MELROSE PLC INTERIM STATEMENT **2007**

HIGHLIGHTS

- Revenue for the continuing group for the period was £172.9 million (2006: £161.4 million)
- Headline operating profit for the continuing group (before exceptional costs, exceptional income and intangible asset amortisation other than computer software amortisation) for the period increased by 39% to £11.4 million (2006: £8.2 million). After these items operating profit was £11.3 million (2006: £1.8 million)
- Interim dividend of 2.5p (2006: 2.25p) per share
- Sale of McKechnie Aerospace division and most of PSM division for a total of £458 million – which was more than was paid for the whole Dynacast and McKechnie group
- Cash in hand of over £250 million at 30 June 2007 prior to the return of capital of £220 million approved by shareholders on 14 August 2007
- Acquisition search underway

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I am pleased to report our interim results for the six months to 30 June 2007.

The figures for the continuing group exclude the profits of the divisions we have sold, namely Aerospace OEM and Aerospace Aftermarket divisions (together "McKechnie Aerospace") and the majority of our PSM division ("PSM"). These results pre-date the return of capital and share consolidation and thus exclude the effect of these events.

RESULTS

For the continuing group revenue in the period was £172.9 million (2006: £161.4 million). Headline operating profit and earnings per share (before exceptional costs, exceptional income and intangible asset amortisation other than computer software amortisation) were £11.4 million (2006: £8.2 million) and 3.5p (2006: 1.6p) respectively. After these items, operating profit was £11.3 million (2006: £1.8 million) and earnings per share were 3.8p (2006: (0.7)p).

SALE OF McKECHNIE AEROSPACE

On 11 May 2007, we completed the sale of McKechnie Aerospace for £428 million realising a profit of nearly £200 million in two years since acquisition. These proceeds approximated to the price paid for the whole of the McKechnie and Dynacast group. This outstanding result is testimony to the quality of the businesses within this division and to the swift increase in their profitability during our ownership. The upturn in the Aerospace cycle is now well known, but much of the improvement came from our substantial capital investment, addressing outstanding commercial issues with customers and suppliers, and operational improvements made by a good management team under our direction.

In addition to a good return for our shareholders, as a result of this sale we have also been able to much improve the funding of the McKechnie Pension Scheme for the benefit of its members.

SALE OF PSM

Having successfully completed its restructuring, on 18 May 2007 the core of the PSM division was sold for £30 million. During our ownership this division increased its profitability substantially as a result of the closure of its loss making European operations and further investment in the profitable operations in the Far East.

RETURN OF CAPITAL

Following these disposals and in line with our stated objectives, on 31 August 2007 Melrose returned £220 million of capital to shareholders representing a payment equivalent to approximately 95% of the total equity raised since Melrose's inception (including previous dividends). We are delighted both to have been able to return this capital and to have had the opportunity for such an early validation of our business model. We have of course retained sufficient cash resources for the future development of the existing group. As is common with large returns of capital, at the same time shares in issue were reduced by means of a share consolidation. The effect of this is that the number of ordinary shares in issue has dropped to 133.7 million.

DIVIDENDS

The Board intends to continue with a progressive dividend policy and I am pleased to report that the Board has declared an interim dividend of 2.5p per share (2006: 2.25p per share). This will be paid on 16 November 2007 to ordinary shareholders on the register at the close of business on 19 October 2007.

TRADING
We are pleased that overall underlying trading remains encouraging. While the bulk of our restructuring effort is now completed, the search for further operational improvements is never ending. The trading outlook is discussed in more detail in the Chief Executive's Review.

STRATEGY
We are well placed to pursue a major acquisition and the search for a suitable opportunity continues. As we have said before, we will be as strict as ever in applying our acquisition criteria.

In the meantime the current uncertainty, in credit markets in particular, may increase our competitive advantage given Melrose's ability to raise public capital and our lack of need for high levels of debt to finance acquisitions. We are encouraged by the outlook.

Christopher Miller
12 September 2007

CHIEF EXECUTIVE'S REVIEW

I am pleased to set out below reports on the continuing operating divisions.

DYNACAST

PERIOD ENDED 30 JUNE	2007	2006
TURNOVER (£m)	117.6	107.3
HEADLINE OPERATING PROFIT (£m)	13.8	11.1

Dynacast is a global manufacturer of precision engineered, die-cast metal components and assemblies. The products are manufactured using proprietary die-casting technology and are supplied to a wide range of end markets, including automotive, healthcare, telecommunications, consumer electronics and computer hardware and peripherals.

Dynacast performed well in the first half of 2007. Sales and operating profit were up by nearly 10% and 24% respectively over the corresponding period in 2006. These results were achieved after suffering an exchange loss on translation (resulting from the strength of sterling) of £0.4 million and an exchange loss on transactions (largely resulting from the increased strength of the Canadian dollar versus the US dollar) of £0.6 million.

Profitability on slightly lower sales in North America improved over the same period last year, partly as a result of increased efficiency arising from the closure of the Spartanburg factory in South Carolina and investment in Mexico. Sales and operating profit in Europe showed steady growth while in Asia continuing strong growth in China was partially offset by lower sales in Singapore, where a number of products reached their "end-of-life".

As a result of management actions last year, Dynacast's profit is now much less exposed to changes in the price of zinc. Although Dynacast benefits from being able to fully recover raw material price increases for nearly all of its sales, previously there was a time lag for this recovery of, in some cases, up to three months, which meant that at times of major change in the price of zinc Dynacast's profits were significantly impacted. It is estimated that in the first half of 2006 Dynacast suffered an adverse impact on profit of about £2.5 million. The quality of Dynacast's earnings has been much improved as a result of these actions.

Dynacast has continued to invest heavily in China with further expansion of its operations and now occupies more than 200,000 square feet of manufacturing space in Shanghai. It is encouraging that a lot of the new opportunities for this operation are coming from the indigenous market.

Having closed four factories since Dynacast was acquired in May 2005, the restructuring of its manufacturing operations is now complete. In addition to a continuation of Dynacast's active investment programme, particularly in Asia, management are focusing on add-on acquisitions. Given the fragmented nature of the market Dynacast operates in, it is likely that these will be quite small. I am pleased to report the acquisition last week of Q Zip Diecasting in Quebec, Canada for £5.9 million. Whilst nothing is certain, we are optimistic of further progress on acquisitions by the year end.

McKECHNIE VEHICLE COMPONENTS (MVC)

PERIOD ENDED 30 JUNE	2007	2006
TURNOVER (£m)	29.5	26.5
HEADLINE OPERATING LOSS (£m)	(0.2)	(0.7)

MVC manufactures decorated exterior trim products for the US automotive industry, principally coated metal and plastic wheel trims.

MVC's trading performance in the first six months of 2007 shows a reasonable improvement over the first six months of 2006 and a notable improvement over the second half of 2006.

Although conditions in the North American automotive industry remain extremely challenging, it is encouraging that the radical actions taken by the new management team at MVC are beginning to bear fruit. In particular, management have been successful in contract negotiations with customers to recover a proportion of recent substantial raw material cost increases, primarily nickel and stainless steel. In addition, significant improvements have been made at the Nicholasville plant in terms of scrap reduction, labour efficiency and overhead control.

A significant milestone in the strategic development at MVC is the new chrome plating line at Nicholasville, which is currently being commissioned. This is a critical function in the manufacturing process of highly engineered wheel clads and positions MVC well to meet the high level of contracted orders from customers for these products. In addition to enhancing MVC's competitive advantage, it means MVC will not be dependent on outside platers, thereby saving freight costs and third party profit margins.

Newberry continues to perform well. The transfer of a production line from Nicholasville has improved Newberry's capacity utilisation; and as the only producer of metal wheel covers in North America, it is well placed in its market.

Although a lot of progress has been made in this business by the new management team, there still remains a lot to be done. We remain committed to seeing through the improvements to date and to further progress being made.

McKECHNIE PLASTIC COMPONENTS (MPC)

PERIOD ENDED 30 JUNE	2007	2006
TURNOVER (£m)	21.2	23.9
HEADLINE OPERATING PROFIT (£m)	1.3	1.0

MPC is a UK producer of engineered plastic injection moulded components for products used in a variety of industries, including power tools, food and beverage packaging, personal care and automotive.

MPC's results for the first half of 2007 were good. As a result of the closure of the plant in Northampton and the planned exiting of lower margin business, sales were down over the corresponding period in 2006. This has resulted in a slimmed down but more profitable business.

MPC will continue to focus on maximising its engineering expertise on more automated, highly engineered, value added products and processes.

Its Stamford Bridge facility is seeing the benefit of this by developing excellent customer partnerships with both Diageo and Scotco, securing additional contracts on new technology "widgets" for beverage cans.

At Pickering, its automotive plant, MPC has benefited from a robust approach to recovering increased raw material and energy costs. At the same time significant capital investment has helped to secure contracts on technically complex platforms for both the Ford Fiesta and the Land Rover Freelander.

Management have taken the steps to create a more focused and competitive business and we look forward to a solid performance for the full year.

PRELOK AND CANNING BRETT (PSM CONTINUING)

PERIOD ENDED 30 JUNE	2007	2006
TURNOVER (£m)	4.6	3.7
HEADLINE OPERATING PROFIT (£m)	0.3	0.3

Following the disposal of the fastener manufacturing division of McKechnie PSM in May this year, the Thread Locking and Sealing division has been renamed Prelok. Prelok, which has operations throughout Europe, supplies a comprehensive range of high specification pre-applied sealing and locking products for fastening solutions to the automotive and other industries. Canning Brett, which was also part of McKechnie PSM, manufactures engineered fasteners and components primarily for the automotive industry.

In view of all the corporate changes that took place in the first half of 2007, this division has produced a creditable result.

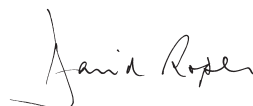
OUTLOOK

We are very pleased with the outcome of the Aerospace division sale. We acquired this business because we could see the nascent upturn in the aerospace cycle and the opportunity to improve this division by capital investment and better management focus on some key issues. The success of the sale process clearly shows the improvement in both the performance and quality of the division during our ownership.

Dynacast continues to benefit from strong demand in China. Having completed the restructuring of its manufacturing base, Dynacast is focusing on identifying small bolt-on acquisitions and it is pleasing that the first acquisition was completed last week. This is very encouraging as it opens up a new avenue of growth for the business.

Despite the challenging conditions in the North American automotive industry, MVC's performance is beginning to improve and now that it has its own plating plant it is a stronger business. It has a largely new and much improved management team. There remain challenges ahead and further improvement is necessary to meet our expectations.

As we turn our attention to the next acquisition, we are confident about the performance of the existing businesses and the outcome for this year.



David Roper
12 September 2007

CONTINUING OPERATIONS

The continuing operations comprise Dynacast, McKechnie Vehicle Components (MVC), McKechnie Plastic Components (MPC) and the remaining smaller part of PSM, now trading as Prelok and Canning Brett. In the first six months of 2007, these divisions collectively achieved sales growth of 7.1% and headline operating profit growth of 39.0% over the corresponding period last year. This was an encouraging performance and was achieved despite an exchange loss mainly caused by the weakening US dollar of £1.1 million. Further detail on the trading result of the Group and by division can be found in the Chief Executive's Review.

Central costs are divided between the ongoing corporate costs, which are largely cash costs, and the required charge in respect of the group LTIP schemes for management which are non cash during the period. Both the Dynacast LTIP, which runs until May 2009, and the Melrose share incentive scheme require a charge to be amortised in the period up to crystallisation.

EXCHANGE

The group has three main exchange risks: the translation risk of foreign trading results into sterling at the average exchange rate for the period; the transaction risk of individual business units trading in a currency that is different from their natural currency; and the exchange risk arising when the proceeds from disposal are received in a foreign currency. The exposure of the group to different currencies has altered as a consequence of the disposals. A split of sales by currency, and the relevant exchange rates used for the continuing group were as follows for the six months to June.

	US$	Euro	Sterling	Other	Total
Sales by currency	32%	30%	15%	23%	100%

Exchange rates used in the period	Average rate	Closing rate
US dollar		
2007 June	1.97	2.00
2006 December	1.84	1.96
2006 June	1.80	1.85
Euro		
2007 June	1.48	1.49
2006 December	1.47	1.49
2006 June	1.46	1.45

This shows the exposure to the dollar and euro within the continuing group. As the dollar weakened during the period the translation loss suffered in the period was £0.5 million compared to the same period in 2006. In addition, and largely due to Dynacast Canada trading mainly with US based customers, a transaction exchange loss of £0.6 million was incurred in the period. It is the policy of the Board to take out exchange instruments to try to minimise the transaction risk, which is a cash cost, but not the translation risk, which is non cash. The Board continued this policy in the six months to June 2007 to reduce the exposure.

The exchange risk on the receipt of disposal proceeds in a foreign currency is protected if considered appropriate by the Board on a case by case basis. The Board entered into a forward cover option for the majority of US dollar proceeds on the exchange of contracts in March 2007 for the McKechnie Aerospace sale which were not naturally hedged by US dollar debt, at US dollar = 1.985. For the PSM disposal no instrument was taken out and the proceeds were converted at spot of US dollar = 1.980 on receipt in May 2007.

FINANCE COSTS AND INCOME

Part of the proceeds from the disposals in the period were used to repay debt. Melrose had £251.3 million of net cash in hand at 30 June 2007 compared to the start of the year when it had net debt of £162.6 million. Virtually all the debt repayment took place in May and hence the finance costs and income in the first half of the year are not reflective of the continuing group. On 14 August the shareholders approved £220 million of the cash in hand to be repaid to shareholders.

TAX

The continuing group tax charge was 19% in the period, which includes a £0.8 million exceptional credit. The underlying headline tax rate excluding this advantage was 26%. This is a reduction from the underlying headline 28% charge for the group in 2006. The ongoing management of tax remains a focus and the cash tax rate at 5% in the period remains significantly below the headline profit and loss rate. In addition Melrose is not due to pay any tax on the disposals of the divisions.

EARNINGS PER SHARE AND NUMBER OF SHARES IN ISSUE

The basic earnings per share (EPS) for the six months to June were 3.8p (2006: loss per share of 0.7p) and the headline EPS 3.5p (2006: 1.6p). These are calculated using the continuing group results only and ignore both the trading in the period and the profit on sale of the divisions which were sold. Including these the basic EPS was 81.3p (2006: 4.7p). These are all calculated using the average number of shares in issue for the period of 257.1 million (2006: 257.1 million). This is prior to the crystallisation of the Melrose share incentive scheme, the 1 for 2 share consolidation and the repayment of £220 million to shareholders, all of which change the number of shares in issue to 133.7 million. This new number of shares will be the base for future EPS calculations.

PROFIT/LOSS ON DISPOSAL OF BUSINESSES
On 11 May 2007 the Group disposed of its interest in the OEM and Aftermarket divisions. Gross proceeds from the sale of these divisions were £428.0 million and costs incurred were £9.6 million. Net assets disposed of were £203.7 million, (including goodwill and intangible assets other than computer software of £135.4 million), and the cumulative exchange loss occurred since acquisition of £18.2 million, previously written off straight to reserves, was recycled on disposal. As a result the profit on sale was £196.5 million.

In addition on 18 May the group disposed of the large part of the PSM division for gross proceeds of £30.0 million and incurred costs of £1.2 million. Net assets disposed of were £29.9 million and cumulative exchange losses of £3.8 million were recycled on disposal, resulting in a loss on sale of £4.9 million.

PENSIONS
Melrose obtained clearance from the UK Pensions Regulator for its agreement with the trustees of the McKechnie UK defined benefit pension plan on the disposal of the OEM division. This agreement required Melrose to contribute £20 million as an initial payment into the pension scheme and to pay a total of £18.3 million in equal quarterly instalments over the next three years. Melrose PLC has guaranteed the funding of the scheme on an ongoing basis. In addition to these contributions being made and agreed the scheme assumptions have been updated to reflect current conditions at June 2007. The deficit for this scheme in addition to the other smaller schemes in the Melrose group has consequently reduced to £28.0 million from £55.4 million at December 2006.

Geoffrey Martin
12 September 2007

CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30 June 2007 Unaudited £m	Restated[3] Six months ended 30 June 2006 Unaudited £m	Restated[3] Year ended 31 December 2006 Audited £m
Continuing operations				
Revenue	3	**172.9**	161.4	323.6
Cost of sales		**(141.3)**	(134.1)	(265.1)
Gross profit		**31.6**	27.3	58.5
Net operating expenses before exceptional items and intangible asset amortisation[1]		**(20.2)**	(19.1)	(39.3)
Intangible asset amortisation[1]		**(1.0)**	(1.0)	(2.1)
Exceptional costs	5	**–**	(5.4)	(5.9)
Exceptional income	6	**0.9**	–	0.7
Total net operating expenses	4	**(20.3)**	(25.5)	(46.6)
Operating profit		**11.3**	1.8	11.9
Headline operating profit[2]	3	**11.4**	8.2	19.2
Finance costs		**(3.4)**	(3.3)	(7.3)
Finance income		**4.1**	0.1	0.2
Profit/(loss) before tax		**12.0**	(1.4)	4.8
Tax	7	**(2.3)**	(0.5)	(1.6)
Profit/(loss) for the period from continuing operations		**9.7**	(1.9)	3.2
Discontinued operations				
Profit for the period from discontinued operations	8	**199.4**	14.1	34.6
Profit for the period		**209.1**	12.2	37.8
Attributable to:				
Equity holders of the parent		**209.0**	12.2	37.7
Minority interests		**0.1**	–	0.1
		209.1	12.2	37.8
Earnings/(loss) per share				
From continuing operations				
– Basic	9	**3.8p**	(0.7)p	1.2p
– Diluted	9	**3.6p**	(0.7)p	1.2p
From continuing and discontinued operations				
– Basic	9	**81.3p**	4.7p	14.7p
– Diluted	9	**78.3p**	4.6p	14.4p

(1) Other than computer software amortisation.

(2) The terms "headline operating profit", "headline profit before tax" and "headline earnings per share" have the same definition as operating profit, profit before tax and earnings per share respectively except that they are calculated before exceptional costs, exceptional income and intangible asset amortisation other than computer software.

(3) Prior periods have been restated to separate the results of continuing and discontinued operations.

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

	Six months ended 30 June 2007 Unaudited £m	Six months ended 30 June 2006 Unaudited £m	Year ended 31 December 2006 Audited £m
Currency translation on net investments in subsidiary undertakings	**(5.0)**	(23.3)	(41.4)
Gains on cash flow hedges	**0.5**	1.2	1.4
Actuarial adjustments on pension liabilities	**4.1**	1.7	1.2
Net loss recognised directly in equity	**(0.4)**	(20.4)	(38.8)
Transferred to income statement on cash flow hedges	**(1.2)**	0.1	(1.4)
Transfer to income statement from equity of cumulative translation differences on discontinued operations	**22.0**	–	–
Profit for the period	**209.1**	12.2	37.8
Total recognised income and expense for the period	**229.5**	(8.1)	(2.4)
Attributable to:			
Equity holders of the parent	**229.4**	(8.1)	(2.5)
Minority interests	**0.1**	–	0.1
	229.5	(8.1)	(2.4)

CONSOLIDATED BALANCE SHEET

	Notes	**30 June 2007 Unaudited £m**	30 June 2006 Unaudited £m	31 December 2006 Audited £m
Non-current assets				
Goodwill and other intangible assets		**196.5**	378.3	356.2
Property, plant and equipment		**53.7**	85.7	79.4
Interests in joint ventures		**–**	2.8	2.6
Derivative financial instruments		**0.7**	2.6	1.4
Deferred tax assets		**4.0**	27.2	29.8
		254.9	496.6	469.4
Current assets				
Inventories		**26.5**	57.2	59.3
Trade and other receivables		**67.5**	96.5	90.7
Cash and short term deposits	13	**265.3**	15.4	33.3
		359.3	169.1	183.3
Total assets	3	**614.2**	665.7	652.7
Current liabilities				
Trade and other payables		**73.4**	99.3	104.8
Interest-bearing loans and borrowings		**2.0**	0.7	1.0
Current tax liabilities		**8.6**	13.0	8.8
Provisions		**2.2**	8.5	2.9
		86.2	121.5	117.5
Net current assets		**273.1**	47.6	65.8
Non-current liabilities				
Interest-bearing loans and borrowings		**12.0**	202.3	194.9
Deferred tax liabilities		**8.7**	18.9	18.6
Retirement benefit obligations	12	**28.0**	57.8	55.4
Provisions		**4.0**	10.4	11.2
		52.7	289.4	280.1
Total liabilities	3	**138.9**	410.9	397.6
Net assets		**475.3**	254.8	255.1
Equity				
Issued share capital	10	**0.3**	0.3	0.3
Share premium account	10	**214.6**	214.6	214.6
Merger reserve	10	**42.0**	42.0	42.0
Hedging and translation reserves	10	**(6.2)**	(3.1)	(22.5)
Accumulated profits	10	**223.5**	0.1	19.7
Equity attributable to holders of the parent		**474.2**	253.9	254.1
Minority interest	10	**1.1**	0.9	1.0
Total equity		**475.3**	254.8	255.1

CONSOLIDATED CASH FLOW STATEMENT

	Notes	**Six months ended 30 June 2007 Unaudited £m**	Restated Six months ended 30 June 2006 Unaudited £m	Restated Year ended 31 December 2006 Audited £m
Net cash from operating activities for continuing operations	13	**0.1**	2.3	9.7
Net cash from operating activities for discontinued operations	13	**1.8**	8.1	23.6
Net cash from operating activities		**1.9**	10.4	33.3
Investing activities:				
Disposal of businesses		**447.8**	7.2	7.4
Contribution of disposal proceeds to pension plans		**(20.0)**	–	–
Net cash disposed		**(5.8)**	–	–
Purchases of property, plant and equipment		**(4.7)**	(6.5)	(11.7)
Proceeds on disposal of property, plant and equipment		**–**	3.2	9.9
Purchase of intangible assets		**(0.1)**	–	–
Interest received		**4.1**	0.1	–
Net cash from investing activities from continuing operations		**421.3**	4.0	5.6
Net cash used in investing activities by discontinued operations	13	**(2.6)**	(2.8)	(5.6)
Net cash from investing activities		**418.7**	1.2	–
Financing activities:				
Repayment of borrowings		**(179.0)**	–	–
Decrease in bank loans		**–**	(3.0)	(3.0)
Repayment of obligations under finance leases		**(0.2)**	(0.1)	(0.3)
Dividends paid		**(9.6)**	(7.7)	(13.5)
Loan notes repaid		**–**	(0.5)	(0.5)
Net cash used in financing activities by continuing operations		**(188.8)**	(11.3)	(17.3)
Net cash from financing activities from discontinued operations	13	**0.3**	1.2	2.7
Net cash used in financing activities		**(188.5)**	(10.1)	(14.6)
Net increase in cash and cash equivalents		**232.1**	1.5	18.7
Cash and cash equivalents at beginning of the year		**33.3**	15.2	15.2
Effect of foreign exchange rate changes		**(0.1)**	(1.3)	(0.6)
Cash and cash equivalents at end of the period		**265.3**	15.4	33.3

1 GENERAL INFORMATION

Melrose PLC is a company incorporated in Great Britain under the Companies Act 1985. The address of the registered office is Precision House, Arden Road, Alcester B49 6HN.

The interim financial information for the six months ended 30 June 2007 is unaudited and does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985. The results for the year ended 31 December 2006 shown in this report do not constitute the Company's statutory accounts for that period but have been extracted from those accounts which have been filed with the Registrar of Companies. The auditors have reported on these accounts. Their report was unqualified and did not contain a statement under section 237 (2) or (3) of the Companies Act 1985.

The comparative information has been restated to show the Aerospace OEM ("OEM"), the Aerospace Aftermarket ("Aftermarket"), part of the PSM division and the US corporate centre as discontinued operations.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The interim financial information for the six months ended 30 June 2007, which has been approved by a committee of the Board of Directors on 11 September 2007, has been prepared on the basis of the accounting policies set out in the Group's 2006 Annual Report and accounts on pages 42 to 47, which are consistent with International Financial Reporting Standards (IFRSs) as endorsed by the European Union, and can be found on the Group's website www.melroseplc.net. This interim report should therefore be read in conjunction with the 2006 information. The accounting policies used in the preparation of the interim financial information have been consistently applied to all periods presented. The Group has not adopted early all of the provisions of IAS 34 "Interim Financial Reporting" in this interim financial information.

3 SEGMENT INFORMATION

The Group's primary reporting format is business segments and its secondary reporting format is geographical segments. The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. All reported revenue is derived from one activity, the sale of goods.

During the period, the Group discontinued its operations in the OEM, Aftermarket, part of the PSM division and the US corporate centre segments.

The Dynacast segment is a supplier of die-cast parts and components to a range of industries. McKechnie Vehicle Components ("MVC") supplies exterior trim products to major vehicle manufacturers in the USA. McKechnie Plastic Components ("MPC") is a UK supplier of plastic injection moulded and extruded components to the automotive, consumer durable, IT and other industries. The McKechnie PSM ("PSM") continuing segment consists of the specialised Prelok and Canning Brett businesses.

Transfer prices between business segments are set on an arm's 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 assets and operations. Inter segment sales are not material and have not been included in the analysis below.

3 SEGMENT INFORMATION (continued)

Business segments

The following table presents revenue and headline operating profit information (which the Directors believe is the best indicator of performance) and certain asset and liability information regarding the Group's business segments for the period ended 30 June 2007. Notes 5 and 6 give details of exceptional costs and income.

	Revenue			Headline operating profit/(loss)(2)		
	Six months ended 30 June 2007 £m	Six months ended 30 June 2006 £m	Year ended 31 December 2006 £m	**Six months ended 30 June 2007 £m**	Six months ended 30 June 2006 £m	Year ended 31 December 2006 £m
Continuing operations						
Dynacast	**117.6**	107.3	221.7	**13.8**	11.1	25.1
MVC	**29.5**	26.5	48.0	**(0.2)**	(0.7)	(2.3)
MPC	**21.2**	23.9	46.1	**1.3**	1.0	2.4
PSM continuing	**4.6**	3.7	7.8	**0.3**	0.3	0.6
Central – corporate	**–**	–	–	**(2.8)**	(2.7)	(5.5)
Central – LTIPs(1)	**–**	–	–	**(1.0)**	(0.8)	(1.1)
Continuing operations total	**172.9**	161.4	323.6	**11.4**	8.2	19.2
Discontinued operations						
OEM	**53.7**	69.1	140.1	**11.9**	15.5	33.1
Aftermarket	**5.2**	11.7	19.3	**0.1**	0.4	0.6
PSM discontinued	**8.4**	13.3	24.0	**1.4**	2.0	4.2
Central discontinued	**–**	–	–	**(0.4)**	(0.3)	(1.0)
Discontinued operations total	**67.3**	94.1	183.4	**13.0**	17.6	36.9
Total	**240.2**	255.5	507.0	**24.4**	25.8	56.1

(1) Long term incentive plans.
(2) As defined on the income statement.

3 SEGMENT INFORMATION (continued)

	Total assets			Total liabilities		
	Six months ended 30 June 2007 £m	Six months ended 30 June 2006 £m	Year ended 31 December 2006 £m	**Six months ended 30 June 2007 £m**	Six months ended 30 June 2006 £m	Year ended 31 December 2006 £m
Continuing operations						
Dynacast	**307.4**	298.9	308.9	**76.5**	56.1	74.9
MVC	**37.3**	40.6	35.7	**13.8**	11.1	12.1
MPC	**21.8**	35.3	24.7	**9.7**	8.8	11.5
PSM continuing	**6.7**	12.5	7.5	**2.0**	6.0	1.5
Central – corporate	**241.0**	4.9	(4.6)	**34.7**	199.9	165.5
Central – LTIPs(1)	**–**	–	–	**2.2**	0.8	1.5
Continuing operations total	**614.2**	392.2	372.2	**138.9**	282.7	267.0
Discontinued operations						
OEM	**–**	212.4	217.9	**–**	26.3	32.5
Aftermarket	**–**	5.9	7.2	**–**	1.7	1.8
PSM discontinued	**–**	30.1	34.4	**–**	9.1	5.7
Central discontinued	**–**	25.1	21.0	**–**	91.1	90.6
Discontinued operations total	**–**	273.5	280.5	**–**	128.2	130.6
Total	**614.2**	665.7	652.7	**138.9**	410.9	397.6

(1) Long term incentive plans.

Following the disposal of OEM, Aftermarket and US corporate centre, certain central assets relating to those businesses were disposed of, leaving a central overdraft in excess of central assets. This is shown as a negative asset in the table above in accordance with IAS 14.

3 SEGMENT INFORMATION (continued)

	Capital expenditure			Depreciation and computer software amortisation		
	Six months ended 30 June 2007 £m	Six months ended 30 June 2006 £m	Year ended 31 December 2006 £m	**Six months ended 30 June 2007 £m**	Six months ended 30 June 2006 £m	Year ended 31 December 2006 £m
Continuing operations						
Dynacast	**2.0**	4.0	6.9	**3.4**	3.5	7.0
MVC	**1.8**	1.8	3.3	**1.0**	1.0	1.8
MPC	**0.5**	0.5	1.2	**0.7**	0.9	1.7
PSM continuing	**0.5**	0.2	0.3	**0.2**	0.2	0.4
Central	**–**	–	–	**–**	–	0.1
Continuing operations total	**4.8**	6.5	11.7	**5.3**	5.6	11.0
Discontinued operations						
OEM	**2.6**	2.4	6.9	**1.2**	1.5	2.8
Aftermarket	**–**	0.1	0.1	**–**	0.1	0.1
PSM discontinued	**0.1**	0.6	1.0	**0.2**	0.3	0.7
Discontinued operations total	**2.7**	3.1	8.0	**1.4**	1.9	3.6
Total	**7.5**	9.6	19.7	**6.7**	7.5	14.6

Geographical area

	Revenue			Headline operating profit/(loss)[2]		
	Six months ended 30 June 2007 £m	Six months ended 30 June 2006 £m	Year ended 31 December 2006 £m	**Six months ended 30 June 2007 £m**	Six months ended 30 June 2006 £m	Year ended 31 December 2006 £m
Continuing operations						
North America	**68.2**	65.9	127.0	**3.4**	0.9	3.6
Europe	**79.4**	73.0	146.3	**8.8**	8.5	16.6
Asia	**25.3**	22.5	50.3	**3.0**	2.3	5.6
Central – corporate	**–**	–	–	**(2.8)**	(2.7)	(5.5)
Central – LTIPs[1]	**–**	–	–	**(1.0)**	(0.8)	(1.1)
Continuing operations total	**172.9**	161.4	323.6	**11.4**	8.2	19.2
Discontinued operations						
North America	**41.0**	55.7	109.1	**10.7**	13.2	27.7
Europe	**21.1**	31.1	59.8	**1.8**	2.5	6.7
Asia	**5.2**	7.3	14.5	**0.9**	2.2	3.5
Central	**–**	–	–	**(0.4)**	(0.3)	(1.0)
Discontinued operations total	**67.3**	94.1	183.4	**13.0**	17.6	36.9
Total	**240.2**	255.5	507.0	**24.4**	25.8	56.1

(1) Long term incentive plans.

(2) As defined on the income statement.

3 SEGMENT INFORMATION (continued)

Certain comparative figures have been restated to reflect more appropriate corporate cost allocations.

	Total assets			Total liabilities		
	Six months ended 30 June 2007 £m	Six months ended 30 June 2006 £m	Year ended 31 December 2006 £m	**Six months ended 30 June 2007 £m**	Six months ended 30 June 2006 £m	Year ended 31 December 2006 £m
Continuing operations						
North America	**187.3**	255.7	183.5	**37.3**	52.5	36.2
Europe	**148.6**	104.2	156.9	**51.4**	17.8	50.1
Asia	**37.3**	27.4	36.4	**13.3**	11.7	13.7
Central – corporate	**241.0**	4.9	(4.6)	**34.7**	199.9	165.5
Central – LTIPs[1]	**–**	–	–	**2.2**	0.8	1.5
Continuing operations total	**614.2**	392.2	372.2	**138.9**	282.7	267.0
Discontinued operations						
North America	**–**	162.4	172.8	**–**	16.2	23.3
Europe	**–**	53.3	57.6	**–**	17.6	12.6
Asia	**–**	32.7	29.1	**–**	3.3	4.1
Central	**–**	25.1	21.0	**–**	91.1	90.6
Discontinued operations total	**–**	273.5	280.5	**–**	128.2	130.6
Total	**614.2**	665.7	652.7	**138.9**	410.9	397.6

(1) Long term incentive plans.

	Capital expenditure			Depreciation and computer software amortisation		
	Six months ended 30 June 2007 £m	Six months ended 30 June 2006 £m	Year ended 31 December 2006 £m	**Six months ended 30 June 2007 £m**	Six months ended 30 June 2006 £m	Year ended 31 December 2006 £m
Continuing operations						
North America	**2.2**	2.5	5.2	**2.1**	2.3	4.4
Europe	**1.4**	2.6	4.2	**2.5**	2.6	5.1
Asia	**1.2**	1.4	2.3	**0.7**	0.7	1.4
Central	**–**	–	–	**–**	–	0.1
Continuing operations total	**4.8**	6.5	11.7	**5.3**	5.6	11.0
Discontinued operations						
North America	**1.7**	1.6	5.5	**0.7**	0.9	1.7
Europe	**0.9**	1.3	1.6	**0.5**	0.8	1.5
Asia	**0.1**	0.2	0.9	**0.2**	0.2	0.4
Discontinued operations total	**2.7**	3.1	8.0	**1.4**	1.9	3.6
Total	**7.5**	9.6	19.7	**6.7**	7.5	14.6

4 NET OPERATING EXPENSES

Net operating expenses comprise:

	Six months ended 30 June 2007 £m	Six months ended 30 June 2006 £m	Year ended 31 December 2006 £m
Continuing operations			
Selling and distribution costs	**(7.2)**	(6.0)	(13.1)
Administration expenses	**(14.0)**	(14.1)	(28.3)
Other operating costs – exceptional (note 5)	**–**	(5.4)	(5.9)
Other operating income – exceptional (note 6)	**0.9**	–	0.7
Total net operating expenses from continuing operations	**(20.3)**	(25.5)	(46.6)
Discontinued operations			
Selling and distribution costs	**(4.1)**	(4.7)	(11.9)
Administration expenses	**(5.2)**	(7.7)	(14.4)
Share of joint ventures operating profits	**0.2**	0.5	0.8
Other operating costs – exceptional (note 5)	**–**	–	(2.0)
Other operating income – exceptional (note 6)	**–**	2.3	2.3
Profit on disposal of fixed assets	**–**	3.2	3.2
Total net operating expenses from discontinued operations	**(9.1)**	(6.4)	(22.0)
Total net operating expenses	**(29.4)**	(31.9)	(68.6)

5 EXCEPTIONAL COSTS

Other operating costs	**Six months ended 30 June 2007 £m**	Six months ended 30 June 2006 £m	Year ended 31 December 2006 £m
Continuing operations			
Dynacast restructure	**–**	(3.7)	(3.7)
MPC restructure	**–**	(1.7)	(2.2)
Total other operating costs – continuing	**–**	(5.4)	(5.9)
Discontinued operations			
Pre-disposal expenses	**–**	–	(2.0)
Total other operating costs – discontinued	**–**	–	(2.0)
Total other operating costs	**–**	(5.4)	(7.9)

The Dynacast restructuring costs in 2006 related to the closure of the Spartanburg, South Carolina, USA manufacturing facility. The MPC restructuring costs related to the closure of the Northampton manufacturing facility ("Burnett Polymer Engineering"). The pre-disposal costs in 2006 related to the sale of divisions which were completed in 2007.

6 EXCEPTIONAL INCOME

Other operating income	**Six months ended 30 June 2007 £m**	Six months ended 30 June 2006 £m	Year ended 31 December 2006 £m
Continuing operations			
Profit on disposal of land and buildings	**–**	–	0.7
Pension curtailment gain	**0.9**	–	–
Total other operating income – continuing	**0.9**	–	0.7
Discontinued operations			
Onerous contract provision release	**–**	2.3	2.3
Total other operating income – discontinued	**–**	2.3	2.3
Total other operating income	**0.9**	2.3	3.0

Following the disposal of the OEM division, all employees in this segment belonging to the McKechnie UK defined benefit pension plan became deferred members. The curtailment gain associated with this was £0.9 million.

At acquisition, in May 2005, an onerous contract was identified and appropriate provision was made based on the circumstances prevailing at acquisition. During 2006, the terms of the contract were renegotiated and the improved terms of the contract were reflected in the accounts resulting in a release to the income statement of £2.3 million.

During the year ended 31 December 2006, land and buildings held in the MPC business segment were sold in a sale and leaseback transaction resulting in a net profit of £0.7 million.

7 TAX

Analysis of the charge in the period:

	Six months ended 30 June 2007 £m	Six months ended 30 June 2006 £m	Year ended 31 December 2006 £m
Continuing operations			
Current tax	**3.2**	1.6	4.5
Deferred tax	**(0.9)**	(1.1)	(2.9)
Tax charge from continuing operations	**2.3**	0.5	1.6
Discontinued operations			
Current tax	**(1.7)**	4.4	0.6
Deferred tax	**4.2**	0.3	(3.0)
Tax charge/(credit) from discontinuing operations	**2.5**	4.7	(2.4)
Total tax charge/(credit)	**4.8**	5.2	(0.8)

The expected effective rate in respect of headline operating profit before tax on continuing activities for the year ended 31 December 2007 is 26%. The tax charge on ordinary activities has been calculated by applying this rate to the headline operating profit before tax of £12.1 million, giving £3.1 million. This is lower than the statutory rate of 30% due to the mix of and tax rates in foreign jurisdictions.

In addition, the tax charge on certain activities has been reduced by a credit of £0.8 million. This consists of a £0.2 million credit relating to tax on amortisation of intangible assets and a £0.6 million credit which reflects the reduction in net deferred tax liabilities associated with the recently substantially enacted fall in the corporation tax rate from 30% to 28%. These have been applied in full, giving a total tax charge for the period on continuing activities of £2.3 million.

8 DISCONTINUED OPERATIONS

On 11 May 2007 the Group disposed of its interest in its OEM and Aftermarket divisions. Gross proceeds from the sale of these divisions were £428.0 million and costs incurred during the period were £9.6 million, of which £1.3 million remains in accruals. In addition costs of £1.8 million were incurred in 2006.

On 18 May 2007 the Group disposed of its PSM fastener manufacturing business, which comprised part of the PSM division. Gross proceeds from this sale were £30.0 million and costs incurred during the period were £1.2 million, of which £0.9 million remains in accruals. In addition, costs of £0.2 million were incurred in 2006.

Details of net assets disposed of and disposal proceeds are as follows:

	OEM and Aftermarket £m	PSM Fasteners £m	**30 June 2007 £m**
Goodwill	112.4	17.1	**129.5**
Intangible assets	23.0	–	**23.0**
Computer software	0.9	0.1	**1.0**
Property, plant and equipment	23.4	2.5	**25.9**
Joint ventures	0.3	2.6	**2.9**
Deferred tax assets	20.8	–	**20.8**
Inventories	32.0	3.3	**35.3**
Trade and other receivables	25.2	7.1	**32.3**
Cash at bank	4.3	1.5	**5.8**
Gross assets disposed of	242.3	34.2	**276.5**
Trade and other payables	(20.6)	(3.8)	**(24.4)**
Finance lease obligations	(2.5)	–	**(2.5)**
Post employment benefit obligations	–	(0.2)	**(0.2)**
Tax	–	(0.3)	**(0.3)**
Deferred tax liability	(8.6)	–	**(8.6)**
Provisions	(6.9)	–	**(6.9)**
Gross liability disposed of	(38.6)	(4.3)	**(42.9)**
Net assets disposed of	203.7	29.9	**233.6**
Cumulative exchange translation loss recycled on disposals	18.2	3.8	**22.0**
Profit/(loss) on disposal	196.5	(4.9)	**191.6**
Consideration net of costs	418.4	28.8	**447.2**
Cash disposed of	(4.3)	(1.5)	**(5.8)**
Cash inflow from current year disposals	414.1	27.3	**441.4**

8 DISCONTINUED OPERATIONS (continued)

Financial performance of discontinued operations:

	OEM and Aftermarket £m	PSM Fasteners £m	**30 June 2007 £m**	30 June 2006 £m	31 December 2006 £m
External revenue	58.9	8.4	**67.3**	94.1	183.4
Operating costs	(47.3)	(7.0)	**(54.3)**	(76.5)	(146.5)
Headline operating profit	11.6	1.4	**13.0**	17.6	36.9
Intangible amortisation	(1.0)	–	**(1.0)**	(1.7)	(3.1)
Reported as exceptional items	–	–	**–**	2.3	0.3
Profit on disposal of businesses	–	–	**–**	3.2	3.2
Net finance costs	(1.5)	(0.2)	**(1.7)**	(2.6)	(5.1)
Profit before tax	9.1	1.2	**10.3**	18.8	32.2
Tax (charge)/credit	(2.2)	(0.3)	**(2.5)**	(4.7)	2.4
Profit after income tax from discontinued operations	6.9	0.9	**7.8**	14.1	34.6
Profit on disposal of net assets of discontinued operations	214.7	(1.1)	**213.6**	–	–
Cumulative exchange loss	(18.2)	(3.8)	**(22.0)**	–	–
Profit/(loss) on disposal	196.5	(4.9)	**191.6**	–	–
Profit/(loss) for the year on discontinued operations	203.4	(4.0)	**199.4**	14.1	34.6

9 EARNINGS PER SHARE

	Six months ended 30 June 2007 £m	Six months ended 30 June 2006 £m	Year ended 31 December 2006 £m
Earnings for the purpose of basic earnings per share	**209.1**	12.2	37.8
Less profit for the period from discontinued operations	**(199.4)**	(14.1)	(34.6)
Earnings for basis of earnings per share from continuing operations	**9.7**	(1.9)	3.2
Exceptional costs	**–**	5.4	5.9
Exceptional income	**(0.9)**	–	(0.7)
Other intangible asset amortisation(1)	**1.0**	1.0	2.1
Tax	**(0.8)**	(0.3)	(1.9)
Earnings for basis of headline earnings per share from continuing operations	**9.0**	4.2	8.6

(1) Other than computer software amortisation.

9 EARNINGS PER SHARE (continued)

	Six months ended 30 June 2007 Number	Six months ended 30 June 2006 Number	Year ended 31 December 2006 Number
Weighted average number of ordinary shares for the purpose of basic earnings per share (million)	**257.1**	257.1	257.1
Further shares for the purpose of fully diluted earnings per share (million)	**9.9**	4.8	5.1

	Six months ended 30 June 2007 Pence	Six months ended 30 June 2006 Pence	Year ended 31 December 2006 Pence
Basic earnings per share			
From continuing and discontinued operations	**81.3**	4.7	14.7
From discontinued operations	**77.5**	5.4	13.5
From continuing operations	**3.8**	(0.7)	1.2
Fully diluted earnings per share			
From continuing and discontinued operations	**78.3**	4.6	14.4
From discontinued operations	**74.7**	5.3	13.2
From continuing operations	**3.6**	(0.7)	1.2
Headline earnings per share			
From continuing operations	**3.5**	1.6	3.3
Fully diluted headline earnings per share			
From continuing operations	**3.4**	1.6	3.3

Where basic earnings per share are a loss, the dilutive effect of any further shares is ignored.

10 ISSUED CAPITAL AND RESERVES

Share capital

	30 June 2007 £m	30 June 2006 £m	31 December 2006 £m
Authorised			
342,830,000 Ordinary Shares of 0.1p each	**0.3**	0.3	0.3
59,170 Convertible B shares of £1 each	**0.1**	0.1	0.1
Authorised share capital	**0.4**	0.4	0.4
Allotted, called-up and fully paid			
257,119,989 Ordinary Shares of 0.1p each	**0.2**	0.2	0.2
59,170 Convertible B shares of £1 each	**0.1**	0.1	0.1
Allotted, called-up and fully paid share capital	**0.3**	0.3	0.3

10 ISSUED CAPITAL AND RESERVES (continued)

Share premium account and merger reserve	Share premium account £m	Merger reserve £m
At 31 December 2006 and at 30 June 2007	**214.6**	**42.0**

Reserves	Hedging and translation reserve £m	Accumulated profits/(losses) £m	Minority interests £m
At 31 December 2006	(22.5)	19.7	1.0
Currency translation and hedging adjustments	(5.7)	–	–
Profit for the period	22.0	209.0	0.1
Actuarial adjustments on pension liabilities	–	4.1	–
Dividend paid	–	(9.6)	–
Credit to equity for equity settled share based payments	–	0.3	–
At 30 June 2007	**(6.2)**	**223.5**	**1.1**

Hedging and translation reserve	Hedging reserve £m	Translation reserve £m	Total £m
At 31 December 2006	1.4	(23.9)	(22.5)
Exchange differences on translation of overseas operations	–	(5.0)	(5.0)
Increase in fair value of hedging derivatives	0.5	–	0.5
Transfer to income	(1.2)	22.0	20.8
At 30 June 2007	**0.7**	**(6.9)**	**(6.2)**

11 DIVIDENDS

	Six months ended 30 June 2007 £m	Six months ended 30 June 2006 £m	Year ended 31 December 2006 £m
Final dividend for the year ended 31 December 2005 paid of 3.0p	**–**	7.7	7.7
Interim dividend for the year ended 31 December 2006 paid of 2.25p	**–**	–	5.8
Final dividend for the year ended 31 December 2006 paid of 3.75p	**9.6**	–	–
Dividends paid	**9.6**	7.7	13.5

12 RETIREMENT BENEFIT OBLIGATIONS

The defined benefit obligation at 30 June 2007 is estimated based on the latest actuarial valuation at 31 December 2005. In addition, the McKechnie UK defined benefit plan's assumptions have been updated to reflect market conditions at 30 June 2007 where appropriate. The defined benefit plan assets have been updated to reflect their market value as at 30 June 2007 and to reflect the £22.5 million contributions made to the McKechnie UK defined benefit plan during the period.

13 CASH FLOW

	Six months ended 30 June 2007 £m	Six months ended 30 June 2006 £m	Year ended 31 December 2006 £m
Reconciliation of operating profit to cash generated by operations			
Headline operating profit from continuing operations(1)	**11.4**	8.2	19.2
Adjustments for:			
Depreciation of property, plant and equipment	**5.2**	5.6	10.9
Amortisation of computer software	**0.1**	–	0.1
Restructuring costs paid and decrease in other provisions	**(1.2)**	(1.5)	(5.5)
Operating cash flows before movements in working capital	**15.5**	12.3	24.7
Increase in inventories	**(0.1)**	(2.1)	(6.3)
Increase in receivables	**(6.9)**	(11.5)	(8.4)
(Decrease)/increase in payables	**(0.9)**	6.9	10.2
Cash generated by operations	**7.6**	5.6	20.2
Tax paid	**(0.6)**	(0.6)	(2.0)
Interest paid	**(4.9)**	(1.4)	(4.0)
Pension contributions paid	**(2.0)**	(1.3)	(4.5)
Net cash from operating activities for continuing operations	**0.1**	2.3	9.7

(1) As defined on the income statement.

	Six months ended 30 June 2007 £m	Six months ended 30 June 2006 £m	Year ended 31 December 2006 £m
Cash flow from discontinued operations			
Cash generated from discontinued operations	**7.4**	10.7	30.8
Tax paid	**(0.6)**	(0.6)	(2.0)
Interest paid	**(4.2)**	(1.2)	(3.5)
Pension contributions paid	**(0.6)**	(0.3)	(0.9)
Profit of joint ventures	**(0.2)**	(0.5)	(0.8)
Net cash from operating activities for discontinued operations	**1.8**	8.1	23.6
Dividends from joint ventures	**–**	0.3	0.5
Interest received	**0.1**	–	–
Purchase of property, plant and equipment	**(2.6)**	(2.9)	(7.7)
Proceeds on disposal of property, plant and equipment	**–**	–	1.9
Purchase of intangible assets	**(0.1)**	(0.2)	(0.3)
Net cash used in investing activities by discontinued operations	**(2.6)**	(2.8)	(5.6)
Repayments of obligations under finance leases	**–**	(0.2)	(0.3)
New finance leases	**0.3**	1.4	3.0
Net cash from financing activities for discontinued operations	**0.3**	1.2	2.7

13 CASH FLOW (continued)

Net debt reconciliation

	At 31 December 2006 £m	Cash flow £m	Foreign exchange difference £m	Acquisitions and disposals (excluding cash and overdrafts) £m	New leases £m	Other non-cash changes £m	**At 30 June 2007 £m**
Cash	33.3	232.1	(0.1)	–	–	–	**265.3**
Debt due within one year	–	–	–	–	–	(1.7)	**(1.7)**
Debt due after one year	(192.1)	179.0	0.4	–	–	1.7	**(11.0)**
Leases	(3.8)	–	0.1	2.5	(0.1)	–	**(1.3)**
Net (debt)/funds	(162.6)	411.1	0.4	2.5	(0.1)	–	**251.3**

14 SUBSEQUENT EVENTS

On 14 August 2007, at an Extraordinary General Meeting, shareholders approved resolutions to return capital of £220 million to shareholders, crystallise the value accrued up to 18 July 2007 in the Existing Incentive Share scheme and increase the Company's authorised share capital by £50,000 in respect of the New 2007 Incentive Share scheme. As a consequence of crystallising the Existing Incentive Share arrangements, in the second half of the year there will be an exceptional charge of £1.2 million relating to the remaining IFRS 2 charge on the Existing Incentive Shares and an exceptional charge of £0.9 million relating to the accelerated National Insurance charge. In addition following the EGM on 14 August 2007 the 59,170 Existing Incentive Shares converted into 10,210,069 Ordinary Shares and 59,170 Deferred Incentive Shares and the latter were repurchased by the Company for an aggregate sum of one penny.

The conversion formula for the New 2007 Incentive Shares is based upon principles identical to the conversion formula for the Existing Incentive Shares and, broadly provides for the New 2007 Incentive Shares to convert into Ordinary Shares equal to 10% of the increase in shareholder value from 18 July 2007 (excluding the Return of Capital). As with the Existing Incentive Shares, the New 2007 Incentive Shares will have early "trigger dates" upon which the Remuneration Committee can permit up to one third of the New 2007 Incentive Shares held by a 2007 Incentive Shareholder to be converted into Ordinary Shares. The early trigger dates for the New 2007 Incentive Shares will be on 31 May in each of the years 2010 and 2011. On 31 May 2012, the final trigger date, all unconverted New 2007 Incentive Shares will convert into Ordinary Shares in accordance with the formula set out in the Company's Articles. The Articles will not permit holders of New 2007 Incentive Shares to convert more than two thirds of their holding of such shares before 31 May 2012. The rights and restrictions of the New 2007 Incentive Shares will be similar to the rights and restrictions of the Existing Incentive Shares.

14 SUBSEQUENT EVENTS (continued)

The Return of Capital took place by increasing the authorised share capital by £220 million by the creation of 267,330,058 redeemable C shares of 82.3p nominal value each and capitalising £214.6 million of the Share Premium Account and £5.4 million of the Merger reserve to pay up in full the C shares. The C shares were allotted on the basis of one C share for each Existing Ordinary Share held on 15 August 2007. Shareholders had the option to receive the cash value inherent in the C share by way of income or two capital options. As a result of the choices made by shareholders in respect of the return of capital:

- 187,786,984 C shares were redeemed and subsequently cancelled with effect from 23 August 2007;
- 9,053,594 C shares will be redeemed on 30 June 2008;
- 70,489,480 shares were paid a dividend which was payable on 23 August 2007 and these C shares converted into C deferred shares.

Both the remaining 9.1 million C shares and 70.5 million deferred C shares carry no voting rights.

With the conversion of the Existing Incentive Shares on 14 August 2007, the allotted Ordinary Share capital increased to 267,330,058. On 15 August 2007 a 1 for 2 share consolidation process reduced the allotted ordinary share capital to 133,665,029 with the first day of trading being the 16 August 2007.

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