28 August 2014

Melrose

MELROSE INDUSTRIES PLC

UNAUDITED RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2014

Melrose Industries PLC today announces its interim results, which are reported under IFRS, for the six months ended 30 June 2014.

Highlights[1]

- Headline[2] profit before tax up 10% and headline[2] diluted earnings per share[3] of 7.3p up 11% (up 2% and 3% respectively at actual currency)
- Elster businesses continue to perform strongly
  - Headline[2] operating profit up 10% and headline[2] operating margin up 2.9 percentage points to 18.9%
  - Enhanced margins in all businesses
  - Overall Elster profitability has increased by almost 50% since its acquisition in August 2012
- FKI order intake up 5% on last year but trading slower in the first six months
- Net debt of £750.6 million, equal to 2.4x EBITDA[4]
- IFRS profit before tax up 9% to £69.6 million at actual currency
- Return of Capital of £595.3 million (47.0p per share) paid in the period alongside an 11 for 13 share consolidation
- Interim dividend of 2.8p (2013: 2.75p)

[1] continuing operations only and at constant currency unless otherwise stated
[2] before exceptional costs, exceptional income and intangible asset amortisation
[3] calculated using the number of shares in issue at 30 June 2014 for both years
[4] headline[2] operating profit before depreciation and amortisation

Christopher Miller, Chairman of Melrose Industries PLC, today said:

"With profits up almost 50% since acquisition, the investment and operational improvements in Elster continue to create shareholder value on a scale which has surpassed our expectations at acquisition. Elster is on track to being our most successful acquisition to date.

“Melrose buys good businesses with scope to improve performance and deliver strong rewards for shareholders. Our search for our next acquisition continues with patience and rigour.”

An Analysts' meeting will be held today at 11.00 am at Investec, 2 Gresham Street, London EC2V 7QP

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CHAIRMAN'S STATEMENT

I am pleased to report Melrose's interim results for the six month period to 30 June 2014.

RESULTS FOR THE GROUP

Revenue for the continuing businesses in the period was £780.9 million (2013: £875.3 million) down 11%, being 5% at constant exchange rates. Headline profit before tax (before exceptional costs, exceptional income and intangible asset amortisation) was £109.9 million (2013: £107.4 million) a rise of 2%, being 10% at constant exchange rates.

Headline diluted earnings per share ("EPS") on continuing businesses, using the number of shares in issue at 30 June 2014 for both years, was 7.3p (2013: 7.1p), an increase of 3%. This growth increases to 11% at constant currency.

Further details of these results, including the effect of currency movements, are contained in the Finance Director's review.

RETURN OF CAPITAL

Following the very successful sales of several businesses in 2013, as noted in the Annual Report in March this year, a return of capital of approximately £595 million was made on 28 February. At the same time a share consolidation took place which reduced the number of shares in issue to 1,071.8 million.

DIVIDEND

Your Board has declared an interim dividend of 2.8p (2013: 2.75p). The dividend will be paid on 16 October 2014 to shareholders on the register at the close of business on 19 September 2014.

TRADING

Elster continues to perform strongly. Headline operating margins have again increased in all three of its businesses to a combined 18.9% on sales meaning profitability has improved by nearly 50% since acquisition in the summer of 2012.

The period of repositioning, restructuring and elimination of low margin business is now largely behind us and with orders now improving, Elster's prospects look exciting.

The two remaining FKI businesses of Brush and Bridon have found revenue growth harder to come by in recent periods due mainly to weakness in specific market areas, principally mining. However, enquiries and orders are also beginning to improve in these businesses.

Investment in our businesses continues at a high level represented by capital expenditure running at one and a half times depreciation in the period. Cash generation, always a key performance target, remains strong. After the capital repayment in February, net debt levels have risen as expected to £751 million.

More detail is included in the Chief Executive's review.

STRATEGY

Our cycle of “buy, improve, sell” clearly starts with an appropriate acquisition and we are in the process of identifying the next suitable candidate. The rise in asset prices over the last 18 months has not made this task easier and we have been careful to apply our strict criteria particularly as regards price. We will continue to do this. Nevertheless we are confident that our patience will be rewarded.

In the meantime we continue to improve our businesses which makes them attractive to buyers. At the appropriate time there will be further disposals from our existing group with associated returns of capital to shareholders.

OUTLOOK

Economic recovery in Asia, the USA and the UK, while somewhat underwhelming by historical standards, nevertheless looks strong compared with continental Europe and some other parts of the world. The uneven nature of this recovery has made it unusual and harder to forecast. Against this background, our companies have performed well and we expect this to continue. At the same time the uncertainties created by economic conditions may well present us with an opportunity to make our next acquisition and, with it, the chance to create more value for our shareholders.

Your Board looks forward to the balance of 2014 and to 2015 with confidence.

Christopher Miller
Chairman
28 August 2014

CHIEF EXECUTIVE'S REVIEW[1]

ELSTER

Each of the Elster divisions of Gas, Electricity and Water performed well during the first half of 2014. The benefits of operational improvements made over the last year are now being seen and the outlook for the second half of 2014 and beyond is exciting.

ELSTER GAS Period ended 30 June	2014	2013	Constant currency growth
Revenue	**£325.5m**	**£348.1m**	**-1%**
Headline Operating Profit	**£76.9m**	**£76.1m**	**+7%**

Elster Gas performed strongly in the first half of 2014. Further opportunities have been identified to better position the business to exploit the long term growth in its end markets.

Total revenues were reduced compared to the same period last year. However, this was largely due to the timing of several major projects in the Gas Station segment of this business. In all other business areas revenues increased strongly and underlying revenues, excluding the effect of these Gas Station revenues, were significantly higher than last year. In the US, we experienced continued high demand for both residential and commercial/industrial gas meters. This period also saw strong sales of standard residential gas meters in Germany and Eastern Europe as well as our Smart "themis plus" commercial/industrial gas meters in Italy. Investments were completed in both the US and Germany to increase capacity.

Order input increased by 6% overall resulting in a positive book to bill ratio. Europe led the way but was closely followed by the US. Encouragingly Gas Utilisation saw orders increase during the period, reversing the negative trend of the last two years. There are now clear signs that this important business area is resuming forecast growth projections as a result of increased project demand from furnace builders in the Process Heat sector as well as European gas boiler manufacturers beginning to gear up to meet the new European regulations on residential condensing boilers.

Headline operating profit increased by 7% which resulted in nearly a 2 percentage point increase in headline operating margin. This increase is a result of the benefits of strong demand, the implementation of many margin improvement actions and continued strong operational control.

The first half of 2014 saw the completion of a number of manufacturing footprint relocations, both in the US and Europe, where in particular gas regulator production was moved to lower cost Elster Gas facilities in Mexico and Slovakia respectively. In May, Elster Gas also announced the proposed restructuring of its European Gas Station business in Belgium, with production of Gas Stations to be transferred to Saudi Arabia and Malaysia.

A significant Smart meter milestone was achieved in July 2014 when British Gas Business (BGB), the UK's largest non-domestic gas supplier, selected Elster Gas as their primary partner for the provision of advanced gas metering. The agreement will involve Elster supplying up to 100,000 Smart Commercial and Industrial gas meters over the next three years.

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[1] All percentage increases and decreases referred to in the Chief Executive's review are calculated at constant currency to give a like for like comparison

There was a strong order intake in the first half of the year and the order backlog going into the second half remains healthy. Although the seasonal nature of residential meter demand will mean lower volumes in the second half of the year, it is expected that this will be compensated by higher commercial and industrial meter demand. It is anticipated that Gas Utilisation orders and revenues will continue to recover. Overall, Elster Gas is well positioned for a strong end to its second year under Melrose ownership and your Board is very pleased with progress since acquisition.

ELSTER ELECTRICITY			
Period ended 30 June	**2014**	**2013**	**Constant currency growth**
Revenue	**£87.1m**	**£117.9m**	**-17%**
Headline Operating Profit	**£4.0m**	**£6.2m**	**-13%**

Elster Electricity is a very seasonal business which traditionally has a much stronger second half of the year due to its customers' buying patterns. A slow start in the US this year has resulted in a decrease in revenue for the Elster Electricity division compared to the same period last year. This expected trend follows the winding down of the last of the US Federal stimulus-funded Smart meter projects, which started in 2009. However, your Board believes that a strong second half of the year will more than compensate for this.

Strong order intake in Europe saw revenue in line with expectations, and with Smart project tenders maturing, the region is expected to grow. The European Commission has recently published a report detailing commitments made by each member state to meet energy reduction targets. There is now increasing confidence that the long awaited rollout of European Smart meters is beginning to gain momentum and this conclusion is supported by increased tender activities across leading European utility companies.

The Latin American markets continue to show strong performance, which saw Elster Electricity in Brazil closing a number of important deals around the market leading "Garnet" solution.

Lower revenue compared to the same period last year has resulted in a drop in headline operating profit in the first half of the year, which was further impacted by continuous investment in both Smart meters and software. However, current order backlog and recent project wins for both meters and Smart grid projects means that Elster Electricity is well positioned for a strong second half. As the Smart metering projects start to reach tendering stage customer feedback gives us confidence that Elster is well placed to benefit.

ELSTER WATER			
Period ended 30 June	**2014**	**2013**	**Constant currency growth**
Revenue	**£81.0m**	**£103.2m**	**-15%**
Headline Operating Profit	**£13.3m**	**£10.5m**	**+38%**

Headline operating profit continued to substantially improve in the first half of 2014, up 38% when compared to that achieved for the same period in 2013. This increase follows the completion of product line and facility restructuring programs in the third quarter of 2013, the benefits of which will continue to be enjoyed throughout 2014. Whilst revenue, year-on-year, is down approximately 15%, this is principally due to the restructuring of our North American operations and the cessation of manufacturing mechanical meters in that marketplace. The division is exceeding expectation on its delivery of improved profit margins.

The majority of Elster Water's markets delivered good growth, particularly in South Africa, Spain and Brazil. The significantly restructured operations in North America and Germany are now focused on both high margin customers and product lines.

Innovative, high accuracy, advanced mechanical and electronic meters including the new H5000 and Q200 meters are providing customers with enhanced metering solutions supporting optimised revenue collection and conservation objectives. The division's products and technologies are sold directly to key accounts and through a global network of distribution and manufacturing partners resulting in significant contracted revenue awards in several major markets, in particular, a substantial three year order in North America for electronic meters has been received and a continuous strong tender pipeline is likely to deliver improved performance.

Further capital expenditure continues to be approved with £1.7 million in the period expended in providing increased production capacity.

The revenue outlook in key markets remains positive for the remainder of 2014 and although some key tender wins may move into 2015, Elster Water expects to deliver a very strong full year improvement and is performing ahead of your Board's plans at acquisition.

ENERGY & LIFTING

Each of Brush and Bridon made further progress to improve the long term value of their businesses in the period. Your Board is confident that there is scope for continued improvement in both of these businesses.

BRUSH			**Constant currency**
Period ended 30 June	**2014**	**2013**	**growth**
Revenue	**£164.5m**	**£170.3m**	**Flat**
Headline Operating Profit	**£34.2m**	**£35.8m**	**-1%**

Brush performed strongly during the first half of 2014 in a continually challenging environment, with revenue and headline operating profit at similar levels to the previous year.

Turbogenerators is a late cycle business which together with the Eurozone crisis, and its resultant global repercussions, continues to serve to create delays. However, contractor enquiry levels have started to trend up, which should lead to increased enquiry levels on Brush during late 2014 and early 2015.

The growth and development of the Aftermarket business remains key, capitalising on the significant fleet of Brush machines in the market globally, as well as opportunities to use our expertise on third party machines. The separation of the Aftermarket business in 2013 has helped accentuate this growth, which is compensating in part for the softer new build market.

The Aftermarket workshop facility in the USA benefited from capital investment completed in the third quarter in 2013. This increased its efficiency and capacity, enabled it to grow in the key markets of the Americas, and was completed in time to capture the critical autumn and spring outage seasons. Consequently, Aftermarket sales were significantly ahead of 2013.

The project approved in 2013 to build a new Greenfield site in the Shanghai area of China progresses on time and on budget. The business licence was granted, land acquired and the building is now being constructed. Key members of the management team have been hired locally, and the small expatriate team is also in place.

Transformer sales have been challenging in the final year of the current OFGEM cycle. However, the capital expenditure programme to reorganise the production process and value engineer the product is all but complete and has resulted in significant margin improvement. Capital has been approved to design and manufacture high voltage 132kV transformers. Brush Transformers now have orders for these products for delivery late 2014 and early 2015.

The Hawker Siddeley Switchgear business sales are broadly flat year-on-year, with the UK business having to make up for shortfalls in the Australian business, which is experiencing a challenging market. The restructuring programme and capital project to convert the UK factory layout to product flow lines are largely complete.

Brush is again increasing the level of resource committed to the development of its core Turbogenerator range. Further success is being achieved in increasing the efficiency and power outputs of the trusted DAX range and customer reaction to this is very positive. Such developments help to ensure that Brush stays at the forefront of technology to maintain and expand its market leading position.

The medium and long-term growth in power generation and in particular the aero-derivative gas turbine market, where Brush has such a strong leading position, is well known. With the additional growth available by entering the Chinese market, coupled with continued operational improvements, the business is well positioned for growth as market conditions improve. In addition, the Switchgear and Transformers businesses are poised for strong growth over the medium-term. As stated previously, the overall market dynamics for new build generators remain challenging for the next twelve months but it is expected that improvements will be seen in overall market conditions in the second half of 2015. Increasing levels of enquiries support this confidence. The growth in Aftermarket, now as one consolidated business, continues to be very pleasing.

BRIDON			**Constant currency**
Period ended 30 June	**2014**	**2013**	**growth**
Revenue	**£122.8m**	**£135.8m**	**-6%**
Headline Operating Profit	**£13.5m**	**£18.8m**	**-25%**

Performance in Bridon's end-user markets in the first half of the year was mixed. In Bridon's largest end-user market, oil & gas, activity and customer order books remain strong, and ongoing projects reflect continued strength in the market, particularly in offshore exploration and construction. However, the mining market slowed significantly in 2013, with Aftermarket business impacted in addition to new projects, and there has been destocking in the supply chain, as mining customers have come under pressure to cut costs. Order intake has recently improved as mines are having to replenish replacements and spares to be able to continue to operate. Sales and headline operating profit were lower than that achieved in the same period last year, with lower sales and poor mix (lower mining and projects) partly offset by productivity gains.

In the oil & gas market Bridon has seen a consistently high level of enquiries and requests for quotation and has continued to develop technical relationships with key customers. Offshore activity remains strong in certain regions with a number of new projects identified, construction of more support vessels for offshore work and the drilling and exploration in the Gulf of Mexico continuing to recover.

In this period the mining market continued to be weak, with both Aftermarket and OEM products affected. Strikes in South Africa have affected a large number of mines which has also not helped. Recent order intake has improved with stronger orders from a range of customers, and sales into this market should improve in the second half.

Although the severe weather conditions affected most sectors of the US economy in the first quarter of 2014, underlying demand in the high performance crane market in North America continued to be strong, and Bridon ropes continue to be specified on key new OEM crane models. The general industrial rope market in North America was weaker and increasingly competitive. The industrial and crane market remains subdued in Europe, though good progress is being made at some larger key accounts.

The Neptune facility continues to perform well, with a number of quotations outstanding for the heavier and longer ropes. The new Technology Centre in Doncaster is proving a very valuable resource, and is being used for complex investigations, testing for customers and is helping upgrade data on rope performance in addition to boosting the pace of research and development.

Although sales performance in the first half of the year was lower, order intake in the first half of the year was well ahead of the equivalent period last year. As a result, Bridon's sales and headline operating profit should improve in the second half of the year. The company has leading positions in sectors with favourable prospects, such as oil & gas and mining, and your Board believes the long term prospects for this business are very good.

Simon Peckham
Chief Executive
28 August 2014

FINANCE DIRECTOR'S REVIEW

The six month period to 30 June 2014 ("the period") is the first time since the Elster acquisition in which the prior year performance gives a meaningful comparative because Elster has been owned for the full reporting period in both years.

CONTINUING AND DISCONTINUED OPERATIONS

The comparative results for the six months to 30 June 2013 have been restated to show the Crosby and Acco businesses, previously shown within the Lifting division, and the Harris business, previously shown within the Other Industrial division, as discontinued operations.

TRADING RESULTS - CONTINUING OPERATIONS

To help understand the results of the continuing operations the term 'headline' has been used. This refers to results calculated before exceptional items and intangible asset amortisation because this is considered by the Board to be the best measure of performance.

For the period the Group achieved revenue of £780.9 million (2013: £875.3 million) and headline operating profit of £128.5 million (2013: £132.9 million). The Group headline operating margin (defined as headline operating profit as a percentage of revenue) for the six months was 16.5% (2013: 15.2%) and headline profit before tax for the Group was £109.9 million (2013: £107.4 million).

The Group results have been adversely impacted by movements in foreign exchange rates due to the strengthening of Sterling compared to many foreign currencies. It is pleasing to note that, adjusting for the translation effect of movements in exchange rates year on year, whilst Group revenue was down 5% versus the same period last year Group headline operating profit increased by 4% and Group headline profit before tax increased by 10%.

After exceptional costs, exceptional income and intangible asset amortisation, operating profit was £88.2 million (2013: £89.6 million), profit before tax was £69.6 million (2013: £64.1 million) and diluted earnings per share was 4.4p (2013: 3.6p).

TRADING BY DIVISION - CONTINUING OPERATIONS

A split of revenue, headline operating profit and headline operating profit margin for 2014 is shown in the table below along with the constant currency growth compared to 2013. The performance of each of the trading divisions is discussed in the Chief Executive's review.

	2014 Revenue £m	**Constant currency growth**	**2014 Headline operating profit/ (loss) £m**	**Constant currency growth**	**2014 Headline operating profit margin %**	**Constant currency growth**
Elster	**493.6**	**-7%**	**93.1**	**+10%**	**18.9**	**+2.9ppts**
FKI	**287.3**	**-3%**	**47.7**	**-9%**	**16.6**	**-1.2ppts**
Central costs[(1)]	-	n/a	(12.3)	+5%	n/a	n/a
Continuing Group	**780.9**	**-5%**	**128.5**	**+4%**	**16.5**	**+1.3ppts**

[(1)] Including costs relating to Long Term Incentive Plans

Central costs comprise £6.8 million (2013: £5.9 million) of Melrose corporate costs and a Long Term Incentive Plan ("LTIP") accrual of £5.5 million (2013: £7.0 million). The LTIP accrual includes an amount of £2.0 million in respect of the Melrose share-based Incentive Plan (2013: £2.0 million), and a reduced charge, following the disposals in 2013, of £3.5 million (2013: £5.0 million) for the cash-based divisional management incentive plans.

EXCEPTIONAL ITEMS

During the period the Group incurred exceptional costs of £14.8 million (2013: £10.6 million) which in 2014 relate to restructuring programmes primarily within the Elster Gas business and in 2013 to restructuring projects proportionally weighted to the Electricity and Water businesses, together with disposal costs relating to Truth and Marelli. In addition, exceptional income of £5.4 million (2013: £nil) was recognised in the period due to the release of a surplus provision following the successful resolution of a historical property lease dispute.

The charge for amortisation of intangible assets in the period was £30.9 million (2013: £32.7 million).

EARNINGS PER SHARE ("EPS")

Headline diluted EPS, calculated using the relevant profit for each year but the number of shares in issue at 30 June 2014 for both years, was 7.3p (2013: 7.1p), showing a growth of 3%. This growth increases to 11% at constant currency.

In accordance with IAS 33, two sets of basic and diluted EPS numbers are disclosed on the face of the Income Statement, one for continuing operations and one that includes discontinued operations for 2013. The diluted EPS for continuing operations in the period was 4.4p (2013: 3.6p). There were no discontinued operations in 2014 but for 2013 the diluted EPS including discontinued operations was 5.9p. These are calculated after exceptional costs, exceptional income and amortisation of intangible assets.

TAX

The Group Income Statement headline tax rate for continuing businesses in the period was 27% (2013: 27%) and after exceptional items was 28% (2013: 27%).

The continuing Group paid £21.4 million (2013: £15.4 million) of tax in the period which equates to a rate of 19% (2013: 14%) on headline profit before tax.

RETURN OF CAPITAL

Consistent with the Group strategy of returning to shareholders a large part of any proceeds from the disposal of businesses, £595.3 million was returned to shareholders in February 2014 following the sale of Crosby a few months earlier. This return was made via a redeemable share scheme alongside a share consolidation which reduced the number of Ordinary Shares by a factor of 11 for 13, or 15%, from 1,266.6 million to 1,071.8 million.

CASH GENERATION AND NET DEBT

During the first six months of 2014 the conversion of headline EBITDA (operating profit before depreciation and amortisation) into cash was 80%. An analysis of the cash generation performance for the period is shown in the table below:

Cash flow from trading (after all costs including tax)	**Six months ended 30 June 2014 £m**
Headline operating profit	128.5
Depreciation and amortisation[1]	19.7
Working capital movement	(29.2)
Headline operating cash flow (pre capex)	**119.0**
Headline EBITDA conversion to cash (pre capex) %	**80%**
Net capital expenditure	(28.8)
Net interest and net tax paid	(30.6)
Defined benefit pension contributions	(16.4)
Net other	(11.7)
Cash inflow from trading (after all costs including tax)	**31.5**

[1] Including computer software and development costs

Movement in net debt	**£m**
Opening net debt	**(140.8)**
Cash flow from trading (after all costs including tax)	31.5
Amount paid to shareholders (Return of Capital and dividends)	(648.9)
Foreign exchange and other non-cash movements	7.6
Closing net debt	**(750.6)**

Total cash inflow from trading after all costs in the period was £31.5 million. The increase in net debt in the period of £609.8 million included the £595.3 million Return of Capital to shareholders following the disposal of five businesses in 2013.

CAPITAL EXPENDITURE

The net capital expenditure to depreciation ratio was 1.5x in the period which is higher than the longer term Melrose average ratio of 1.3x. The ratio for the FKI businesses was 2.4x, which included the expenditure on the Brush China factory. The ratio for Elster was 1.0x.

The net capital expenditure and depreciation by division for the period was as follows:

	Elster	**FKI**	**Central**	**Total**
Net capital expenditure £m	11.9	16.7	0.2	28.8
Depreciation £m	12.4	6.9	0.4	19.7
Net capital expenditure to depreciation ratio	1.0x	2.4x	0.5x	1.5x

PROVISIONS

Total provisions as at 30 June 2014 were £167.5 million (31 December 2013: £177.8 million) the largest elements of which relate to environmental, legal and warranty provisions of £99.4 million. The biggest movement on provisions in the six months to 30 June 2014 related to the cash spend on utilising the provisions of £21.5 million which included £9.9 million in relation to warranty claims and £8.0 million on restructuring programmes, mainly within the Elster businesses.

The table below shows the movement in provisions in the period:

	Total £m
At 31 December 2013	**177.8**
Utilised – cash	(21.5)
Utilised – non cash	(0.6)
Net charge to headline operating profit	5.7
Net charge to exceptional items	9.1
Other (including foreign exchange)	(3.0)
At 30 June 2014	**167.5**

The net charge to headline operating profit in the period was £5.7 million which included the £3.5 million divisional LTIP charge along with normal net warranty expenses in the period.

The net charge to exceptional items included £14.5 million relating to restructuring projects, primarily within the Gas business, most of which is expected to be spent in the second half of 2014. This amount has been partly offset by the exceptional income release of £5.4 million relating to the successful resolution of a historical property lease dispute.

The other movements on provisions in the period relate to the net effect of the unwind of discounting on long term provisions and the relevant foreign exchange impact.

LEVERAGE AND INTEREST COVER

Leverage for banking purposes, being the net debt to headline EBITDA ratio calculated using average exchange rates, was 2.4x at 30 June 2014 (31 December 2013: 0.5x) with the increase in the period being as expected due to the repayment of capital to shareholders in the period. The covenant test requirement at 30 June 2014 was 3.25x or lower and therefore the Board is comfortable that sufficient headroom exists.

The interest cover at 30 June 2013 was 12.5x (31 December 2013: 11.8x) and is therefore comfortable against the interest cover covenant test requirement of 4.0x or higher.

PENSIONS

The Group has a number of defined benefit and defined contribution pension plans.

The accounting deficits relating to retirement benefit obligations as at 30 June 2014 totalled £236.9 million (31 December 2013: £219.3 million). These Plans had assets of £1,106.6 million (31 December 2013: £1,070.8 million) and liabilities of £1,343.5 million (31 December 2013: £1,290.1 million) at 30 June 2014.

The values of the FKI UK Pension Plans (including the FKI UK Pension Plan, the Brush Group (2013) Pension Plan and the Bridon Group (2013) Pension Plan), the FKI US Pension Plans, the McKechnie UK Pension Plan and the Elster Pension Plans in Germany, which cumulatively represented 95% of the Group's defined benefit plan obligations, were updated at 30 June 2014 by independent actuaries to reflect the latest key assumptions. The most significant movement in assumptions in the period was in respect of discount rates in the following countries:

	30 June 2014	31 December 2013
UK	4.1%	4.4%
US	4.2%	4.7%
Germany	2.7%	3.5%

This change in discount rates, net of changes in inflation assumptions, increased the value of liabilities by £62.4 million but this was partially offset by gains of £31.4 million in respect of strong asset returns on all pension plans. Total assets and liabilities in the Group's defined benefit plans have also been updated to reflect the £16.4 million of contributions made by the employer companies and the benefits earned during the period.

EXCHANGE

The main foreign currency exposures for the Group are to the US Dollar and the Euro which have weakened year on year, compared to Sterling, by 8% and 3% respectively. Movements in these currencies have contributed approximately half of the foreign exchange impact incurred in the period. Other foreign currency movements of significance to the Group were the 11% weakening against Sterling of the Czech Koruna, the 22% weakening of the Russian Rouble and the 65% devaluation of the Argentinian Peso.

The table below shows the exchange rates used for the US Dollar and Euro in this Interim Report:

Exchange rates used in the period	Average rate	Closing rate
US Dollar:		
Six months to June 2014	1.67	1.71
Twelve months to December 2013	1.56	1.66
Six months to June 2013	1.54	1.52
Euro:		
Six months to June 2014	1.22	1.25
Twelve months to December 2013	1.18	1.20
Six months to June 2013	1.18	1.17

The Group policy on foreign currency risk is explained on pages 46 and 47 of the 2013 Annual Report, a copy of which is available on the Company's website, www.melroseplc.net.

AMENDMENT TO FINANCING FACILITIES AFTER THE HALF YEAR END

On 11 July 2014 the Group's financing facilities were renegotiated to improve the existing terms and to extend the maturity date from 29 June 2017 to 11 July 2019.

The Group previously had a committed term loan held in two tranches of £180 million and US$ 290 million. As part of the renegotiation the US$ 290 million term loan tranche was converted into a revolving credit facility and now exists along with the £741.5 million and €300 million revolving credit facilities that were already in place. The remaining Sterling term loan is subject to mandatory 5% repayments on 11 July 2017, 11 July 2018 and 11 January 2019.

The banking facility continues to have two financial covenants, a net debt to headline EBITDA covenant (debt cover covenant) and an interest cover covenant, both of which are tested half yearly at June and December. The first of these covenants has been amended and is now set at 3.25x or lower for each of the measurement dates for the remainder of the term. The interest cover covenant is unchanged at 4.0x or higher throughout the life of the facility.

Drawdowns under the amended facilities bear interest at interbank rates of interest plus a margin, which ranges between 0.75% and 1.90% (previously 1.40% to 2.65%), determined by reference to the Group's debt cover ratio. This means that currently the Group has a total debt cost of approximately 2%.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties faced by the Group have not changed significantly from 2013. In summary the financial risks include liquidity risk, finance cost risk, exchange rate risk, contract and warranty risk, commodity cost risk and pension risk. These risks have the potential to affect the Group's results and financial position during the remainder of 2014. A more detailed explanation of risks and uncertainties is set out on pages 36 to 39 and 45 to 47 of the Annual Report for the year ended 31 December 2013.

Geoffrey Martin
Group Finance Director
28 August 2014

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

a) the condensed set of financial statements has been prepared in accordance with IAS 34: "Interim Financial Reporting";

b) the interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and

c) the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

By order of the Board

Simon Peckham
Chief Executive
28 August 2014

Geoff Martin
Group Finance Director
28 August 2014

INDEPENDENT REVIEW REPORT TO MELROSE INDUSTRIES PLC

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2014 which comprises the Condensed Consolidated Income Statement, the Condensed Consolidated Statement of Comprehensive Income, the Condensed Consolidated Statement of Cash Flows, the Condensed Consolidated Balance Sheet, the Condensed Consolidated Statement of Changes in Equity and related notes 1 to 14. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" 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 it 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 half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2014 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP
Chartered Accountants and Statutory Auditor
London, UK
28 August 2014

Melrose Industries PLC
Condensed Consolidated Income Statement

	Notes	**6 months ended 30 June 2014 Unaudited £m**	Restated[1] 6 months ended 30 June 2013 Unaudited £m	Year ended 31 December 2013 £m
Continuing operations				
Revenue	3	**780.9**	875.3	1,732.8
Cost of sales		**(499.8)**	(571.5)	(1,125.5)
Gross profit		**281.1**	303.8	607.3
Headline[2] operating expenses		**(155.8)**	(173.2)	(335.2)
Share of headline[2] results of joint ventures		**3.2**	2.3	2.8
Intangible asset amortisation		**(30.9)**	(32.7)	(64.6)
Exceptional operating costs	5	**(14.8)**	(10.6)	(19.3)
Exceptional operating income	5	**5.4**	-	28.9
Total net operating expenses	4	**(192.9)**	(214.2)	(387.4)
Operating profit		**88.2**	89.6	219.9
Headline[2] operating profit	3	**128.5**	132.9	274.9
Finance costs		**(26.3)**	(36.9)	(70.5)
Finance income		**7.7**	11.4	21.7
Profit before tax		**69.6**	64.1	171.1
Headline[2] profit before tax		**109.9**	107.4	226.1
Headline[2] tax		**(29.7)**	(29.1)	(60.0)
Exceptional tax[3]		**10.4**	12.1	10.8
Total tax	6	**(19.3)**	(17.0)	(49.2)
Profit for the period from continuing operations		**50.3**	47.1	121.9
Headline[2] profit for the period from continuing operations		**80.2**	78.3	166.1
Discontinued operations				
Profit for the period from discontinued operations	9	**-**	30.1	442.7
Profit for the period		**50.3**	77.2	564.6
Attributable to:				
Owners of the parent		**50.0**	75.8	562.7
Non-controlling interests		**0.3**	1.4	1.9
		50.3	77.2	564.6
Earnings per share				
From continuing operations				
- Basic	7	**4.5p**	3.6p	9.5p
- Diluted	7	**4.4p**	3.6p	9.3p
From continuing and discontinued operations				
- Basic	7	**4.5p**	6.0p	44.4p
- Diluted	7	**4.4p**	5.9p	43.7p

[1] Restated to include the results of Crosby, Acco and Harris within discontinued operations (note 9).
[2] Before exceptional costs, exceptional income and intangible asset amortisation.
[3] Includes exceptional tax and tax on exceptional items and intangible asset amortisation.

Melrose Industries PLC
Condensed Consolidated Statement of Comprehensive Income

	6 months ended 30 June 2014 Unaudited £m	6 months ended 30 June 2013 Unaudited £m	Year ended 31 December 2013 £m
Profit for the period	**50.3**	77.2	564.6
Items that will not be reclassified subsequently to the Income Statement:			
Net remeasurement (loss)/gain on retirement benefit obligations	**(31.0)**	55.4	20.1
Income tax credit/(charge) relating to items that will not be reclassified	**3.0**	-	(0.6)
	(28.0)	55.4	19.5
Items that may be reclassified subsequently to the Income Statement:			
Currency translation on net investments	**(64.3)**	88.9	(25.9)
Currency translation on non-controlling interests	**(0.1)**	0.1	(0.3)
Transfer to Income Statement from equity of cumulative translation differences on disposal of foreign operations	**-**	-	(12.1)
(Losses)/gains on cash flow hedges	**(5.6)**	8.9	10.0
Transfer to Income Statement on cash flow hedges	**1.1**	0.3	3.0
Income tax credit relating to items that may be reclassified	**-**	0.2	0.6
	(68.9)	98.4	(24.7)
Other comprehensive (expense)/income after tax	**(96.9)**	153.8	(5.2)
Total comprehensive (expense)/income for the period	**(46.6)**	231.0	559.4
Attributable to:			
Owners of the parent	**(46.8)**	229.5	557.8
Non-controlling interests	**0.2**	1.5	1.6
	(46.6)	231.0	559.4

Melrose Industries PLC
Condensed Consolidated Statement of Cash Flows

	Notes	**6 months ended 30 June 2014 Unaudited £m**	Restated[1] 6 months ended 30 June 2013 Unaudited £m	Year ended 31 December 2013 £m
Net cash from operating activities from continuing operations	13	**50.4**	53.9	91.2
Net cash from operating activities from discontinued operations	13	**-**	25.3	44.8
Net cash from operating activities		**50.4**	79.2	136.0
Investing activities				
Disposal of businesses		**-**	0.7	950.4
Disposal costs		**(1.0)**	(9.7)	(25.0)
Net cash disposed		**-**	-	(37.2)
Purchase of property, plant and equipment		**(27.2)**	(22.5)	(47.0)
Proceeds from disposal of property, plant and equipment		**1.6**	1.8	6.2
Purchase of computer software and development costs		**(3.2)**	(2.1)	(3.8)
Dividends received from joint ventures		**3.3**	2.3	2.7
Interest received		**7.7**	11.4	21.7
Acquisition of subsidiaries and non-controlling interests		**-**	(11.0)	(12.8)
Dividends paid to non-controlling interests		**(0.1)**	-	(6.3)
Net cash (used in)/from investing activities from continuing operations		**(18.9)**	(29.1)	848.9
Net cash used in investing activities from discontinued operations	13	**-**	(6.9)	(11.6)
Net cash (used in)/from investing activities		**(18.9)**	(36.0)	837.3
Financing activities				
Return of capital	14	**(595.3)**	-	-
Movement in borrowings		**532.9**	(26.0)	(834.0)
Dividends paid	8	**(53.6)**	(63.3)	(98.1)
Net cash used in financing activities from continuing operations		**(116.0)**	(89.3)	(932.1)
Net cash used in financing activities from discontinued operations	13	**-**	-	-
Net cash used in financing activities		**(116.0)**	(89.3)	(932.1)
Net (decrease)/increase in cash and cash equivalents		**(84.5)**	(46.1)	41.2
Cash and cash equivalents at the beginning of the period		**200.4**	156.5	156.5
Effect of foreign exchange rate changes		**(0.6)**	3.3	2.7
Cash and cash equivalents at the end of the period		**115.3**	113.7	200.4
Cash classified as held for sale		**-**	(9.2)	-
Cash and cash equivalents in the continuing Group at the end of the period		**115.3**	104.5	200.4

[1] Restated to include the cash flows of Crosby, Acco and Harris within discontinued operations (note 9).

As at 30 June 2014, the Group's net debt was £750.6 million (31 December 2013: £140.8 million). A reconciliation of the movement in net debt is shown in note 13.

Melrose Industries PLC
Condensed Consolidated Balance Sheet

	Notes	**30 June 2014 Unaudited £m**	30 June 2013 Unaudited £m	31 December 2013 £m
Non-current assets				
Goodwill and other intangible assets		**2,499.9**	3,092.2	2,612.0
Property, plant and equipment		**243.1**	293.3	241.2
Interests in joint ventures		**12.0**	13.2	12.6
Deferred tax assets		**98.5**	149.2	70.3
Derivative financial assets	12	**2.8**	2.9	8.1
Trade and other receivables		**0.3**	0.5	0.3
		2,856.6	3,551.3	2,944.5
Current assets				
Inventories		**236.2**	336.0	234.5
Trade and other receivables		**286.0**	351.9	292.8
Derivative financial assets	12	**3.4**	3.0	5.1
Cash and cash equivalents		**115.3**	104.5	200.4
Assets held for sale		**-**	206.8	-
		640.9	1,002.2	732.8
Total assets	3	**3,497.5**	4,553.5	3,677.3
Current liabilities				
Trade and other payables		**369.2**	480.5	399.2
Interest-bearing loans and borrowings		**-**	6.2	-
Derivative financial liabilities	12	**5.1**	4.2	7.2
Current tax liabilities		**46.8**	48.6	43.6
Provisions	10	**63.8**	80.6	74.4
Liabilities directly associated with assets classified as held for sale		**-**	67.5	-
		484.9	687.6	524.4
Net current assets		**156.0**	314.6	208.4
Non-current liabilities				
Trade and other payables		**1.3**	3.5	1.5
Interest-bearing loans and borrowings		**865.9**	1,167.9	341.2
Derivative financial liabilities	12	**0.4**	-	-
Deferred tax liabilities		**310.1**	411.8	299.6
Retirement benefit obligations	11	**236.9**	201.6	219.3
Provisions	10	**103.7**	186.0	103.4
		1,518.3	1,970.8	965.0
Total liabilities	3	**2,003.2**	2,658.4	1,489.4
Net assets		**1,494.3**	1,895.1	2,187.9
Equity				
Issued share capital		**1.3**	1.3	1.3
Merger reserve		**595.3**	1,190.6	1,190.6
Capital redemption reserve	14	**595.3**	-	-
Other reserves		**(757.1)**	(757.1)	(757.1)
Hedging reserve		**1.3**	1.7	5.8
Translation reserve		**(94.2)**	96.9	(29.9)
Retained earnings		**1,150.4**	1,358.5	1,775.3
Equity attributable to owners of the parent		**1,492.3**	1,891.9	2,186.0
Non-controlling interests		**2.0**	3.2	1.9
Total equity		**1,494.3**	1,895.1	2,187.9

Melrose Industries PLC
Condensed Consolidated Statement of Changes in Equity

	Issued share capital £m	Merger reserve £m	Capital redemption reserve £m	Other reserves £m	Hedging reserve £m	Translation reserve £m	Retained earnings £m	Equity attributable to owners of the parent £m	Non-controlling interests £m	Total equity £m
At 1 January 2013 (audited)	1.3	1,190.6	-	(757.1)	(7.7)	8.0	1,299.5	1,734.6	7.1	1,741.7
Profit for the period	-	-	-	-	-	-	75.8	75.8	1.4	77.2
Other comprehensive income	-	-	-	-	9.4	88.9	55.4	153.7	0.1	153.8
Total comprehensive income	-	-	-	-	9.4	88.9	131.2	229.5	1.5	231.0
Purchase of non-controlling interests	-	-	-	-	-	-	(10.9)	(10.9)	(0.1)	(11.0)
Dividends paid	-	-	-	-	-	-	(63.3)	(63.3)	(5.3)	(68.6)
Credit to equity for equity-settled share-based payments	-	-	-	-	-	-	2.0	2.0	-	2.0
At 30 June 2013 (unaudited)	1.3	1,190.6	-	(757.1)	1.7	96.9	1,358.5	1,891.9	3.2	1,895.1
Profit for the period	-	-	-	-	-	-	486.9	486.9	0.5	487.4
Other comprehensive income/(expense)	-	-	-	-	4.1	(126.8)	(35.9)	(158.6)	(0.4)	(159.0)
Total comprehensive income/(expense)	-	-	-	-	4.1	(126.8)	451.0	328.3	0.1	328.4
Purchase of non-controlling interests	-	-	-	-	-	-	(1.4)	(1.4)	(0.4)	(1.8)
Dividends paid	-	-	-	-	-	-	(34.8)	(34.8)	(1.0)	(35.8)
Credit to equity for equity-settled share-based payments	-	-	-	-	-	-	2.0	2.0	-	2.0
At 31 December 2013 (audited)	1.3	1,190.6	-	(757.1)	5.8	(29.9)	1,775.3	2,186.0	1.9	2,187.9
Profit for the period	-	-	-	-	-	-	50.0	50.0	0.3	50.3
Other comprehensive expense	-	-	-	-	(4.5)	(64.3)	(28.0)	(96.8)	(0.1)	(96.9)
Total comprehensive (expense)/income	-	-	-	-	(4.5)	(64.3)	22.0	(46.8)	0.2	(46.6)
Return of capital	-	(595.3)	595.3	-	-	-	(595.3)	(595.3)	-	(595.3)
Dividends paid	-	-	-	-	-	-	(53.6)	(53.6)	(0.1)	(53.7)
Credit to equity for equity-settled share-based payments	-	-	-	-	-	-	2.0	2.0	-	2.0
At 30 June 2014 (unaudited)	**1.3**	**595.3**	**595.3**	**(757.1)**	**1.3**	**(94.2)**	**1,150.4**	**1,492.3**	**2.0**	**1,494.3**

Notes to the condensed financial statements

1. Corporate information

The interim financial information for the six months ended 30 June 2014 has been reviewed by the auditor, but not audited. The information for the year ended 31 December 2013 shown in this report does not constitute statutory accounts for that year as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditor has reported on those accounts. Their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The comparative information for the period ended 30 June 2013 in these interim financial statements has been restated to include the results and cash flows of Crosby and Acco, previously disclosed within the Lifting segment, and Harris, previously disclosed within the Other Industrial segment, within discontinued operations, and exclude them from continuing operations.

2. Summary of significant accounting policies

The interim financial information for the six months ended 30 June 2014, which has been approved by a committee of the Board of Directors on 28 August 2014, has been prepared on the basis of the accounting policies set out in the Group's 2013 Annual Report and financial statements on pages 98 to 106. The Group's 2013 Annual Report and financial statements can be found on the Group's website www.melroseplc.net. These interim financial statements should therefore be read in conjunction with the 2013 information. The accounting policies used in the preparation of the interim financial information have been consistently applied to all periods presented. The annual financial statements are prepared in accordance with IFRS as adopted by the European Union. These interim financial statements have been prepared in accordance with IAS 34: "Interim Financial Reporting" as adopted by the European Union.

Adoption of new accounting standards
The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. The Group has adopted relevant standards and amendments with no material impact on its results, assets and liabilities.

Going concern
The Group's business activities in the period, together with the factors likely to affect its future development, performance and position are set out in the Chief Executive's review.

The Group's principal risks and uncertainties are unchanged from 2013, as discussed in the Finance Director's review. These are set out in more detail on pages 36 to 39 in the Group's Annual Report for the year ended 31 December 2013.

After making appropriate enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these interim financial statements.

3. Segment information

Segment information is presented in accordance with IFRS 8: "Operating segments" which requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reported to the Group's Board in order to allocate resources to the segments and assess their performance. The Group's reportable operating segments under IFRS 8 are categorised as follows:

FKI segments
- Energy
- Lifting

Elster segments
- Gas
- Electricity
- Water
- Elster central

The Energy segment consists of the Brush business, a specialist supplier of energy industrial products to the global market. The Lifting segment consists of the Bridon business, serving oil & gas production, mining, petrochemical, alternative energy and general construction markets. Elster comprises the Gas, Electricity and Water segments along with their associated central costs. These businesses serve residential and industrial metering and utilisation markets whilst providing related communications, networking and software solutions.

There are two central cost centres which are also separately reported to the Board:

- Central – corporate
- Central – LTIPs[1]

[1] Long Term Incentive Plans

The Central corporate cost centre contains the Melrose Group head office costs. The Central LTIPs cost centre contains the costs associated with the five year 2012 Melrose Incentive Plan (granted on 11 April 2012) and the divisional management LTIPs that are in operation across the Group.

The discontinued operations incorporate the Truth, Marelli, Crosby, Acco and Harris businesses. Truth and Marelli were classified as held for sale at 30 June 2013. Following the disposal of Harris, the Other Industrial segment has ceased to exist.

Transfer prices between business units are set on an arms length basis in a manner similar to transactions with third parties.

The Group's geographical segments are determined by the location of the Group's non-current assets and, for revenue, the location of external customers. Inter-segment sales are not material and have not been included in the segment information.

The following tables present revenue, profit and certain asset and liability information regarding the Group's operating segments for the six month period ended 30 June 2014 and comparative periods. Note 5 gives details of exceptional costs and income.

Segment revenues and results

		Segment revenue from external customers		
	Note	**6 months ended 30 June 2014 £m**	Restated[1] 6 months ended 30 June 2013 £m	Year ended 31 December 2013 £m
Continuing operations				
Energy		**164.5**	170.3	350.1
Lifting		**122.8**	135.8	266.4
FKI total		**287.3**	306.1	616.5
Gas		**325.5**	348.1	688.9
Electricity		**87.1**	117.9	247.5
Water		**81.0**	103.2	179.9
Elster total		**493.6**	569.2	1,116.3
Total continuing operations		**780.9**	875.3	1,732.8
Discontinued operations	9	**-**	261.0	392.8
Total revenue		**780.9**	1,136.3	2,125.6

[1] Restated to include the revenues of Crosby, Acco and Harris within discontinued operations (note 9).

	Notes	Segment result		
			Restated[1]	
		6 months ended 30 June 2014	6 months ended 30 June 2013	Year ended 31 December 2013
		£m	£m	£m
Continuing operations				
Energy		**34.2**	35.8	73.1
Lifting		**13.5**	18.8	34.1
FKI headline[2] operating profit		**47.7**	54.6	107.2
Gas		**76.9**	76.1	152.4
Electricity		**4.0**	6.2	21.5
Water		**13.3**	10.5	23.0
Elster central		**(1.1)**	(1.6)	(2.7)
Elster headline[2] operating profit		**93.1**	91.2	194.2
Central – corporate		**(6.8)**	(5.9)	(13.5)
Central – LTIPs[3]		**(5.5)**	(7.0)	(13.0)
Headline[2] operating profit		**128.5**	132.9	274.9
Intangible asset amortisation		**(30.9)**	(32.7)	(64.6)
Exceptional operating costs	5	**(14.8)**	(10.6)	(19.3)
Exceptional operating income	5	**5.4**	-	28.9
Operating profit		**88.2**	89.6	219.9
Finance costs		**(26.3)**	(36.9)	(70.5)
Finance income		**7.7**	11.4	21.7
Profit before tax		**69.6**	64.1	171.1
Tax	6	**(19.3)**	(17.0)	(49.2)
Profit for the period from discontinued operations	9	**-**	30.1	442.7
Profit for the period		**50.3**	77.2	564.6

(1) Restated to include the results of Crosby, Acco and Harris within discontinued operations (note 9).
(2) Before exceptional costs, exceptional income and intangible asset amortisation.
(3) Long Term Incentive Plans.

	Total assets			Total liabilities		
		Restated[1]			Restated[1]	
	30 June 2014	30 June 2013	31 December 2013	**30 June 2014**	30 June 2013	31 December 2013
	£m	£m	£m	**£m**	£m	£m
Continuing operations						
Energy	**501.5**	503.2	497.7	**146.7**	148.3	146.5
Lifting	**332.4**	359.9	340.4	**83.5**	111.4	88.3
FKI total	**833.9**	863.1	838.1	**230.2**	259.7	234.8
Gas	**1,980.7**	2,227.2	2,038.7	**490.6**	577.9	470.3
Electricity	**321.5**	354.1	343.0	**99.0**	120.3	117.7
Water	**198.9**	238.9	201.6	**87.6**	153.7	92.6
Elster central	**5.3**	12.2	6.3	**49.8**	76.4	60.5
Elster total	**2,506.4**	2,832.4	2,589.6	**727.0**	928.3	741.1
Central – corporate	**157.2**	141.8	249.6	**1,020.4**	1,274.9	491.9
Central – LTIPs[2]	**-**	-	-	**25.6**	21.9	21.6
Total continuing operations	**3,497.5**	3,837.3	3,677.3	**2,003.2**	2,484.8	1,489.4
Discontinued operations	**-**	716.2	-	**-**	173.6	-
Total	**3,497.5**	4,553.5	3,677.3	**2,003.2**	2,658.4	1,489.4

(1) Restated to include the total assets and total liabilities of Crosby, Acco and Harris within discontinued operations (note 9).
(2) Long Term Incentive Plans.

	Capital expenditure[1]			Depreciation[1]		
		Restated[2]			Restated[2]	
	6 months ended 30 June 2014 £m	6 months ended 30 June 2013 £m	Year ended 31 December 2013 £m	**6 months ended 30 June 2014 £m**	6 months ended 30 June 2013 £m	Year ended 31 December 2013 £m
Continuing operations						
Energy	**14.1**	8.0	16.8	**3.1**	3.1	5.9
Lifting	**2.3**	4.3	8.6	**3.8**	3.8	7.5
FKI total	**16.4**	12.3	25.4	**6.9**	6.9	13.4
Gas	**6.8**	6.5	14.1	**7.3**	7.6	15.4
Electricity	**4.9**	3.1	6.9	**3.0**	3.4	6.7
Water	**1.7**	1.8	3.7	**2.1**	2.4	4.5
Elster central	**-**	-	0.3	**-**	-	-
Elster total	**13.4**	11.4	25.0	**12.4**	13.4	26.6
Central – corporate	**0.2**	0.2	0.6	**0.4**	0.3	0.7
Total continuing operations	**30.0**	23.9	51.0	**19.7**	20.6	40.7
Discontinued operations	**-**	7.8	10.3	**-**	5.5	7.7
Total	**30.0**	31.7	61.3	**19.7**	26.1	48.4

(1) Including computer software and development costs.
(2) Restated to include the capital expenditure[1] and depreciation[1] of Crosby, Acco and Harris within discontinued operations (note 9).

Geographical information
The Group operates in various geographical areas around the world. The Group's country of domicile is the UK and the Group's revenues and non-current assets in Europe and North America are also considered to be material.

The Group's revenue from external customers and information about its segment assets (non-current assets excluding interests in joint ventures, deferred tax assets, derivative financial assets and non-current trade and other receivables) by geographical location are detailed below:

	Revenue[1] from external customers			Non-current assets		
		Restated[2]			Restated[2]	
	6 months ended 30 June 2014 £m	6 months ended 30 June 2013 £m	Year ended 31 December 2013 £m	**30 June 2014 £m**	30 June 2013 £m	31 December 2013 £m
UK	**98.7**	91.0	213.5	**411.8**	398.0	417.2
Europe	**286.4**	290.4	574.4	**1,481.3**	1,696.1	1,557.1
North America	**221.3**	294.0	540.5	**728.6**	839.4	761.9
Other	**174.5**	199.9	404.4	**121.3**	82.6	117.0
Total continuing operations	**780.9**	875.3	1,732.8	**2,743.0**	3,016.1	2,853.2
Discontinued operations	**-**	261.0	392.8	**-**	369.4	-
Total	**780.9**	1,136.3	2,125.6	**2,743.0**	3,385.5	2,853.2

(1) Revenue is presented by destination.
(2) Restated to include the revenue from external customers and non-current assets of Crosby, Acco and Harris within discontinued operations (note 9).

4. Operating expenses

Net operating expenses comprise:	**6 months ended 30 June 2014 £m**	Restated[1] 6 months ended 30 June 2013 £m	Year ended 31 December 2013 £m
Continuing operations			
Selling and distribution costs	**69.4**	77.2	148.3
Administration expenses	**117.3**	128.7	251.5
Share of headline[2] results of joint ventures	**(3.2)**	(2.3)	(2.8)
Other operating costs – exceptional (note 5)	**14.8**	10.6	19.3
Other operating income – exceptional (note 5)	**(5.4)**	-	(28.9)
Total net operating expenses from continuing operations	**192.9**	214.2	387.4
Total net operating expenses from discontinued operations	**-**	36.3	54.0
Total net operating expenses	**192.9**	250.5	441.4

(1) Restated to include the results of Crosby, Acco and Harris within discontinued operations (note 9).
(2) Before exceptional costs, exceptional income and intangible asset amortisation.

5. Exceptional costs and income

Exceptional costs	**6 months ended 30 June 2014 £m**	Restated[1] 6 months ended 30 June 2013 £m	Year ended 31 December 2013 £m
Continuing operations			
Restructuring costs	**14.8**	9.0	18.8
Acquisition and disposal costs	**-**	1.6	0.5
Total exceptional costs	**14.8**	10.6	19.3

(1) Restated to include the results of Crosby, Acco and Harris within discontinued operations (note 9).

During the six months to 30 June 2014 restructuring costs were incurred primarily within the Gas business resulting in a charge for the period of £14.8 million. Restructuring costs, primarily relating to other Elster businesses, of £18.8 million were incurred in 2013, of which £9.0 million had been incurred in the first half of the year.

In 2013, committed acquisition and disposal costs were shown as exceptional costs. No such costs have been incurred in 2014.

Exceptional income	**6 months ended 30 June 2014 £m**	6 months ended 30 June 2013 £m	Year ended 31 December 2013 £m
Continuing operations			
Release of surplus leasehold property costs provision	**5.4**	-	-
Release of items previously booked as fair value adjustments	**-**	-	28.9
Total exceptional income	**5.4**	-	28.9

During the six months to 30 June 2014 a historical onerous lease dispute was successfully resolved for less than expected resulting in the release of £5.4 million from provisions as exceptional income. During 2013 certain warranty and legal issues, inherited with the acquisition of Elster, were successfully resolved for less than expected resulting in the release of £28.9 million of provisions as exceptional income.

6. Tax

Analysis of the charge/(credit) in the period:	**6 months ended 30 June 2014 £m**	Restated[1] 6 months ended 30 June 2013 £m	Year ended 31 December 2013 £m
Continuing operations			
Current tax	**26.2**	17.2	44.1
Deferred tax	**(6.9)**	(0.2)	5.1
Total income tax charge from continuing operations	**19.3**	17.0	49.2
Discontinued operations			
Current tax	**-**	15.9	32.9
Deferred tax	**-**	(1.4)	(2.5)
Total income tax charge from discontinued operations	**-**	14.5	30.4
Total income tax charge	**19.3**	31.5	79.6

[1] Restated to include the results of Crosby, Acco and Harris within discontinued operations (note 9).

The effective tax rate in respect of headline profit before tax on continuing activities for the year is expected to be 27.0% (period to 30 June 2013: 27.1%). The headline tax charge on continuing activities has been calculated by applying the expected rate for the full year to the headline profit before tax of £109.9 million (period to 30 June 2013: £107.4 million), giving a headline tax charge of £29.7 million (period to 30 June 2013: £29.1 million).

The headline tax charge on continuing activities of £29.7 million (period to 30 June 2013: £29.1 million) has been reduced by a tax credit on exceptional items and intangible asset amortisation of £10.4 million (period to 30 June 2013: £12.1 million) to give a total tax charge on continuing activities of £19.3 million (period to 30 June 2013: £17.0 million). The tax credit on exceptional items includes a deferred tax credit on the amortisation of intangible assets of £8.8 million (period to 30 June 2013: £9.4 million) and a current tax credit of £1.6 million (period to 30 June 2013: £2.7 million) in respect of restructuring costs recognised as exceptional.

In addition to the amount charged to the Income Statement, a credit of £3.0 million (period to 30 June 2013: £0.2 million) has been recognised directly in the Statement of Comprehensive Income. This represents a tax credit of £3.0 million (period to 30 June 2013: £nil) in respect of the remeasurement of net retirement benefit obligations and a tax credit of £nil (period to 30 June 2013: £0.2 million) in respect of movements on cash flow hedges.

7. Earnings per share

Earnings attributable to owners of the parent	**6 months ended 30 June 2014 £m**	Restated[1] 6 months ended 30 June 2013 £m	Year ended 31 December 2013 £m
Profit for the purposes of earnings per share	**50.0**	75.8	562.7
Less: profit for the period from discontinued operations (note 9)	**-**	(30.1)	(442.7)
Earnings for basis of earnings per share from continuing operations	**50.0**	45.7	120.0

[1] Restated to include the results of Crosby, Acco and Harris within discontinued operations (note 9).

	6 months ended 30 June 2014 Number	6 months ended 30 June 2013 Number	Year ended 31 December 2013 Number
Weighted average number of Ordinary Shares for the purposes of basic earnings per share (million)	**1,112.7**	1,266.6	1,266.6
Further shares for the purposes of diluted earnings per share (million)	**17.6**	7.4	20.1
Weighted average number of Ordinary Shares for the purposes of diluted earnings per share (million)	**1,130.3**	1,274.0	1,286.7

On 7 February 2014 the number of Ordinary Shares was consolidated in a ratio of 11 to 13, which reduced the number of Ordinary Shares in issue from 1,266.6 million to 1,071.8 million.

Earnings per share	6 months ended 30 June 2014 pence	Restated[1] 6 months ended 30 June 2013 pence	Year ended 31 December 2013 pence
Basic earnings per share			
From continuing and discontinued operations	**4.5**	6.0	44.4
From continuing operations	**4.5**	3.6	9.5
From discontinued operations	**-**	2.4	34.9
Diluted earnings per share			
From continuing and discontinued operations	**4.4**	5.9	43.7
From continuing operations	**4.4**	3.6	9.3
From discontinued operations	**-**	2.3	34.4

[1] Restated to include the results of Crosby, Acco and Harris within discontinued operations (note 9).

Headline[1] diluted earnings per share

Following the disposals in 2013 and the share consolidation in February 2014, headline[1] diluted earnings per share is calculated using the headline[1] profit after tax attributable to the owners of the parent and the number of shares in issue at 30 June 2014, following the Return of Capital.

	6 months ended 30 June 2014 £m	6 months ended 30 June 2013 £m	Year ended 31 December 2013 £m
Headline[1] profit after tax attributable to owners of the parent	**79.9**	76.9	164.2

	6 months ended 30 June 2014 Number	6 months ended 30 June 2013 Number	Year ended 31 December 2013 Number
Number of shares in issue at 30 June 2014 (million)	**1,071.8**	1,071.8	1,071.8
Further shares for the purpose of diluted earnings per share (million)	**17.6**	7.4	20.1
Number of shares for the purpose of diluted headline[1] earnings per share (million)	**1,089.4**	1,079.2	1,091.9
Headline[1] diluted earnings per share (pence)	**7.3**	7.1	15.0

[1] Before exceptional costs, exceptional income and intangible asset amortisation.

8. Dividends

	6 months ended 30 June 2014 £m	6 months ended 30 June 2013 £m	Year ended 31 December 2013 £m
Final dividend for the year ended 31 December 2012 paid of 5.0p	**-**	63.3	63.3
Interim dividend for the year ended 31 December 2013 paid of 2.75p	**-**	-	34.8
Final dividend for the year ended 31 December 2013 paid of 5.0p	**53.6**	-	-
Total dividends paid	**53.6**	63.3	98.1
Proposed interim dividend for the period ended 30 June 2014 of 2.8p	**30.0**	-	-

A proposed 2014 interim dividend of 2.8p per Ordinary Share was approved by the Board on 28 August 2014 and, in accordance with IAS 10: “Events after the reporting period”, has not been included as a liability as at 30 June 2014.

9. Discontinued operations

The comparative information in these interim financial statements for the period ended 30 June 2013 has been restated to exclude the results and cash flows of Crosby, Acco and Harris from continuing operations and include them as discontinued operations. Discontinued operations also contain the results and cash flows of Truth and Marelli.

Financial performance of discontinued operations:

	6 months ended 30 June 2014 £m	Restated[1] 6 months ended 30 June 2013 £m	Year ended 31 December 2013 £m
Revenue	-	261.0	392.8
Operating costs	-	(211.8)	(313.3)
Headline[2] operating profit	-	49.2	79.5
Intangible asset amortisation	-	(3.8)	(6.3)
Exceptional items	-	(0.7)	(0.7)
Net finance costs	-	(0.1)	(0.1)
Profit before tax	-	44.6	72.4
Headline[2] tax	-	(15.9)	(32.5)
Exceptional tax[3]	-	1.4	2.1
Profit after tax	-	30.1	42.0
Cumulative translation differences recycled on disposals	-	-	12.1
Gain on disposal of net assets of discontinued operations	-	-	388.6
Profit for the period from discontinued operations	-	30.1	442.7
Attributable to:			
Owners of the parent	-	30.1	442.7
	-	30.1	442.7

[1] Restated to include the results of Crosby, Acco and Harris within discontinued operations.
[2] Before exceptional costs, exceptional income and intangible asset amortisation.
[3] Includes exceptional tax and tax on exceptional items and intangible asset amortisation.

10. Provisions

	Surplus leasehold property costs £m	Environmental and legal costs £m	Incentive plan related £m	Warranty related costs £m	Other £m	Total £m
At 1 January 2014	21.2	54.1	21.6	56.1	24.8	177.8
Utilised	(2.9)	(0.7)	-	(9.9)	(8.6)	(22.1)
Net charge to headline[1] operating profit	-	0.1	3.5	2.1	-	5.7
Net charge to exceptional items[2]	(5.4)	-	-	-	14.5	9.1
Unwind of discount	0.1	-	0.5	-	-	0.6
Exchange differences	(0.1)	(1.1)	-	(1.3)	(1.1)	(3.6)
At 30 June 2014	**12.9**	**52.4**	**25.6**	**47.0**	**29.6**	**167.5**
Current	2.6	6.4	12.7	17.6	24.5	63.8
Non-current	10.3	46.0	12.9	29.4	5.1	103.7
	12.9	**52.4**	**25.6**	**47.0**	**29.6**	**167.5**

[1] Before exceptional costs, exceptional income and intangible asset amortisation.
[2] Net of £14.5 million of exceptional costs relating to restructuring and a £5.4 million surplus leasehold property costs provision released to exceptional income.

The provision for surplus leasehold property costs represents the estimated net payments payable over the term of these leases together with any dilapidation costs. This is expected to result in cash expenditure over the next one to five years.

Environmental and legal costs provisions relate to the estimated remediation costs of pollution, soil and groundwater contamination at certain sites and estimated future costs and settlements in relation to legal claims. Due to their nature, it is not possible to predict precisely when these provisions will be utilised.

Incentive plan related provisions are in respect of long term incentive plans for divisional senior management, expected to result in cash expenditure in the next four years.

The provision for warranty related costs represents the best estimate of the expenditure required to settle the Group's obligations. Warranty terms are, on average, between one and five years.

Other provisions relate primarily to costs that will be incurred in respect of restructuring programmes, usually resulting in cash spend within one year.

Where appropriate, provisions have been discounted using a discount rate of 3% (31 December 2013: 3%).

11. Retirement benefit obligations

The defined benefit obligation at 30 June 2014 of £236.9 million (31 December 2013: £219.3 million) is estimated based on the latest full actuarial valuations at 31 March 2013 for the FKI UK Pension Plans (which include the FKI UK Pension Plan, the Bridon Group (2013) Pension Plan and the Brush Group (2013) Pension Plan), 31 December 2011 for the McKechnie UK Pension Plan and 31 December 2012 for the FKI US Pension Plans. The valuations of the most significant plans, namely, the FKI UK Pension Plans, the FKI US Pension Plans, the McKechnie UK Pension Plan and the Elster European Pension Plans in Germany have been updated at 30 June 2014 by independent actuaries to reflect updated assumptions regarding discount rates, inflation rates and asset values. These assumptions were as follows:

	30 June 2014			
	FKI UK Plans % p.a.	McKechnie UK Plan % p.a.	FKI US Plans % p.a.	Elster European Plans % p.a.
Rate of increase in salaries	N/A	N/A	N/A	2.75
Rate of increase in pensions in payment	3.20	3.20	N/A	1.90
Discount rate	4.10	4.10	4.20	2.70
RPI inflation assumptions	3.30	3.30	N/A	1.90

	31 December 2013			
	FKI UK Plans % p.a.	McKechnie UK Plan % p.a.	FKI US Plans % p.a.	Elster European Plans % p.a.
Rate of increase in salaries	N/A	3.90[1]	N/A	2.75
Rate of increase in pensions in payment	3.20	3.20	N/A	1.90
Discount rate	4.40	4.40	4.70	3.50
RPI inflation assumptions	3.40	3.40	N/A	1.90

(1) Closed to the accrual of future benefits but active members' benefits are linked to current salaries.

In addition, the defined benefit plan assets and liabilities have been updated to reflect the £16.4 million of contributions made to the defined benefit plans during the period and the benefits earned during the period to 30 June 2014.

12. Financial instruments

The table below sets out the Group's accounting classification of each category of financial assets and liabilities and their fair values at 30 June 2014 and 31 December 2013:

	Total £m
30 June 2014	
Financial assets	
Cash and cash equivalents	115.3
Net trade receivables	237.4
Derivative financial assets	6.2
Financial liabilities	
Interest-bearing loans and borrowings	(865.9)
Derivative financial liabilities	(5.5)
Other financial liabilities	(355.2)
31 December 2013	
Financial assets	
Cash and cash equivalents	200.4
Net trade receivables	249.0
Derivative financial assets	13.2
Financial liabilities	
Interest-bearing loans and borrowings	(341.2)
Derivative financial liabilities	(7.2)
Other financial liabilities	(385.5)

Maturity of financial liabilities

The maturity profile of anticipated future cash flows including interest in relation to the Group's financial liabilities, on an undiscounted basis and which, therefore, differs from both the carrying value and fair value is shown in the table below. Interest on floating rate debt is based on the relevant LIBOR curve for US Dollar and Sterling balances and the EURIBOR curve for Euro balances. Interest on hedging interest rate swaps is based on the relevant forward LIBOR curves for US Dollar and Sterling amounts and EURIBOR curve for Euro amounts and is illustrated as a net cash flow.

	Interest-bearing loans and borrowings £m	Derivative financial liabilities £m	Other financial liabilities £m	Total financial liabilities £m
Within one year	26.1	5.1	353.9	385.1
In one to two years	31.5	0.4	1.3	33.2
In two to five years	889.3	-	-	889.3
Effect of financing rates	(81.0)	-	-	(81.0)
30 June 2014	**865.9**	**5.5**	**355.2**	**1,226.6**
Within one year	9.6	7.2	384.0	400.8
In one to two years	22.0	-	1.5	23.5
In two to five years	368.8	-	-	368.8
Effect of financing rates	(59.2)	-	-	(59.2)
31 December 2013	341.2	7.2	385.5	733.9

Fair value measurements recognised in the Balance Sheet

The fair value of foreign currency forward contracts is determined using quoted forward exchange rates at the reporting date and yield curves derived from quoted interest rates matching the maturities of the contracts.

The fair value of interest rate swap contracts is determined using yield curves derived from quoted interest rates.

The following table sets out the Group's assets and liabilities that are measured and recognised at fair value:

Recurring fair value measurements	**30 June 2014 Current £m**	**30 June 2014 Non-current £m**	**30 June 2014 Total £m**	31 December 2013 Current £m	31 December 2013 Non-current £m	31 December 2013 Total £m
Derivative financial assets						
Foreign currency forward contracts	**2.8**	**0.1**	**2.9**	5.1	-	5.1
Interest rate swaps	**0.6**	**2.7**	**3.3**	-	8.1	8.1
	3.4	**2.8**	**6.2**	5.1	8.1	13.2
Derivative financial liabilities						
Foreign currency forward contracts	**(5.1)**	**(0.4)**	**(5.5)**	(4.7)	-	(4.7)
Interest rate swaps	**-**	**-**	**-**	(2.5)	-	(2.5)
	(5.1)	**(0.4)**	**(5.5)**	(7.2)	-	(7.2)

The fair value of these financial instruments are derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) and they are therefore categorised within level 2 of the fair value hierarchy set out in IFRS 13: "Fair value measurement". The Group's policy is to recognise transfers into and out of the different fair value hierarchy levels at the date of the event or change in circumstances that caused the transfer to occur. There have been no transfers between levels in the period.

13. Notes to the Cash Flow Statement

	6 months ended 30 June 2014 £m	Restated[1] 6 months ended 30 June 2013 £m	Year ended 31 December 2013 £m
Reconciliation of headline[2] operating profit to cash generated by continuing operations			
Headline[2] operating profit from continuing operations	**128.5**	132.9	274.9
Adjustments for:			
Depreciation of property, plant and equipment	**17.0**	17.8	35.4
Amortisation of computer software and development costs	**2.7**	2.8	5.3
Restructuring costs paid and movements in other provisions	**(13.9)**	(28.6)	(63.3)
Operating cash flows before movements in working capital	**134.3**	124.9	252.3
(Increase)/decrease in inventories	**(7.8)**	5.9	27.9
Decrease/(increase) in receivables	**0.3**	11.4	(1.2)
Decrease in payables	**(21.7)**	(32.6)	(40.2)
Cash generated by operations	**105.1**	109.6	238.8
Tax paid	**(21.4)**	(15.4)	(46.9)
Interest paid	**(16.9)**	(24.5)	(53.2)
Acquisition costs	**-**	-	(11.4)
Defined benefit pension contributions paid	**(16.4)**	(15.8)	(32.7)
Incentive plan payments	**-**	-	(3.4)
Net cash from operating activities from continuing operations	**50.4**	53.9	91.2

[1] Restated to include the cash flows of Crosby, Acco and Harris within discontinued operations (note 9).
[2] Before exceptional costs, exceptional income and intangible asset amortisation.

Cash flow from discontinued operations	6 months ended 30 June 2014 £m	Restated[1] 6 months ended 30 June 2013 £m	Year ended 31 December 2013 £m
Cash generated from discontinued operations	**-**	32.7	59.6
Tax paid	**-**	(7.1)	(13.9)
Defined benefit pension contributions paid	**-**	(0.3)	(0.9)
Net cash from operating activities from discontinued operations	**-**	25.3	44.8
Purchase of property, plant and equipment	**-**	(6.9)	(11.6)
Purchase of computer software	**-**	-	(0.1)
Interest received	**-**	-	0.1
Net cash used in investing activities from discontinued operations	**-**	(6.9)	(11.6)
Net cash used in financing activities from discontinued operations	**-**	-	-

[1] Restated to include the cash flows of Crosby, Acco and Harris within discontinued operations (note 9).

Net debt reconciliation

	At 31 December 2013 £m	Cash flow[1] £m	Other non-cash movements £m	Effect of foreign exchange £m	**At 30 June 2014 £m**
Cash	200.4	(84.5)	-	(0.6)	**115.3**
Debt due within one year	-	-	-	-	**-**
Debt due after one year	(341.2)	(532.9)	(2.3)	10.5	**(865.9)**
Net debt	(140.8)	(617.4)	(2.3)	9.9	**(750.6)**

[1] Includes a £595.3 million return of capital to shareholders and £53.6 million of dividends paid.

14. Return of capital

On 7 February 2014 a £595.3 million return of capital was approved by shareholders. At this date 1,266.6 million 47 pence 'C' shares were created utilising £595.3 million of the merger reserve. The 'C' shares were subsequently redeemed in the period resulting in a £595.3 million transfer to the capital redemption reserve.

Alongside the return of capital the number of Ordinary Shares was consolidated in a ratio of 11 to 13, which reduced the number of Ordinary Shares in issue from 1,266.6 million to 1,071.8 million.