728.8
Interests in associates	3.7	-	-	-	-	-	-	-	-	3.7
Deferred tax assets	52.6	-	-	0.4	72.1	-	-	-	13.3	138.4
	995.1	6.1	-	0.4	72.1	-	-	-	13.3	1,087.0
<b>Current assets</b>										
Inventories	352.1	-	-	-	-	-	-	-	-	352.1
Trade and other receivables	546.2	-	-	-	-	-	-	-	-	546.2
Current tax recoverable	12.3	-	-	-	-	-	-	-	-	12.3
Investments	1.6	-	-	-	-	-	-	-	-	1.6
Cash and cash equivalents	168.0	-	-	-	-	-	-	-	-	168.0
	1,080.2	-	-	-	-	-	-	-	-	1,080.2
Assets held for sale	49.0	-	-	-	-	-	-	-	-	49.0
<b>Total assets</b>	<b>2,124.3</b>	<b>6.1</b>	<b>-</b>	<b>0.4</b>	<b>72.1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13.3</b>	<b>2,216.2</b>
<b>Current liabilities</b>										
Bank overdrafts and loans	(20.0)	-	-	-	-	-	-	-	-	(20.0)
Bank loans	(10.0)	-	-	-	-	-	-	-	-	(10.0)
Unsecured loan notes	(0.3)	-	-	-	-	-	-	-	-	(0.3)
Obligations under finance leases	(2.9)	-	-	-	-	-	-	-	-	(2.9)
Trade and other payables	(404.4)	-	-	(1.5)	-	37.3	-	-	-	(368.6)
Current tax liabilities	(14.7)	-	-	-	-	-	-	-	-	(14.7)
Provisions	(37.2)	-	-	-	-	-	-	-	-	(37.2)
	(489.5)	-	-	(1.5)	-	37.3	-	-	-	(453.7)
<b>Non-current liabilities</b>										
Bank and other loans	(401.8)	-	-	-	-	-	-	-	-	(401.8)
Obligations under finance leases	(11.3)	-	-	-	-	-	-	-	-	(11.3)
Other payables	(7.4)	-	-	-	-	-	-	-	-	(7.4)
Post-employment benefit obligations	(186.9)	-	-	-	(126.7)	-	-	-	-	(313.6)
Deferred tax liabilities	(15.9)	(1.5)	-	-	(20.9)	-	-	-	-	(38.3)
Current tax liabilities	(168.1)	-	-	-	-	-	-	-	-	(168.1)
Provisions	(38.0)	-	-	-	-	-	0.6	-	-	(37.4)
	(829.4)	(1.5)	-	-	(147.6)	-	0.6	-	-	(977.9)
Liabilities directly associated with assets held for sale	(13.2)	-	-	-	-	-	-	-	-	(13.2)
<b>Total liabilities</b>	<b>(1,332.1)</b>	<b>(1.5)</b>	<b>-</b>	<b>(1.5)</b>	<b>(147.6)</b>	<b>37.3</b>	<b>0.6</b>	<b>-</b>	<b>-</b>	<b>(1,444.8)</b>
<b>NET ASSETS</b>	<b>792.2</b>	<b>4.6</b>	<b>-</b>	<b>(1.1)</b>	<b>(75.5)</b>	<b>37.3</b>	<b>0.6</b>	<b>-</b>	<b>13.3</b>	<b>771.4</b>
<b>EQUITY</b>										
<b>Capital and reserves</b>										
Ordinary share capital	38.7	-	-	-	-	-	-	-	-	38.7
Share premium	93.9	-	-	-	-	-	-	-	-	93.9
Capital redemption reserve	461.9	-	-	-	-	-	-	-	-	461.9
Own shares	(8.6)	-	-	-	-	-	-	-	-	(8.6)
Currency translation reserve	-	-	-	-	3.6	-	-	(24.0)	(0.3)	(20.7)
Retained losses	(170.7)	4.6	-	(1.1)	(78.6)	37.3	0.6	24.0	13.6	(170.3)
<b>Shareholders' equity</b>	<b>415.2</b>	<b>4.6</b>	<b>-</b>	<b>(1.1)</b>	<b>(75.0)</b>	<b>37.3</b>	<b>0.6</b>	<b>-</b>	<b>13.3</b>	<b>394.9</b>
<b>Minority interest</b>	<b>39.8</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(0.5)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>39.3</b>
<b>TOTAL EQUITY</b>	<b>455.0</b>	<b>4.6</b>	<b>-</b>	<b>(1.1)</b>	<b>(75.5)</b>	<b>37.3</b>	<b>0.6</b>	<b>-</b>	<b>13.3</b>	<b>434.2</b>
Convertible cumulative preference shares	337.2	-	-	-	-	-	-	-	-	337.2
	792.2	4.6	-	(1.1)	(75.5)	37.3	0.6	-	13.3	771.4

Consolidated balance sheet as at 3 July 2004 – presentational changes (unaudited)

	UK GAAP format £ million	Debtors £ million	Creditors £ million	Provisions £ million	Investments £ million	Assets held for sale £ million	UK GAAP IFRS format £ million	
<b>Fixed assets</b>								<b>Non-current assets</b>
Intangible assets	204.4	-	-	-	-	-	204.4	Goodwill
Tangible assets	764.0	-	-	-	-	(29.6)	734.4	Property, plant and equipment
Investments	5.3	-	-	-	(1.6)	-	3.7	Interests in associates
		52.6	-	-	-	-	52.6	Deferred tax assets
	973.7	52.6	-	-	(1.6)	(29.6)	995.1	
<b>Current assets</b>								<b>Current assets</b>
Stock	354.0	-	-	-	-	(1.9)	352.1	Inventories
Debtors	656.5	(92.8)	-	-	-	(17.5)	546.2	Trade and other receivables
		12.3	-	-	-	-	12.3	Current tax recoverable
		-	-	-	1.6	-	1.6	Investments
Cash	168.0	-	-	-	-	-	168.0	Cash and cash equivalents
	1,178.5	(80.5)	-	-	1.6	(19.4)	1,080.2	
		-	-	-	-	49.0	49.0	Assets held for sale
	2,152.2	(27.9)	-	-	-	-	2,124.3	<b>Total assets</b>
<b>Current liabilities</b>								<b>Current liabilities</b>
Creditors – amounts falling due within one year	(500.0)	-	480.0	-	-	-	(20.0)	Bank overdrafts
		-	(10.0)	-	-	-	(10.0)	Bank loans
		-	(0.3)	-	-	-	(0.3)	Unsecured loan notes
		-	(2.9)	-	-	-	(2.9)	Obligations under finance leases
		-	(413.8)	-	-	9.4	(404.4)	Trade and other payables
		-	(14.7)	-	-	-	(14.7)	Current tax liabilities
		-	(38.8)	-	-	1.6	(37.2)	Provisions
	(500.0)	-	(0.5)	-	-	11.0	(489.5)	
<b>Non-current liabilities</b>								<b>Non-current liabilities</b>
Creditors – amounts falling due after more than one year	(488.3)	-	86.5	-	-	-	(401.8)	Bank and other loans
		-	(11.3)	-	-	-	(11.3)	Obligations under finance leases
		-	(7.5)	-	-	0.1	(7.4)	Other payables
		27.9	(57.9)	(158.1)	-	1.2	(186.9)	Post-employment benefit obligations
		-	-	(15.9)	-	-	(15.9)	Deferred tax liabilities
		-	-	(168.1)	-	-	(168.1)	Current tax liabilities
Provisions	(371.7)	-	(9.3)	342.1	-	0.9	(38.0)	Provisions
	(860.0)	27.9	0.5	-	-	2.2	(829.4)	
		-	-	-	-	(13.2)	(13.2)	Liabilities directly associated with assets held for sale
	(1,360.0)	27.9	-	-	-	-	(1,332.1)	<b>Total liabilities</b>
<b>NET ASSETS</b>	792.2	-	-	-	-	-	792.2	<b>NET ASSETS</b>

# Supplemental financial information in US dollars under US GAAP

Condensed consolidated statement of income for the three months ended July 2, 2005 prepared under US GAAP (unaudited)

	3 months ended July 2, 2005 \$ million	3 months ended July 3, 2004 \$ million
<b>Net sales</b>	1,466.4	1,380.0
Cost of sales	(1,055.2)	(974.0)
Gross profit	411.2	406.0
Selling, general and administrative expenses	(272.2)	(257.9)
Restructuring expenses	(11.1)	(11.4)
<b>Operating income from continuing operations</b>	127.9	136.7
Interest income	2.2	7.0
Interest expense	(9.9)	(9.9)
Other expense (net)	(26.2)	(11.3)
<b>Income from continuing operations before taxes, minority interest and equity in net income of associates</b>	94.0	122.5
Income tax income/(expense)	7.5	(32.4)
Minority interest in net income	(3.2)	(5.1)
Equity in net income of associates	0.2	0.2
<b>Income from continuing operations</b>	98.5	85.2
Loss from discontinued operations, net of tax charge of \$nil (July 3, 2004 – \$4.3 million)	0.1	1.7
Gain on disposal of discontinued operations, net of tax charge of \$0.6 million (July 3, 2004 – tax credit of \$4.1 million)	(4.3)	(10.0)
<b>Net income</b>	94.3	76.9
Preference dividend	(7.7)	(7.4)
<b>Net income attributable to common shareholders</b>	86.6	69.5
<b>Net income per common share</b>		
<b>Basic</b>		
Income from continuing operations	0.12	0.10
Loss from discontinued operations	-	-
Loss on disposal of discontinued operations	(0.01)	(0.01)
Net income	\$0.11	\$0.09
<b>Diluted</b>		
Income from continuing operations	0.11	0.10
Loss from discontinued operations	-	-
Loss on disposal of discontinued operations	-	(0.01)
Net income	\$0.11	\$0.09

Condensed consolidated statement of income for the six months  
ended July 2, 2005 prepared under US GAAP (unaudited)

	6 months ended July 2, 2005 \$ million	6 months ended July 3, 2004 \$ million	Year ended January 1, 2005 \$ million
<b>Net sales</b>	<b>2,889.4</b>	<b>2,751.5</b>	<b>5,356.1</b>
Cost of sales	(2,081.8)	(1,945.7)	(3,806.4)
Gross profit	807.6	805.8	1,549.7
Selling, general and administrative expenses	(552.0)	(531.0)	(1,038.5)
Restructuring expenses	(14.2)	(19.3)	(34.1)
<b>Operating income from continuing operations</b>	<b>241.4</b>	<b>255.5</b>	<b>477.1</b>
Interest income	4.2	15.1	11.5
Interest expense	(17.5)	(22.0)	(34.9)
Other (expense)/income (net)	(34.2)	(4.7)	44.0
<b>Income from continuing operations before taxes, minority interest and equity in net income of associates</b>	<b>193.9</b>	<b>243.9</b>	<b>497.7</b>
Income tax expense	(21.5)	(54.6)	(103.2)
Minority interest in net income	(6.6)	(8.0)	(15.2)
Equity in net income of associates	0.9	0.7	0.9
<b>Income from continuing operations</b>	<b>166.7</b>	<b>182.0</b>	<b>380.2</b>
Profit/(loss) from discontinued operations, net of tax charge of \$nil (July 3, 2004 – tax credit of \$1.1 million, January 1, 2005 – tax charge of \$4.2 million)	0.1	(7.3)	(13.5)
(Loss)/gain on disposal of discontinued operations, net of tax credit of \$1.3 million (July 3, 2004 – \$4.5 million, January 1, 2005 – \$6.8 million)	(2.1)	(5.6)	11.0
<b>Net income</b>	<b>164.7</b>	<b>169.1</b>	<b>377.7</b>
Preference dividend	(15.1)	(14.4)	(28.5)
<b>Net income attributable to common shareholders</b>	<b>149.6</b>	<b>154.7</b>	<b>349.2</b>
<b>Net income per common share</b>			
<b>Basic</b>			
Income from continuing operations	0.19	0.22	0.46
Loss from discontinued operations	–	(0.01)	(0.02)
(Loss)/gain on disposal of discontinued operations	–	(0.01)	0.01
Net income	<b>\$0.19</b>	<b>\$0.20</b>	<b>\$0.45</b>
<b>Diluted</b>			
Income from continuing operations	0.19	0.21	0.43
Loss from discontinued operations	–	(0.01)	(0.01)
(Loss)/gain on disposal of discontinued operations	–	(0.01)	0.01
Net income	<b>\$0.19</b>	<b>\$0.19</b>	<b>\$0.43</b>

Condensed consolidated statement of cash flows for the six months  
ended July 2, 2005 prepared under US GAAP (unaudited)

	6 months ended July 2, 2005 \$ million	6 months ended July 3, 2004 \$ million	Year ended January 1, 2005 \$ million
<b>Cash flow from operating activities</b>			
<i>Adjustments to reconcile net income to cash provided by operating activities:</i>			
Net income	164.7	169.1	377.7
Equity in net loss of associates	(0.9)	(0.7)	(1.6)
Depreciation and amortisation	110.8	105.8	220.4
Loss/(gain) on disposal of discontinued operations	2.1	5.6	(11.0)
Loss/(gain) on sale of property, plant and equipment	0.7	(5.3)	(3.7)
Stock based compensation	7.1	1.1	6.6
Settlement of stock based compensation	(6.9)	-	-
Deferred income taxes	(12.7)	(1.1)	33.6
Minority interest	6.6	8.0	15.2
Changes in assets and liabilities, net of effects of businesses acquired or sold			
Decrease/(increase) in taxes payable	(19.1)	18.4	(3.1)
Increase in accounts receivable	(87.5)	(126.8)	(61.0)
Decrease in prepaid expenses and other assets	34.0	23.8	20.8
Increase in inventory	(18.1)	(17.3)	(57.7)
Increase in accounts payable	18.7	74.0	100.4
Decrease in current liabilities net	(54.5)	(48.7)	(102.2)
<b>Net cash provided by operating activities</b>	<b>145.0</b>	<b>205.9</b>	<b>534.4</b>
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment	(122.7)	(133.1)	(287.9)
Proceeds from the sale of property, plant and equipment	21.1	12.4	15.9
Proceeds from the sale of discontinued operations	5.3	19.3	30.0
New business acquisitions, net of cash acquired	(164.1)	-	(46.0)
Dividends received from non-controlled affiliates	0.6	0.2	0.7
Changes in restricted cash	(0.4)	-	(2.0)
<b>Net cash used in investing activities</b>	<b>(260.2)</b>	<b>(101.2)</b>	<b>(289.3)</b>
<b>Cash flows from financing activities</b>			
Bank loans repayment	(4.0)	(8.4)	(16.6)
Bank loans drawn down	199.6	16.4	3.3
Capital lease repayment	(5.1)	-	-
Issuance of common stock	0.8	2.0	2.2
Payments to acquire treasury stock	(1.1)	(6.5)	(7.5)
Proceeds on sale of treasury stock	5.4	-	-
Dividend payments	(124.0)	(122.4)	(203.1)
Dividends paid to a minority shareholder	(9.3)	(3.1)	(4.9)
Investment by a minority shareholder	-	7.8	7.1
<b>Net cash provided by/(used in) financing activities</b>	<b>62.3</b>	<b>(114.2)</b>	<b>(219.5)</b>
Effect of exchange rate changes on cash and cash equivalents	(10.4)	2.3	16.1
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(63.3)</b>	<b>(7.2)</b>	<b>41.7</b>
Cash and cash equivalents at beginning of period	356.0	314.3	314.3
<b>Cash and cash equivalents at end of period</b>	<b>292.7</b>	<b>307.1</b>	<b>356.0</b>
<b>Supplemental schedule of investing and financing activities:</b>			
Cash paid during the period for interest	(17.5)	(17.5)	(35.6)
Cash paid during the period for income taxes	(64.4)	(58.0)	(102.4)

Condensed consolidated balance sheets as at July 2, 2005  
prepared under US GAAP (unaudited)

	July 2, 2005 \$ million	July 3, 2004 \$ million	January 1, 2005 \$ million
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	292.7	307.1	356.0
Restricted cash	9.0	6.9	9.4
Accounts receivable	906.7	831.8	825.9
Inventories	735.6	640.8	703.8
Deferred income taxes	85.4	115.1	80.1
Prepaid expenses and other assets	126.8	96.0	128.1
Assets held for sale	24.0	96.0	61.8
<b>Total current assets</b>	<b>2,180.2</b>	<b>2,093.7</b>	<b>2,165.1</b>
<b>Long term assets</b>			
Property, plant and equipment	1,472.7	1,372.8	1,461.6
Goodwill	1,852.7	1,704.7	1,752.3
Intangible assets	49.5	43.5	49.1
Deferred income taxes	244.6	221.5	237.6
Other long term assets	30.4	51.6	70.3
<b>Total assets</b>	<b>5,830.1</b>	<b>5,487.8</b>	<b>5,736.0</b>
<b>Liabilities and shareholders' equity</b>			
<b>Current liabilities</b>			
Bank loans and overdrafts, other loans and capital leases, current portion	70.7	60.7	46.5
Accounts payable	467.1	401.2	450.8
Other current liabilities	338.2	341.2	351.1
Taxes payable	270.5	311.6	290.7
Deferred income taxes	32.2	31.3	41.8
Liabilities related to assets held for sale	-	30.5	0.6
<b>Total current liabilities</b>	<b>1,178.7</b>	<b>1,176.5</b>	<b>1,181.5</b>
<b>Long term liabilities</b>			
Bank loans, other loans and capital leases, less current portion	900.6	755.0	788.3
Pension obligations	217.0	277.1	272.7
Post retirement obligations other than pensions	279.2	288.8	286.1
Deferred income taxes	177.9	147.9	163.6
Other long term liabilities	35.8	50.9	39.9
<b>Total liabilities</b>	<b>2,789.2</b>	<b>2,696.2</b>	<b>2,732.1</b>
<b>Minority interest</b>	<b>76.3</b>	<b>72.7</b>	<b>80.8</b>
<b>Shareholders' equity</b>			
Common stock, par value 5p, authorised shares – 1,585,164,220; issued and outstanding shares – 774,361,143 (July 3, 2004: 773,840,441; January 1, 2005: 773,889,884)	68.6	70.7	74.3
Convertible cumulative preference stock of \$50; authorised shares – 13,920,000; issued and outstanding shares – 10,476,256 (July 3, 2004: 10,506,721; January 1, 2005: 10,506,721)	595.6	616.3	647.4
Treasury stock	(12.8)	(15.7)	(17.1)
Additional paid-in capital	196.3	199.0	208.0
Restricted reserves	818.2	844.2	886.8
Retained earnings	1,723.0	1,589.9	1,697.8
Accumulated other comprehensive loss	(424.3)	(585.5)	(574.1)
<b>Total shareholders' equity</b>	<b>2,964.6</b>	<b>2,718.9</b>	<b>2,923.1</b>
<b>Total liabilities and shareholders' equity</b>	<b>5,830.1</b>	<b>5,487.8</b>	<b>5,736.0</b>

## Notes to the financial statements for the six months ended July 2, 2005 prepared under accounting principles generally accepted in the United States of America (unaudited)

### **a) Net income per common share**

Basic net income per common share is calculated on an income of \$149.6 million (July 3, 2004 – \$154.7 million, January 1, 2005 – \$349.2 million) representing the net income for the period after adjusting for the preference dividend of \$15.1 million (July 3, 2004 – \$14.4 million, January 1, 2005 – \$28.5 million) and on 771,318,034 ordinary shares being the weighted average in issue during the period (July 3, 2004 – 770,896,303, January 1, 2005 – 770,716,582).

Diluted net income per common share is calculated on an adjusted weighted average number of ordinary shares of 875,802,463 (July 3, 2004 – 876,964,148, January 1, 2005 – 877,298,559) after allowing for the exercise of 2,011,204 share options (July 3, 2004 – 3,417,181, January 1, 2005 – 3,931,313) and is calculated on an income of \$164.7 million (July 3, 2004 – \$169.1 million, January 1, 2005 – \$377.7 million). The weighted average number of shares also allows for the conversion of preference shares equating to 102,473,225 ordinary shares (July 3, 2004 -102,650,664, January 1, 2005 – 102,650,664) and income was adjusted for the preference dividend of \$15.1 million (July 3, 2004 – \$ 14.4 million, January 1, 2005 – \$28.5 million).

### **b) New accounting standards**

#### **Share based compensation**

Share based compensation is provided to employees under the Group's share option, bonus and other share award plans, whereby the participating employees receive rights over shares in Tomkins plc. In previous periods, the Group accounted for these plans in accordance with APB25 "Accounting for Stock Issued to Employees", which required that the compensation cost was measured on the basis of the intrinsic value of the awards.

In December 2004, the FASB issued SFAS123R "Share Based Payment" which requires companies to measure the cost of share based compensation plans on the basis of the fair value of the awards. SFAS123R supersedes APB25.

Under SFAS123R, the fair value of equity-settled awards is determined at the date of grant and is not subsequently re-measured unless the conditions on which the award was granted are modified. For cash-settled awards, the fair value is determined at the date of grant and is re-measured at each balance sheet date until the liability is settled. Generally, the compensation cost is recognised on a straight-line basis over the vesting period. Adjustments are made to reflect actual and expected forfeitures during the vesting period due to failure to satisfy service conditions or non-market performance conditions.

Tomkins adopted SFAS123R using the modified prospective method with an effective date of January 2, 2005, whereby SFAS123R has been applied prospectively to the unvested portion of awards that were outstanding as of January 1, 2005 and all awards granted, modified or settled on or after January 2, 2005.

# Reconciliation of financial information in sterling under IFRS to financial information in US dollars under US GAAP (unaudited)

	6 months ended 2 July 2005 £ million	6 months ended 3 July 2004 £ million	Year ended 1 January 2005 £ million
<b>Profit attributable to shareholders</b>			
<b>Net income under IFRS</b>	<b>96.4</b>	<b>84.8</b>	<b>200.0</b>
US GAAP adjustments:			
Intangibles amortisation	(1.3)	(1.4)	(2.9)
Restructuring costs	(0.2)	0.6	(10.9)
Gain on disposal of operations	–	0.9	0.9
Capitalised interest	2.1	2.0	4.5
Inventory	(0.6)	(0.4)	(0.9)
Post-employment benefits	(5.1)	(0.4)	(5.7)
Stock based compensation	(0.7)	1.6	2.2
Derivatives	(21.9)	(2.6)	20.1
Preference dividends	8.1	–	–
Income tax on US GAAP adjustments	11.2	6.1	(2.8)
Minority interest in US GAAP adjustments	–	1.8	1.8
<b>Net income under US GAAP expressed in sterling</b>	<b>88.0</b>	<b>93.0</b>	<b>206.3</b>
	\$ million	\$ million	\$ million
Net income under US GAAP expressed in US dollars at an average exchange rate of £1 = \$1.8713 (Six months ended 3 July 2004, £1 = \$1.8186 and year ended 1 January 2005, £1 = \$1.8257)	164.7	169.1	376.6
Differences arising from use of average exchange rate versus actual exchange rate	–	–	1.1
<b>Net income under US GAAP expressed in US dollars</b>	<b>164.7</b>	<b>169.1</b>	<b>377.7</b>
	£ million	£ million	£ million
<b>Shareholders' equity</b>			
<b>Shareholders' equity under IFRS</b>	<b>609.9</b>	<b>394.9</b>	<b>466.5</b>
US GAAP adjustments:			
Goodwill (net)	744.2	722.2	686.3
Intangibles (net)	21.1	23.8	25.6
Restructuring costs	0.7	12.0	0.8
Capitalised interest (net)	20.4	15.1	17.1
Inventory	(3.8)	(2.6)	(3.0)
Pension liabilities	(2.2)	1.2	0.2
Stock based compensation	–	2.2	2.8
Derivatives	–	(11.9)	7.6
Preference shares	295.7	337.2	337.2
Deferred income tax on US GAAP adjustments	(11.9)	(6.0)	(18.1)
Minority interest in US GAAP adjustments	(0.5)	(0.5)	(0.5)
<b>Shareholders' equity under US GAAP expressed in sterling</b>	<b>1,673.6</b>	<b>1,487.6</b>	<b>1,522.5</b>
	\$ million	\$ million	\$ million
<b>Shareholders' equity under US GAAP expressed in US dollars</b>			
At a closing exchange rate of £1 = \$1.7714 (3 July 2004, £1 = \$1.8277 and 1 January 2005, £1 = \$1.9199)	2,964.6	2,718.9	2,923.1

An explanation of the significant adjustments between IFRS and US GAAP was provided in the Group's results announcement for the three months ended 2 April 2005 that is available on the Company's website, [www.tomkins.co.uk](http://www.tomkins.co.uk).

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