

Air Products Group Limited

**Directors' report and consolidated
financial statements**

Registered number 3101747

30 September 2008

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Directors' report and financial statements

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Directors' report

The directors present their directors' report and financial statements for the year ended 30 September 2008.

Principal activities

The principal activities of the group continue to be the manufacture and sale of industrial gases, the design and construction of equipment for the production and use of industrial gases, and the manufacture and sale of specialty chemicals.

Business review and results

The group has continued to invest in new industrial gas process plants to serve both new and existing customers. In the future the company will continue to strive for operational and administrative excellence to meet the demands of the marketplace for quality, responsiveness and overall value.

During the financial year the group increased its holding in one of its associates, Cryoservice Limited (CSL), from 25% to 72%. As a result of this additional holding and gaining control over CSL, it is now being treated as a subsidiary and consolidates as such with the rest of the group.

The group profit for the financial year was £58,702,000 (2007: £33,683,000) and the group operating profit for the year was £67,629,000 (2007: £45,575,000).

Principal risks and uncertainties

Competitive pressure in the UK is a continuing risk for the Group. To manage this risk, the Group strives to provide value-added products to its customers and through the maintenance of strong relationships with both customers and suppliers.

The Group's business is affected by fluctuations in the price of key raw materials, although purchasing policies, contracts and practices seek to mitigate, where practical, such risks.

Environment

The Company recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to mitigate any adverse impact that might be caused by its activities. Initiatives aimed at minimising the Company's impact on the environment include safe disposal of waste, recycling and reducing energy consumption.

Proposed dividend

The directors do not recommend the payment of a dividend (2007: £nil).

Policy and practice on payment of creditors

The group policy on the payment of creditors is to settle the terms of the payment with those suppliers when agreeing the terms of each transaction; ensure that those suppliers are made aware of the terms of the payment and abide by the terms of payment.

At the year end there were 22 days (2007: 23 days) of purchases in trade creditors.

Directors

The directors who held office during the year were as follows:

C.M. Lloyd (Resigned 18th March 2008)
M.D. Begg
G.M. Rhodes
P.M. Neligan
R.B. Smith
J.D. Stanley (appointed 18th March 2008)

Directors' report (continued)

Directors

Certain directors benefited from qualifying third party indemnity provisions in place during the financial year and at the date of this report

Employees

The group places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the group. This is achieved through formal and informal meetings, group notices and the group journal.

The group's policy towards the employment of disabled people has been to give full and fair consideration to applications from disabled people and to make every reasonable endeavour to accommodate the continued employment of people who become disabled while employed by the group. Disabled persons are treated according to the same standards as other employees in respect of training, career development and promotion.

The Board would like to take this opportunity to express their appreciation for the hard work and loyalty shown by all employees during the past year. Securing and maintaining the understanding and commitment of all employees to the objectives of the various businesses remains paramount to the successful future development of the company.

Political and charitable contributions

The group made no political contributions during the year. Donations to UK charities amounted to £58,380 (2007: £153,584).

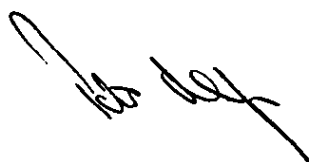
Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

In accordance with Section 489 of the Companies Act 2006, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board and signed on its behalf by:



P.M. Neligan
Director

Hersham Place Technology Park
Molesey Road
Walton-on-Thames
Surrey
KT12 4RZ

27th July 2009

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The group and parent company financial statements are required by law to give a true and fair view of the state of affairs of the group and the parent company and of the profit or loss for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The directors' are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



KPMG LLP

8 Salisbury Square
London
EC4Y 8BB
United Kingdom

Independent auditors' report to the members of Air Products Group Limited

We have audited the group and parent company financial statements (the "financial statements") of Air Products Group Limited for the year ended 30 September 2008 which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets, the Consolidated Statement of Total Recognised Gains and Losses, the Reconciliations of Movements in Shareholders' Funds and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Directors' Report and the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent auditors' report to the members of Air Products Group Limited *(continued)*

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 30 September 2008 and of the group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

27th July 2009

Consolidated Profit and Loss Account
for the year ended 30 September 2008

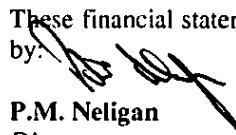
	Note	2008 £000	2008 £000	2007 £000	2007 £000
Turnover, including share of joint ventures					
Continuing operations		507,275		479,712	
Acquisitions		5,722		-	
			512,997		479,712
Less: share of joint venture turnover			(1,943)		(2,013)
Group turnover	2		511,054		477,699
Cost of sales			(330,425)		(322,956)
Gross profit			180,629		154,743
Distribution costs			(93,317)		(85,883)
Administrative expenses			(19,683)		(23,285)
Group operating profit	3				
Continuing operations		66,421		45,575	
Acquisitions		1,208		-	
			67,629		45,575
Gain on sale of tangible fixed assets			1,489		2,997
Share of joint venture operating profit			200		181
Share of associate operating profit			1,215		1,390
Dividends from investments			19		-
Total operating profit	3		70,552		50,143
Other interest receivable and similar income	6		2,770		980
Interest payable and similar charges	7		(5,844)		(5,007)
Other finance income / costs	8		4,418		2,746
Profit on ordinary activities before taxation	2-5		71,896		48,862
Tax on profit on ordinary activities	9		(12,970)		(15,179)
Profit before extraordinary items			58,926		33,683
Minority Interests			(224)		-
Profit for the financial year			58,702		33,683

Turnover and operating profit for the current and prior year arose from continuing operations and this year's acquisition of CSL (note 18).

Consolidated Balance Sheet at 30 September 2008

	Note	2008 £000	2008 £000	2007 £000	2007 £000
Fixed assets					
Intangible assets	10		26,715		5,971
Tangible assets	11		304,696		245,898
Investments	12				
Investments in joint ventures					
Share of gross assets		2,629		3,151	
Share of gross liabilities		(401)		(589)	
Investments in associates		.		4,360	
			2,228		6,922
			333,639		258,791
Current assets					
Stocks	13	78,345		98,745	
Debtors	14	170,581		115,350	
Cash at bank and in hand		11,195		662	
		260,121		214,757	
Creditors: amounts falling due within one year	15	(217,048)		(205,012)	
Net current assets			43,073		9,745
Total assets less current liabilities			376,712		268,536
Creditors: amounts falling due after more than one year	16		(10,823)		(5,037)
			365,889		263,499
Provisions for liabilities and charges					
Deferred taxation	17		(2,201)		(2,092)
Net assets excluding pension liabilities			363,688		261,407
Pension liabilities	24		(64,637)		(53,346)
Net assets including pension liabilities			299,051		208,061
Capital and reserves					
Called up share capital	19		77,204		45,204
Other reserves	20		55,000		55,000
Profit and loss account	20		159,490		107,857
Shareholders' funds			291,694		208,061
Minority Interest	21		7,357		-
Equity			299,051		208,061

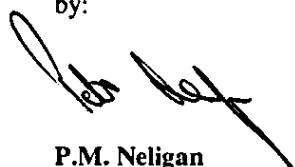
These financial statements were approved by the board of directors on 27th July 2009 and were signed on its behalf by:


P.M. Neligan
Director

Company Balance Sheet
at 30 September 2008

	<i>Note</i>	2008 £000	2008 £000	2007 £000	2007 £000
Fixed assets					
Investments	12		266,512		239,906
Current assets					
Debtors	14	33,971		219	
		<u>33,971</u>		<u>219</u>	
Creditors: amounts falling due within one year	15	(144,669)		(178,046)	
Net current liabilities			(110,698)		(177,827)
Total assets less current liabilities			<u>155,814</u>		<u>62,079</u>
Net assets			<u>155,814</u>		<u>62,079</u>
Capital and reserves					
Called up share capital	19		77,204		45,204
Other reserves	20		150,528		150,528
Profit and loss account	20		(71,918)		(133,653)
Shareholders' funds			<u>155,814</u>		<u>62,079</u>

These financial statements were approved by the board of directors on 27th July 2009 and were signed on its behalf by:


P.M. Neligan
Director

Consolidated Statement of Total Recognised Gains and Losses for the year ended 30 September 2008

	2008 £000	2007 £000
Profit for the financial year		
Group	57,760	32,508
Share of joint venture	166	150
Share of associate	776	1,025
	<hr/> 58,702	<hr/> 33,683
Net exchange differences on the retranslation of overseas subsidiaries and related borrowings	3,835	810
CSL pre acquisition equity gains for the year	1,479	-
Capital contribution/(distribution) from/(to) parent company	8,486	(6,932)
Actuarial gain / (loss) recognised in the pension schemes	(28,882)	42,683
Deferred tax arising on gains / (losses) in the pension schemes	8,013	(11,855)
	<hr/> 51,633	<hr/> 58,389
Total recognised gains and losses relating to the financial year	51,633	58,389
Prior year adjustment	-	(4,348)
	<hr/> 51,633	<hr/> 54,041
Total gains and losses recognised since last annual report	<hr/> <hr/> 51,633	<hr/> <hr/> 54,041

Reconciliations of Movements in Shareholders' Funds for the year ended 30 September 2008

	Group		Company	
	2008 £000	2007 £000	2008 £000	2007 £000
Profit/(loss) for the financial year	58,702	33,683	61,735	(10,167)
Other recognised gains and losses relating to the year (net)	(7,069)	24,706	-	-
Equity injection from parent company to share capital	32,000	-	32,000	-
	<hr/> 83,633	<hr/> 58,389	<hr/> 93,735	<hr/> (10,167)
Net addition to shareholders' funds	83,633	58,389	93,735	(10,167)
Opening shareholders' funds as originally stated	208,061	154,020	62,079	72,246
Prior year adjustment	-	(4,348)	-	-
	<hr/> 208,061	<hr/> 149,672	<hr/> 62,079	<hr/> 72,246
Opening shareholders' funds as restated	208,061	149,672	62,079	72,246
	<hr/> 291,694	<hr/> 208,061	<hr/> 155,814	<hr/> 62,079
Closing shareholders' funds	<hr/> <hr/> 291,694	<hr/> <hr/> 208,061	<hr/> <hr/> 155,814	<hr/> <hr/> 62,079

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Under FRS1 the group is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the group in its own published consolidated financial statements.

As 100% of the company's voting rights are controlled within the group headed by Air Products and Chemicals Inc., the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of Air Products and Chemicals Inc., within which this company is included, can be obtained from the address given in note 25.

Under section 230(4) of the Companies Act 1985 the Company is exempt from the requirement to present its own profit and loss account.

Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 30 September 2008. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

An associate is an undertaking in which the group has a long term interest, usually from 20% to 50% of the equity voting rights, and over which it exercises significant influence. A joint venture is an undertaking in which the group has a long-term interest and over which it exercises joint control. The group's share of the profits less losses of associates and of joint ventures is included in the consolidated profit and loss account and its interest in their net assets is included in investments in the consolidated balance sheet.

Goodwill and negative goodwill

Purchased goodwill (both positive and negative) arising on consolidation or business combinations in respect of acquisitions before 1 January 1998, when FRS 10 *Goodwill and intangible assets* was adopted, was written off to reserves in the year of acquisition. When a subsequent disposal occurs any related goodwill previously written off to reserves is written back through the profit and loss account as part of the profit or loss on disposal.

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on consolidation or business combinations in respect of acquisitions since 1 January 1998 is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life of between 8 and 20 years. Provision is made for any impairment and the charge is included within operating profit.

Negative goodwill arising on consolidation in respect of acquisitions since 1 January 1998 is included within fixed assets and released to the profit and loss account in the periods in which the fair values of the non-monetary assets purchased on the same acquisition are recovered, whether through depreciation or sale. Negative goodwill is released to the profit and loss account on a straight line basis.

On the subsequent disposal or termination of a business acquired since 1 January 1998, the profit or loss on disposal or termination is calculated after charging (crediting) the unamortised amount of any related goodwill (negative goodwill).

Notes (continued)

1 Accounting policies (continued)

Fixed asset investments

Investments in subsidiary undertakings, associates and joint ventures are stated at cost less any provision for impairment.

Fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold buildings	-	Up to 50 years
Leasehold property	-	Period of the lease
Plant and machinery	-	4-25 years
Leasehold improvements	-	Period of the lease

No depreciation is provided on freehold land.

Costs include directly attributable finance costs.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date or, if hedged forward, at the rate of exchange under the related forward currency contract and the gains or losses on translation are included in the profit and loss account.

The assets and liabilities of overseas subsidiary undertakings are translated at the closing exchange rates. Profit and loss accounts of such undertakings are consolidated at the average rates of exchange during the year. Gains and losses arising on these translations are taken to reserves, net of exchange differences arising on related foreign currency borrowings.

Government grants

Capital based government grants are included within accruals and deferred income in the balance sheet and credited to the profit and loss account over the estimated useful economic lives of the assets to which they relate.

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Post retirement benefits

The group operates two types of pension schemes, defined contribution pension scheme and defined benefits pension scheme. The defined contributions scheme payments are charged to the Profit and Loss Account as incurred.

Defined benefits pension scheme provides benefits on final pensionable pay and the assets of the scheme are held separately from those of the group. The defined benefits scheme was closed to new members in December 2005 and its accounting treatment is explained below

Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses.

Notes (continued)

1 Accounting policies (continued)

Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, the weighted average purchase price is used. For work in progress and finished goods, cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

Long term contracts

The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years. Provision is made for any losses as soon as they are foreseen.

Contract work in progress is stated at costs incurred, less those transferred to the profit and loss account, after deducting foreseeable losses and payments on account not matched with turnover.

Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on account.

Interest costs incurred during the construction period on long-term contracts are included in work-in-progress.

Taxation

The charge for taxation is based on the profit / (loss) for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Turnover

Turnover represents the amounts (excluding value added tax, credit notes and returns) derived from the provision of goods and services to third party customers and excludes sales between group undertakings.

Sales of industrial gases are recorded at the time of shipment and sales of specialty chemicals are recorded at the time of receipt by the customer.

Product swap transactions are shown net in either turnover or cost of sales.

Notes (continued)

1 Accounting policies (continued)

Share based payments

The share option programme allows employees to acquire shares of the Parent Company, Air Products & Chemicals Inc. The fair value of options granted (after 7 November 2002 and those not yet vested as at 1 October 2005) is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

For cash settled share based payment transactions, the fair value of the amount payable to the employee is recognised as an expense with a corresponding increase in liabilities. The fair value is initially measured at grant date and spread over the period during which the employees become unconditionally entitled to payment. The fair value is measured based on an option pricing model taking into account the terms and conditions upon which the instruments were granted. The liability is re-valued at each balance sheet date and settlement date with any changes to fair value being recognised in the profit and loss account.

Air Products & Chemicals Inc. recharges to the company the difference between the option price and the market price of share based payments at the date of exercise of the option. As a recharge is linked clearly to a share based payment, then the recharge is a transaction with the parent in its capacity as a shareholder and is accounted for as a capital transaction recognised in connection with the group share based arrangements. Accordingly AP Group Ltd recognises a recharge liability and a corresponding adjustment (debit) in equity for the capital distribution recognised in respect of the share based payment. The re-charge liabilities arising from the recharge arrangement are re-measured at each reporting date until settlement date using the option pricing model and the amounts of the re-measurement are recognised as a capital distribution to the parent.

The grant date fair value of the equity-settled share based payments is not re-measured subsequently.

Dividends on shares presented within shareholders' funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

Notes (continued)

2 Analysis of turnover on ordinary activities before taxation

The Turnover on ordinary activities before taxation is attributable to the one principal activity of the company.

By geographical market	2008 £000	2007 £000
Europe	406,719	364,915
Africa & Middle East	40,949	62,635
Americas	10,772	18,897
Asia / Pacific	52,614	31,252
	<hr/>	<hr/>
	511,054	477,699
	<hr/>	<hr/>

By business	2008 £000	2007 £000
Industrial Gases	439,377	414,822
Equipment	71,677	62,877
	<hr/>	<hr/>
	511,054	477,699
	<hr/>	<hr/>

Notes (continued)

3 Notes to the profit and loss account

	2008 £000	2007 £000
<i>Profit on ordinary activities before taxation is stated after charging / (crediting)</i>		
Depreciation and other amounts written off tangible fixed assets (note 11):		
Owned	30,713	30,612
Leased	232	679
Amortisation of intangibles (note 10)	1,431	1,722
Exchange losses / (gains)	2,306	(144)
Hire of plant and machinery – rentals payable under operating leases	13,582	13,890
Hire of other assets – operating leases	5,435	5,499
Profit on sale of fixed assets	(1,489)	(2,997)
 <i>Auditors' remuneration:</i>	 2008	 2007
	£000	£000
Amounts receivable by auditors and their associates in respect of:		
Audit of these financial statements	34	34
Audit of financial statements of subsidiaries pursuant to legislation	320	314
	<hr/> 354	<hr/> 348
	<hr/>	<hr/>

The total figures for continuing operations in 2008 include the following amounts relating to the acquisition of CSL:
Cost of sales £1,438,000, net operating expenses £3,076,000 (mainly production and engineering £422,000, distribution £1,445,000 and administrative expenses £1,209,000).

4 Remuneration of directors

	2008 £000	2007 £000
Directors' emoluments	731	873
Pension contributions	118	135
	<hr/> 849	<hr/> 1,008
	<hr/>	<hr/>

The aggregate of emoluments and pension contributions of the highest paid director were £277,000 (2007: £230,142) and £46,000 (2007: £41,000) respectively. During the year the highest paid director exercised share options and received shares under a long term incentive scheme.

	Number of directors 2008	2007
Retirement benefits are accruing to the following number of directors under:		
Defined benefit schemes	3	5
	<hr/>	<hr/>
Number of directors who exercised share options	3	
Number of directors in respect of whose services shares were received or receivable under long term incentive schemes	3	5
	<hr/>	<hr/>

Notes (continued)

5 Staff numbers and costs

The average number of persons employed by the group (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2008	2007
Industrial gases and equipment	2,024	2,004
Chemical agents	53	53
	<u>2,077</u>	<u>2,057</u>

The aggregate payroll costs of these persons were as follows:

	2008 £000	2007 £000
Wages and salaries	98,500	90,901
Social Security Costs	9,913	9,002
Defined benefits pension scheme costs (note 24)	11,913	11,765
Defined contribution pension scheme costs (note 24)	50	-
Share Based Payments (note 25)	2,500	2,917
	<u>122,876</u>	<u>114,585</u>

6 Other interest receivable and similar income

	2008 £000	2007 £000
Bank interest	1,144	690
Net exchange gains	-	229
Interest receivable from other group companies	1,593	25
Share of joint venture	33	36
	<u>2,770</u>	<u>980</u>

7 Interest payable and similar charges

	2008 £000	2007 £000
On bank loans and overdrafts	365	457
Finance charges payable in respect of finance leases and hire purchase contracts	443	87
Interest payable to other group companies	4,802	4,304
Net exchange losses	234	-
Share of associate	-	159
	<u>5,844</u>	<u>5,007</u>

Notes (continued)

8 Other finance income/ (costs)

	2008 £000	2007 £000
Expected return on pension scheme assets	30,177	25,718
Interest on pension scheme liabilities	(25,759)	(22,972)
	<u>4,418</u>	<u>2,746</u>

9 Taxation

Analysis of charge in period:

	2008 £000	2008 £000	2007 £000	2007 £000
<i>UK corporation tax</i>				
Current tax on income for the period	12,486		10,759	
Adjustments in respect of prior periods	607		313	
	<u>13,093</u>		<u>11,072</u>	
<i>Foreign tax</i>				
Current tax on income for the period	-		35	
Adjustments in respect of prior periods	133		-	
	<u>133</u>		<u>35</u>	
Total current tax		<u>13,226</u>		<u>11,107</u>
<i>Deferred tax (see note 17)</i>				
Origination/reversal of timing differences	(576)		1,412	
Adjustment in respect of previous years	(70)		2,297	
	<u>(646)</u>		<u>3,709</u>	
Share of joint ventures' tax		67		69
Share of associates' tax		323		294
		<u>12,970</u>		<u>15,179</u>

Notes (continued)

9 Taxation (continued)

Factors affecting the tax charge for the current period

The current tax charge for the period is lower than the standard rate of corporation tax in the UK of 29%, (2007: 30%). The differences are explained below.

	2008 £000	2007 £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	71,896	48,862
Current tax at 29%	20,541	14,659
<i>Effects of:</i>		
Expense / (income) not deductible / (chargeable) for tax purposes	645	(593)
Depreciation for the period in excess of capital allowances	-	1,566
Capital allowances for the period in excess of depreciation	(3,441)	-
Group relief not paid	(23)	-
Consortium relief	(63)	-
Lower tax rates on overseas earnings	(1,535)	(944)
Short term timing differences on pension	(3,860)	(4,079)
Short term timing differences on share based payments	601	353
Other short term timing differences	67	(127)
Manufacturing relief credit	(56)	(41)
Share of joint ventures' tax	(67)	-
Share of associates' tax	(323)	-
Adjustments to tax charge in respect of previous periods	740	313
Total current tax charge (see above)	13,226	11,107

Factors that may affect future tax charges

The group has an unrecognised deferred tax asset which may affect future tax charges.

Notes (continued)

10 Intangible fixed assets

	Goodwill £000	Development Expenditure £000	Goodwill £000
Group			
<i>Cost</i>			
At beginning of year	31,392	-	31,392
Additions during the year (note 18)	21,651	524	22,175
	<hr/>	<hr/>	<hr/>
At end of year	53,043	524	53,567
<i>Amortisation</i>			
At beginning of year	25,421	-	25,421
Charge for year	1,413	18	1,431
	<hr/>	<hr/>	<hr/>
At end of year	26,834	18	26,852
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 30 September 2008	26,209	506	26,715
	<hr/>	<hr/>	<hr/>
At 30 September 2007	5,971	-	5,971
	<hr/>	<hr/>	<hr/>

The goodwill additions during the year relate to the group's increased holdings in CSL which is discussed in note 18 acquisitions.

Prior to becoming a subsidiary undertaking CSL was accounted for as an associated undertaking. In accordance with FRS 2, and in order to give a true and fair view, purchased goodwill has been calculated as the sum of the goodwill arising on each purchase of shares in CSL, being the difference at the date of each purchase between the fair value of the consideration given and the fair value of the identifiable assets and liabilities attributable to the interest purchased. This represents a departure from the statutory method, under which goodwill is calculated as the difference between cost and fair value on the date that CSL became a subsidiary undertaking. The statutory method would not give a true and fair view because it would result in the group's share of CSL's retained reserves, during the period that it was an associated undertaking, being recharacterised as goodwill. The effect of this departure is to increase the revaluation reserve by £Nil, to increase retained profits by £2,7million, and to increase purchased goodwill charged to the acquisition reserve by £2,7million.

Research and development in the business relates to the development of distribution solutions. On completion of the projects the overall costs are re-evaluated and attributable costs are transferred to development expenditure. Development expenditure on completed projects is being amortised over their estimated useful economic life of between five and eight years.

Notes (continued)

11 Tangible fixed assets

Group	Freehold and long leasehold property £000	Plant and machinery £000	Short leasehold £000	Assets under construction £000	Total £000
Cost					
At beginning of year	41,592	526,560	177	26,063	594,392
Exchange adjustments	135	3,816	-	2	3,953
Additions	2,118	22,867	-	30,471	55,456
Acquisitions during the period	4,595	29,715	773	-	35,083
Disposals	(675)	(15,848)	-	(402)	(16,925)
Transfers between items	9	15,649	-	(15,658)	-
At end of year	47,774	582,759	950	40,476	671,959
Depreciation					
At beginning of year	21,702	326,294	93	405	348,494
Exchange adjustments	50	2,144	-	-	2,194
Charge for year	1,059	29,909	5	-	30,973
Transfers between items	-	405	-	(405)	-
On disposals	(347)	(14,051)	-	-	(14,398)
At end of year	22,464	344,701	98	-	367,263
Net book value					
At 30 September 2008	25,310	238,058	852	40,476	304,696
At 30 September 2007	19,890	200,266	84	26,059	245,898

Freehold land and buildings includes £9,465,000 (2007: £8,668,000) of land that is not being depreciated.

The leasehold land and buildings are substantially held under leases with more than 50 years remaining.

Included in the total net book value of plant and machinery is £542,000 (2007: £439,000) in respect of assets held under finance leases. Depreciation for the year on these assets was £232,000 (2006: £679,000).

Included in the cost of tangible fixed assets is £5,950,000 (2007: £6,154,000), with a net book value of £1,484,000 (2007: £2,300,000) in respect of capitalised interest costs.

Notes (continued)

12 Fixed asset investments

	Investment in joint venture £000	Investment in associate £000	Total £000
Group			
Cost			
At beginning of year	50	2,498	2,548
Transfer from associate to subsidiary, CSL (note 18)	-	(2,498)	(2,498)
	<hr/>	<hr/>	<hr/>
At end of year	50	-	50
Share of post acquisition reserves			
At beginning of year	2,512	1,862	4,374
Group share of profit of joint venture	166		166
Dividends received	(500)	-	(500)
Transfer from associate to subsidiary, CSL (note 18)	-	(1,862)	(1,862)
	<hr/>	<hr/>	<hr/>
At end of year	2,178	-	2,178
	<hr/>	<hr/>	<hr/>
Net book value			
At 30 September 2008	2,228	-	2,228
	<hr/>	<hr/>	<hr/>
At 30 September 2007	2,562	4,360	6,922
	<hr/>	<hr/>	<hr/>

Company	Shares in group undertakings £000
Shares	
Cost	
At beginning of year	314,160
Additions	33,623
Disposals	(7,356)
	<hr/>
At end of year	340,427
Provisions	
At beginning of year	(74,254)
Impairments	339
	<hr/>
At end of year	(73,915)
	<hr/>
Net book value	
At 30 September 2008	266,512
	<hr/>
At 30 September 2007	239,906
	<hr/>

During the year the company sold 53.64% of its 100% holding in Air Products Ireland Ltd (IE01) to another group entity Air Products (BR) Ltd (GB02). IE01 value in the company's books at the time of the sale was made of a £13,714,150 investment and impairment provision of £631,000. This transaction is eliminated in consolidation at the groups level.

Notes (continued)

12 Fixed asset investments (continued)

Air Products Group Ltd (APGL) has acquired an additional 47% of Cryoservice Ltd at 1st July 2008. With this acquisition Air Products Group Ltd hold the majority shareholding of CryoService Ltd through a direct 47% and indirect 25% owned through its 100% investment in AP PLC. As a result of this additional acquisition CryoService Ltd became a subsidiary of Air Products Group Ltd (APGL).

The undertakings in which the company's interest at the year end is more than 20% are as follows:

	Country of Incorporation	Principal activity	Class and percentage of shares held by the company	
			Indirectly	Directly
<i>Subsidiary undertakings</i>				
Air Products (BR) limited	Great Britain	Industrial gases		100%
Air Products PLC	Great Britain	Industrial gases		100%
Air Products Ireland Limited	Ireland	Industrial gases	54%	46%
Air Products (Chemicals) PLC	Great Britain	Chemicals		100%
Air Products (Chemicals) Teesside Limited	Great Britain	Industrial gases		100%
Prodair Services Limited	Great Britain	Site services for major equipment sales		100%
Cryomed Limited	Great Britain	Dormant		100%
Air Products (UK) Limited	Great Britain	Dormant	100%	
Air Products (GB) Limited	Great Britain	Dormant	100%	
Anchor Chemical (UK) Limited	Great Britain	Dormant	100%	
Anchor Chemical International Limited	Great Britain	Dormant	100%	
Ancomer Limited	Great Britain	Dormant	100%	
Air Products Peru S.A.C.	Peru	Construction and Maintenance of Industrial Gas Plants		100%
Air Products Yanbu Limited	Great Britain	Construction and Maintenance of Industrial Gas Plants		100%
Air Products Medical Ireland Limited	Ireland	Dormant	100%	
Cryoservice Limited	Great Britain	Industrial gases	25%	47%
<i>Associated undertakings – joint ventures</i>				
Air Products Llanwern Limited	Great Britain	Industrial gases	50%	

Notes (continued)

13 Stocks

	Group	
	2008 £000	2007 £000
Raw materials and consumables	8,753	10,460
Work in progress	51,722	74,245
Finished goods and goods for resale	17,870	14,040
	<u>78,345</u>	<u>98,745</u>

Work in progress includes the following amounts in respect of long-term contracts:

	Group	
	2008 £000	2007 £000
Net cost less foreseeable losses	91,912	125,925
Less payments on account received and receivable not matched with turnover	(41,386)	(54,483)
	<u>50,526</u>	<u>71,442</u>

14 Debtors

	Group		Company	
	2008 £000	2007 £000	2008 £000	2007 £000
Trade debtors	80,269	66,543	-	-
Amounts owed by other group undertakings	85,581	45,060	33,642	159
Amounts owed by subsidiary undertakings	-	-	172	-
Amounts owed by associate undertakings	-	723	-	-
Other debtors	2,433	1,555	157	60
Prepayments and accrued income	2,298	1,469	-	-
	<u>170,581</u>	<u>115,350</u>	<u>33,971</u>	<u>219</u>

Total group debtors include other debtors of £4,649,700 (2007: £10,070,836) due after more than one year.

Total group and company debtors include amounts owed by other group undertakings of £ nil (2007: £nil) due after more than one year.

Notes (continued)

15 Creditors: amounts falling due within one year

	Group		Company	
	2008	2007	2008	2007
	£000	£000	£000	£000
Bank loans and overdrafts	19,985	24,888	1,407	427
Obligations under finance leases	2,141	227	-	-
Payments received on account	13,677	11,627	-	-
Trade creditors	22,311	22,964	6	-
Amounts owed to other group undertakings	97,881	90,289	35,952	51,889
Amounts owed to subsidiary undertakings	-	-	106,777	125,622
Amounts owed to associate undertakings	756	706	-	-
Other creditors	13,929	8,165	527	108
Accruals and deferred income	46,368	46,146	-	-
	<u>217,048</u>	<u>205,012</u>	<u>144,669</u>	<u>178,046</u>

16 Creditors: amounts falling due after one year

	Group		Company	
	2008	2007	2008	2007
	£000	£000	£000	£000
Obligations under finance leases	3,378	-	-	-
Amounts owed to other group undertakings	213	-	-	-
Amounts owed to associate undertakings	2,442	2,985	-	-
Other creditors	4,790	2,052	-	-
	<u>10,823</u>	<u>5,037</u>	<u>-</u>	<u>-</u>

Amounts owed to associate undertakings relates to a loan from Air Products Llanwern Limited of £2,985,000 (2007: £3,528,000) which is unsecured, interest free and is repayable in fifteen semi-annual instalments by 14 November 2013. Of this £2,442,000 (2007: £2,985,000) is due after more than one year and £543,000 (2007: £543,000) is due within one year.

Notes (continued)

16 Creditors: amounts falling due after one year (continued)

Analysis of debt:

	Group		Company	
	2008	2007	2008	2007
	£000	£000	£000	£000
Debt can be analysed as falling due:				
In one year or less, or on demand	120,762	116,108	144,670	178,046
Between one and two years	-	-	-	-
Between two and five years	6,033	2,985	-	-
In five years or more	-	-	-	-
	<u>126,795</u>	<u>119,093</u>	<u>144,670</u>	<u>178,046</u>

The maturity of obligations under finance leases is as follows:

	Group	
	2008	2007
	£000	£000
Within one year	2,141	227
In the second to fifth years	3,378	-
Over five years	-	-
	<u>5,519</u>	<u>227</u>

Notes (continued)

17 Deferred taxation

The movement in the deferred taxation provision during the year was:
Group

	2008 £000	2007 £000
At beginning of year	(2,092)	(4,773)
Acquisition	(4,467)	-
Charge / (credit) to the profit and loss for the year	4,288	2,681
Prior year adjustment	70	-
	<hr/>	<hr/>
At end of year	(2,201)	(2,092)
	<hr/>	<hr/>

The elements of deferred taxation are as follows:

	2008 £000	2007 £000
Difference between accumulated depreciation and capital allowances	(4,538)	(3,383)
Other timing differences	2,337	1,291
	<hr/>	<hr/>
	(2,201)	(2,092)
	<hr/>	<hr/>

Deferred taxation relating to Pension Liabilities is as follows:

	2008 £000	2007 £000
At beginning of year	20,665	38,910
Charge to the profit and loss for the year	(3,712)	(6,390)
Credit / (charge) to the statement of total recognised gains and losses for the year	8,013	(11,855)
	<hr/>	<hr/>
At end of year	24,966	20,665
	<hr/>	<hr/>

The movement in total deferred tax during the year was:

	2008 £000	2007 £000
At beginning of year	18,573	34,137
Beginning balance CSL	(4,467)	-
Credit / (charge) to the profit and loss for the year	576	(3,709)
Credit / (charge) to the statement of total recognised gains and losses for the year	8,013	(11,855)
Prior year adjustment	70	-
	<hr/>	<hr/>
At end of year	22,765	18,573
	<hr/>	<hr/>

Notes (continued)

17 Deferred taxation (continued)

The elements of unrecognised deferred taxation are as follows:

	2008 £000	2007 £000
Difference between accumulated depreciation and amortisation and capital allowances	-	8,794
Other timing differences	-	375
	<hr/>	<hr/>
Unrecognised deferred tax asset	-	9,169
	<hr/>	<hr/>

Prior year deferred tax asset has been recognised as the realisability of this element of deferred tax asset is considered more likely than not due to changes in the groups' performance.

18 Acquisitions

The 1st July 2008 the group increased its holding in one of its associates, Cryoservice Limited (CSL), by 47%, from 25% to 72%. The resulting goodwill of £21,651,000 was capitalised and will be written off over 20 years.

	Book value £000	Re- Valuation £000	Fair value £000
Fixed assets			
Intangible	1,471	(947)	524
Tangible	30,648	4,435	35,083
Current assets			
Stock	1,284	-	1,284
Debtors	5,713	-	5,713
Cash	32	-	32
	<hr/>	<hr/>	<hr/>
Total assets	39,148	3,488	42,636
	<hr/>	<hr/>	<hr/>
Liabilities	12,466	-	12,466
Provisions	2,201	-	2,201
	<hr/>	<hr/>	<hr/>
Creditors	2,496	-	2,496
	<hr/>	<hr/>	<hr/>
Total liabilities	17,163	-	17,163
	<hr/>	<hr/>	<hr/>
Net assets	21,985	3,488	25,473
	<hr/>	<hr/>	<hr/>
Acquired net assets 47%			11,972
	<hr/>	<hr/>	<hr/>
Goodwill			21,651
			<hr/>
Purchase consideration and costs of acquisition			33,623
			<hr/>

Notes (continued)

18 Acquisitions (continued)

The acquired undertaking made a profit of £3,105,000 from the beginning of its financial year to the date of acquisition. In its previous financial year commencing on 1st September 2006 the profit was £4,168,000.

19 Called up share capital

	2008 £000	2007 £000
<i>Authorised</i>		
Equity: 200,000,000 ordinary shares of £1 each	200,000	200,000
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
Equity: 77,204,000 ordinary shares of £1 each	77,204	45,204
	<hr/>	<hr/>

During the year the Company issued 32,000,000 £1 ordinary shares for a consideration of £1, settled in cash.

Notes (continued)

20 Reserves

Group	2008 Other reserves £000	2008 Profit and loss account £000
At beginning of year	55,000	107,857
Profit for the financial year	-	58,702
Exchange adjustments	-	3,835
CSL pre acquisition equity gains for the year	-	1,479
Capital contribution from parent company	-	8,486
Actuarial (loss) / gain recognised in the pension schemes	-	(28,882)
Deferred tax arising on gains / (losses) in the pension schemes	-	8,013
At end of year	55,000	159,490

Group	2008 £000	2007 £000
Profit and loss reserve excluding pension liability	223,905	161,203
Pension liability	(64,637)	(53,346)
Profit and loss reserve including pension liability	159,268	107,857

Company	2008 Other Reserves £000	2008 Profit and loss account £000
At beginning of year	150,528	(133,653)
Profit for the financial year	-	61,735
Capital injection from parent company	-	-
At end of year	150,528	(71,918)

The Company's profit for the financial year was £61,735,000 (2007: Loss £10,167,000).

Notes (continued)

21 Minority interest

	2008 £000	2007 £000
At beginning of year	-	-
Arising on acquisitions of subsidiary undertakings	7,133	-
Share of profit for the year	224	-
At end of year	7,357	-

22 Contingent liabilities

The company and certain of its subsidiaries have guaranteed the overdrafts and gross value of foreign exchange facilities of other subsidiaries within the group; the amount outstanding at the year end was £57,000,000 (2007: £57,000,000).

The company has provided guarantees and letters of awareness in respect of performance guarantees and transactions amounting to £1,329,244 (2007: £1,329,244).

The group has provided bank guarantees to third parties amounting to £42,156,666 (2007: £40,441,157).

23 Commitments

- (a) Capital commitments at the end of the financial year, for which no provision has been made, are as follows:

	Group 2008 £000	2007 £000
Contracted	19,509	35,256

- (b) Annual commitments under non-cancellable operating leases are as follows:

	2008		2007	
Group	Land and buildings £000	Other £000	Land and Buildings £000	Other £000
Operating leases which expire:				
Within one year	66	477	112	286
In the second to fifth years inclusive	232	678	477	1,773
Over five years	3,809	522	3,703	156
	4,107	1,677	4,292	2,215

- (c) Joint ventures and associates

The group's share of capital commitments, as at the end of the financial year, of its joint venture and associate was £1,519,000 (2007: £1,519,000).

Notes (continued)

24 Pension scheme

Group

The group operates a number of pension schemes within the UK and Ireland. The defined benefits pension schemes provide benefits based on final pensionable pay. This pension scheme was closed to new members in December 2005. Since that date employees have the option to join a defined contributions scheme which is referred to in Note 5. With relation to the defined benefits schemes the latest full actuarial valuation was carried out at 5 April 2006 for the UK main scheme, 6 April 2005 for the UK supplementary scheme and 1 February 2008 for the Ireland scheme and was updated for FRS 17 purposes to 30 September 2008 and 30 September 2007 by a qualified independent actuary. It has been agreed that an employer contribution rate of 30% for the UK schemes and 26% for the Irish scheme of pensionable pay will apply in future years.

The major assumptions used by the actuary in these valuations were:

UK schemes	2008	2007	2006
Rate of increase in salaries	4.50%	4.00%	3.60%
Rate of increase in pensions in payment and deferred pensions:			
Pre-April 2005	3.60%	3.20%	2.80%
Post April 2005	2.30%	2.25%	2.00%
Discount rate applied to scheme liabilities	7.10%	5.85%	5.00%
Inflation assumption	3.70%	3.20%	2.80%
 Ireland scheme	 2008	 2007	 2006
Rate of increase in salaries	2.50%	4.00%	4.40%
Discount rate applied to scheme liabilities	6.00%	5.00%	4.50%
Inflation assumption	3.50%	2.25%	2.25%

The assumptions used by the actuary are chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

Notes (continued)

24 Pension scheme (continued)

Scheme assets

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

	Long term rate of return 2008	Value at 2008 £000	Long term rate of return 2007	Value at 2007 £000	Long term rate of return 2006	Value at 2006 £000
Equities	8.59%	233,332	8.59%	290,101	8.39%	251,263
Bonds	7.28%	71,021	5.69%	67,592	4.84%	70,268
Annuities	4.65%	6,600	4.75%	7,380	4.25%	7,100
Cash	5.21%	11,266	4.86%	3,920	4.64%	673
Total market value of assets		322,219		368,993		329,304
Present value of scheme liabilities		(411,302)		(441,874)		(459,605)
Deficit in the scheme		(89,083)		(72,881)		(130,301)
Irrecoverable surplus		(520)		(1,130)		-
Deficit in the scheme – pension liability		(89,603)		(74,011)		(130,301)
Related deferred tax asset		24,966		20,665		38,910
Net pension liability		(64,637)		(53,346)		(91,391)

Notes (continued)

24 Pension scheme (continued)

Movement in deficit during the year

	2008 £000	2007 £000
Deficit in scheme at beginning of year	(74,011)	(130,301)
Exchange adjustments	(52)	(32)
Current service cost	(11,945)	(11,105)
Contributions paid	21,748	22,658
Curtailment cost	(879)	(660)
Other finance cost	4,418	2,746
Actuarial (loss) / gain	(28,882)	42,683
	<hr/>	<hr/>
Deficit in the scheme at end of year	(89,603)	(74,011)
	<hr/>	<hr/>

Analysis of other pension costs charged in arriving at operating profit:

	2008 £000	2007 £000
Current service cost	11,945	11,105
Curtailment cost	-	660
	<hr/>	<hr/>
	11,945	11,765
	<hr/>	<hr/>

Analysis of the amounts included in other finance cost:

	2008 £000	2007 £000
Expected return on pension scheme assets	30,177	25,718
Interest on pension scheme liabilities	(25,759)	(22,972)
	<hr/>	<hr/>
	4,418	2,746
	<hr/>	<hr/>

Analysis of amount recognised in statement of total recognised gains and losses:

	2008 £000	2007 £000
Actual return less expected return on scheme assets	(84,879)	1,700
Experience (losses) and gains arising on scheme liabilities	2,500	(2,064)
Changes in assumptions underlying the present value of scheme liabilities	52,707	44,087
Gain / (loss) due to effect of limitations on the balance sheet	790	(1,040)
	<hr/>	<hr/>
Actuarial (loss) / gain recognised in statement of total recognised gains and losses	(28,882)	42,683
	<hr/>	<hr/>

Notes (continued)

24 Pension scheme (continued)

Movement in pension assets during the year:

	2008 £000	2007 £000
Pension assets at beginning of the year	368,993	329,304
Exchanged adjustments	623	90
Contributions from employer	21,748	22,658
Contributions from employees	1,710	2,555
Benefits paid	(16,153)	(13,123)
Expected return on assets	30,177	25,808
Actuarial loss on assets	(84,879)	1,701
	<hr/>	<hr/>
Pension assets at the end of the year	322,219	368,993
	<hr/>	<hr/>

Movement in defined benefit obligation during the year:

	2008 £000	2007 £000
Defined benefit obligation at beginning of the year	441,874	459,605
Exchanged adjustments	495	122
Current service costs	11,945	11,105
Employees contribution	1,710	2,555
Interest cost in BDO	25,759	22,972
Benefits paid	(16,153)	(13,123)
Actuarial gain/loss	(54,328)	(41,362)
	<hr/>	<hr/>
Pension assets at the end of the year	411,302	441,874
	<hr/>	<hr/>

History of experience gains and losses:

	2008	2007	2006	2005	2004
Difference between the expected and actual return on scheme assets:					
Amount (£000)	(84,879)	1,700	9,903	28,862	6,308
Percentage of year end scheme assets	0.5%	0.5%	3.0%	9.9%	2.7%
Experience gains and losses on scheme liabilities:					
Amount (£000)	2,501	(2,064)	3,729	(6,225)	5,850
Percentage of year end present value of scheme liabilities	0.5%	0.0%	0.8%	1.5%	1.6%
Total amount recognised in statement of total recognised gains and losses:					
Amount (£000)	(28,882)	42,683	(6,572)	(1,097)	18,099
Percentage of year end present value of scheme liabilities	9.7%	9.8%	1.7%	3.4%	5.0%

Notes (continued)

25 Share Based Payments

The group employees' participate in the Air Products and Chemicals Inc. (Air Products) Long-Term Incentive Plan under which share-based compensation awards, including stock options and deferred stock units, are granted. The terms of the awards are fixed at the grant date. Air Products issues shares from treasury stock upon the exercise of stock options and the payout of deferred stock units.

The total carrying amount of liabilities due from Air Products Group Ltd (APGL) to Air Products associated with share-based compensation was £9,200,000 and £16,400,000 at 30 September 2008 and 30 September 2007 respectively.

Total before-tax share-based compensation expense recognized in the APGL income statement as a component of selling and administrative expense was £2,500,000 in 2008 and £2,900,000 in 2007.

Stock options

Executives and selected employees receive awards of options to purchase common stock. The exercise price equals the market price of Air Products stock on the date of the grant. Options vest incrementally over three years, and remain exercisable ten years from the date of grant.

The fair value of options granted in 2008 and 2007 was estimated using a lattice-based option valuation model that used the assumptions noted in the table below. Expected volatility and expected dividend yield are based on actual historical experience of Air Products stock and dividends over the historical period equal to the option term. The expected life represents the period of time that options granted are expected to be outstanding based on an analysis of Air Products specific historical exercise data. The range given below results from certain groups of employees exhibiting different behaviour. Separate groups of employees that have similar historical exercise behaviour were considered separately for valuation purposes. The risk-free rate is based on the U.S. Treasury Strips with terms equal to the expected time of exercise as of the grant date.

	2008	2007
Expected volatility	31.2%	30.6%
Expected dividend yield	2.1%	2.1%
Expected life (in years)	7.0-9.0	7.0-9.0
Risk-free interest rate	4.5%-4.7%	4.5%-4.7%

The weighted-average grant-date fair value of options granted during 2008 and 2007 was £17.63 and £11.27 per option, respectively.

Notes (continued)

25 Share Based Payments (continued)

A summary of the stock option activity is presented below:

	2008	2008		2007	2007
	Shares	Weighted		Shares	Weighted
	(000)	Average		(000)	Average
		Exercise			Exercise
		Price			Price
Outstanding at			Outstanding at		
30 September 2007	1,570	£21	30 September 2006	2,081	£22
Granted	93	£50	Granted	131	£34
Exercised	(243)	£19	Exercised	(635)	£18
Forfeited	(4)	£20	Forfeited	(7)	£20
Outstanding at			Outstanding at		
30 September 2008	1,416	£28	30 September 2007	1,570	£22
Exercisable at			Exercisable at		
30 September 2008	1,203	£26	30 September 2007	1,318	£21

The weighted average share price at the date of exercise for options exercised during 2008 and 2007 was £49.99 and £39.06, respectively.

The total intrinsic value of stock options exercised during 2008 and 2007 was £8,270,000 and £13,000,000, respectively.

The stock options outstanding at 30 September 2008 had exercise prices in the range of £14.6 to £50.14 and a weighted average remaining contractual life of 5 years.

Compensation cost is recognized over the stated vesting period consistent with the terms of the arrangement (i.e., on a graded-vesting basis). Expense recognition is accelerated for retirement eligible individuals who would meet the requirements for vesting of awards upon their retirement. Total before-tax share-based compensation expense recognized in the APPLC income statement for stock options was £1,500,000 in 2008 and £1,600,000 in 2007.

Deferred Stock Units

Deferred stock units have been granted to executives and selected employees. These deferred stock units entitle the recipient to one share of common stock upon vesting, which is conditioned on continued employment during the deferral period and may also be conditioned on earn-out against certain performance targets. The deferral period generally ends after death, disability, or retirement. However, for a portion of the performance-based deferred stock units, the deferral period ends at the end of the performance period (one to three years) or up to two years thereafter. Certain of the performance-based deferred stock units provide for one-half of the earned shares to be paid in cash at the end of the performance period. Beginning in 2004, deferred stock units subject to a four-year deferral period have been granted to selected employees.

The grant-date fair value of deferred stock units is estimated on the date of grant based on the market price of Air Products stock, and compensation cost is generally amortized to expense on a straight-line basis over the vesting period during which employees perform related service. Expense recognition is accelerated for retirement eligible individuals who would meet the requirements for vesting of awards upon their retirement.

Total before-tax share-based compensation expense recognized in the income statement for deferred stock units was £1,000,000 in 2008 and £1,300,000 in 2007. Of this total expense, £300,000 in 2008 and £100,000 in 2007 related to share-based payments to be settled in cash. These cash-settled arrangements include dividend equivalents and the cash portion of performance share awards. The liability for cash-settled arrangements was £160,000 and £540,000 at the end of 2008 and 2007, respectively.

Notes (continued)

25 Share Based Payments (continued)

	2008	2008		2007	2007
	Shares (000)	Weighted Average Grant-Date Fair Value		Shares (000)	Weighted Average Grant-Date Fair Value
Outstanding at			Outstanding at		
30 September 2007	187	£25	30 September 2006	157	£25
Granted	20	£57	Granted	33	£35
Paid Out	(75)	£25	Paid Out	(1)	£12
Forfeited	(2)	£38	Forfeited	(2)	£29
Outstanding at			Outstanding at		
30 September 2008	130	£32	30 September 2007	187	£25

26 Ultimate parent company and parent undertaking of larger group

The company is a subsidiary undertaking of Air Products and Chemicals Inc, which is the ultimate parent company incorporated in Delaware, USA.

The largest group in which the results of the company are consolidated is that headed by Air Products and Chemicals, Inc., the ultimate controlling party and a company incorporated in the State of Delaware, USA. The consolidated financial statements of this group are available to the public and may be obtained from:

Corporate Secretary
Air Products and Chemicals, Inc
7201 Hamilton Boulevard
Allentown
Pennsylvania 18195 – 1501

27 Events after the balance sheet date

In December 2008, Air Products Plc announced that due to the necessity to improve competitiveness, to move to a sustainable low cost structure and also due to deteriorating business conditions, its' intention to make redundancies in 2009. The expected cost is £12million.