Melrose PLC Interim Statement 2009

CONTENTS

BUSINESS DESCRIPTIONS

ENERGY

World number one independent supplier of turbogenerators and leading supplier of other electricity generating machinery and power infrastructure equipment.

DYNACAST

Global design and manufacture of precision engineered die-cast metal components and assemblies.

LIFTING PRODUCTS

World top three supplier for wire and wire rope. World leader in lifting products and fittings.

OTHER INDUSTRIAL

Truth is the US market leader in window hardware and storm and screen door hardware.

Harris is the leader in scrap and waste reduction equipment design, engineering, manufacturing and servicing.

Brush Traction designs, manufactures and refurbishes rail locomotives and propulsion systems.

MPC designs and manufactures engineered plastic, plastic injection moulded and extruded components.

Weber Knapp is the US number one manufacturer of spring mechanisms for ergonomic office furniture solutions.

Highlights[1]

- FKI acquisition performing well
- Headline[2] profit before tax for the period was £53.4 million (2008: £16.3 million). Profit before tax was £38.8 million (2008: £15.2 million)
- Interim dividend increased by 5% to 2.9p per share (2008: 2.75p)
- Strong cash generation reducing net debt to £416 million (2.13x EBITDA[3])
- Net working capital reduced by £110 million (40%) since FKI acquisition
- Sale of Logistex Europe for €30 million
- Sale of Logistex US for $40 million completed

(1) Continuing operations only unless otherwise stated. 2008 comparative figures exclude FKI as purchased on 1 July 2008 and have been restated for discontinued activities.
(2) Headline results are before exceptional costs, exceptional income and intangible asset amortisation.
(3) Headline operating profit before depreciation and amortisation for businesses owned as at 30 June 2009.

"The performance of the Group over the last six months has been very good given the difficult trading environment. The manner in which our businesses have reacted to reduce costs and generate cash whilst carefully positioning themselves to take advantage of opportunities as markets recover, has also been very pleasing. Allowing for the economic situation FKI has exceeded our expectations at acquisition.

Tentative signs of improving trends at our early cycle businesses, combined with the excellent medium to long term growth characteristics of our later cycle businesses give us confidence in the future.

In addition, with FKI firmly under control, we recognise this is a 'buyers' market' and we are now ready to seek out our next acquisition."

CHRISTOPHER MILLER
Chairman

Chairman's statement

I am pleased to report our interim results for the six months to 30 June 2009.

Results for the continuing Group

FKI plc was acquired on 1 July 2008 and the comparative figures for 2008 therefore do not include any contribution from these businesses.

Revenue for the period was £664.1 million (2008: £155.1 million).

Headline profit before tax (before exceptional costs, exceptional income and intangible asset amortisation) was £53.4 million (2008: £16.3 million) and headline earnings per share were 7.5p (2008: 9.6p). After these items profit before tax was £38.8 million (2008: £15.2 million) and basic earnings per share were 5.7p (2008: 9.0p).

Further explanation of these results is provided in the Finance Director's review.

Dividend

The Board has declared an increased interim dividend of 2.9p per share (2008: 2.75p). The dividend will be paid on 12 November 2009 to shareholders on the register at the close of business on 16 October 2009.

Trading

In the light of recent extremely tough economic conditions, we are very pleased with these results. Our businesses have responded to difficult trading conditions by substantially reducing operating costs whilst at the same time being careful to position themselves for the eventual upturn. Our focus on cash generation has led to a better than expected cash inflow from trading of £62 million and net debt was reduced by £127 million in the first six months of this year. Further detail on current trading is provided in the Chief Executive's review.

Strategy

We pursue a strategy of acquiring businesses whose performance we can improve over a three to five year period. At an appropriate time in this cycle we will realise the increased value and return this to shareholders by way of special dividends or other returns of capital.

At present we are in a 'buyers' market' and we believe that shareholder value is likely to be better served by making a further acquisition before selling one of our existing major businesses. The strategy however remains unchanged.

Outlook

Whilst the worst of the recession appears to be behind us, it is still too early to be confident that economic and business conditions are on a sustained upward trend. There are tentative signs of this in certain of our early cycle businesses but it may be next year before the order books of our later cycle businesses start to improve again. In the meantime, however, cost reduction measures have substantially protected profitability and we expect very worthwhile increases in performance once the upturn is established.

Christopher Miller

CHRISTOPHER MILLER
28 August 2009

Chief Executive's review

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

Energy

Period ended 30 June	2009 £m
Revenue	**231.6**
Headline operating profit	**30.8**

Energy performed well in the six months ended 30 June 2009. Particularly pleasing was the excellent cash generation in the period from improved cash control with inventory reducing by nearly £29 million, resulting in a profit conversion to cash of 144%.

The changes made in Generators to senior management and the resulting transformation of the business culture, referred to in the 2008 Annual Report, continue to energise the business and drive improved performance across the board.

As referred to in our Interim Management Statement in May this year, the impact of the global economic and financial slowdown has been seen in new order activity for Generators. Although no orders have been cancelled, some future projects are being shelved or deferred. Lower industrial activity has resulted in a decline in energy usage in Europe for the first time in many years.

The impact of the softening in sales at Generators in the period has been more than offset by cost reductions, resulting in some headcount reduction, which when added to the elimination of overtime working and subcontract labour will produce an annualised saving of £9.5 million at a cost of £1 million. In addition, product mix has been improved with increased sales of higher margin aftermarket business. This aftermarket success is particularly encouraging because it resulted directly from a specific management objective to target the opportunities afforded by the extensive Brush machine installed base around the world. This will continue to be a major business focus for Generators.

Management has also been actively seeking out new business opportunities by extending the existing Brush product range and considering new markets. This resulted in SEM (the Generators business in the Czech Republic) winning a four year contract with delivery starting in 2010 to supply Mochovce in Slovakia with four 2-pole 270 MW nuclear generators amounting to €46 million.

As part of the focus on controlling costs and cash spend, management adopted a more restricted approach to capital expenditure. During the period SEM installed its new horizontal boring machine at a cost of £3.3 million and £1 million was approved for a new rotor balancing pit at HMA, the Generators business in Holland.

Marelli performed creditably in the six months ended 30 June 2009 bearing in mind the more difficult economic conditions. Management were quick to react by reducing costs, particularly raw materials and by flexing the payroll to reflect the lower sales. In addition, they focused the company's sales efforts towards the larger and more technologically advanced generators and motors, which are less affected by the market slowdown.

With the actions taken by management to reduce costs, increase the focus on more profitable and resilient markets and expand new product development, Marelli is well placed to perform strongly when the market recovers.

Chief Executive's review continued

Although the demand outlook for Generators has slowed as a result of the economic and financial slowdown and last year's fall in the oil price, the medium and long term fundamentals of the global power generation industry remain favourable. Meanwhile, during this slower period there remain numerous opportunities to improve the efficiency of the business through better management and we remain confident that Generators will continue to perform well.

Hawker Siddeley Switchgear has reported a very good set of results for the six months ended 30 June 2009. The restructuring of the business following the supply chain challenges arising from the factory consolidation in South Wales is now largely complete. Working capital over the last year has been reduced by c.£5 million and the two US operations were closed in the period, which will yield annualised savings of over £1 million. The outlook for this business is promising.

Brush Transformers reported a good set of results for the six month period ended 30 June 2009. Sales increased compared to the same period in 2008 due to strong UK demand, resulting in increased profits and higher margins. Underlying demand from the UK utilities remains strong and Brush Transformers has been successful in retaining contracts to supply the UK power transformer market. With earnings visibility of nearly twelve months the outlook for Brush Transformers is encouraging.

Lifting products

Period ended 30 June	2009 £m
Revenue	**230.2**
Headline operating profit	**31.7**

Bridon performed very well in the six months ended 30 June 2009. Although sales were only marginally above the same period last year due in part to the comparable period including a business since sold, profit was substantially higher, reflecting increased management focus on improving return on sales.

A weaker pound Sterling in the period yielded some foreign exchange benefit relating to exports of products manufactured in the UK. In addition, close attention to cash control and cost management resulted in an impressive profit conversion to cash ratio of 130% in the period.

Bridon started 2009 with a record order book heavily weighted to the offshore oil and gas market, which is the company's largest product sector. Shipments of a significant number of ropes for the offshore sector, which are manufactured in the UK and Germany, contributed considerably to the results in the period. Although order enquiry levels in the offshore sector remain high, actual orders have started to slow, reflecting a degree of uncertainty about the price of oil earlier in the year and in 2008.

Bridon's general industrial business has been the most affected by the current economic crisis, as products provided are used in steel making, general industrial construction and shipping. The North American market in particular has been weak as the recession has significantly impacted the primary industrial markets in this region. Aggressive cost containment measures have been put in place, which have taken out fixed costs and improved operational gearing such that as conditions in these markets improve Bridon will be well positioned to benefit.

Activity in Bridon's Structures business (mostly stadia and bridge projects) in the period remained strong. In April Bridon was awarded a contract to supply ropes for a Norwegian bridge project valued at over £7 million for delivery in 2010. In addition, there are numerous stadia projects currently out to tender for which Bridon is well placed.

There are signs that the markets served by Bridon's general industrial business, particularly in North America, have stabilised and are beginning to show signs of strengthening in the second half of 2009. Although there are signs of a general weakening in the mining and offshore oil and gas markets, Bridon's order book is sufficiently strong to produce a good result in 2009. The recent recovery in the price of oil, together with generally improving global economic and financial conditions, has injected a degree of optimism which hopefully will lead to a resumption of the higher levels of activity in these sectors.

As foreshadowed in the Annual Report, Crosby, with its exposure to the onshore oil and gas markets – in contrast to Bridon – has experienced a marked softening in demand as a result of the falls in the prices of oil and gas and the turmoil in the financial markets. As a result, sales and profit for the period ended 30 June 2009 are substantially below those in the comparable period in 2008.

Early action was taken to cut costs, which has resulted in a headcount reduction of 20% plus the elimination of overtime and the introduction of short-time working. Additionally, lean cost initiatives have been emphasised at all manufacturing locations and rationalisation of Crosby's European manufacturing and sales organisation has been undertaken to improve efficiency.

The highly experienced Crosby management team are 'pulling out all the stops', not only to reduce costs and improve operational efficiency, but to work more closely and improve relations with the traditional distributor base to increase market share. The development of new products and the penetration of newer markets continue to be targets of acute focus. The crane block and sheave manufacturing centres in Belgium and China, which came on line in the first half of 2009, are expected to increase sales as a result of being closer to the customer base.

Although trading conditions for the remainder of 2009 are expected to remain difficult, the benefits of the cost cutting and other measures undertaken by management should result in an improved second half. What is clear is that Crosby is the world number one in its major markets, with an unrivalled reputation for quality and service, and it is excellently positioned when market conditions recover.

Acco's results for this period were lower due to market conditions; however, management has successfully reduced costs and continued to work on new product development.

Chief Executive's review continued

Dynacast

Period ended 30 June	2009 £m	2008 £m
Revenue	**95.7**	126.2
Headline operating profit	**9.0**	18.0

As reported in the preliminary results in March, trading conditions began to deteriorate for Dynacast towards the end of 2008 and continued to worsen in the early months of 2009. The global downturn affected all Dynacast's markets and the majority of its plants, although demand was more resilient in Asia.

The results in the period include a significant benefit from foreign exchange translation arising from the strengthening of the US dollar and the Euro against Sterling. Partially offsetting this were decreases in the prices of zinc and aluminium, Dynacast's primary raw materials, which are passed through to customers. After adjusting for these items, sales were down by about 35% in the period over the comparable period.

Measured against this fall in sales, management performed well to contain the drop in profit. Management started to see sales slowing as early as September 2008 and took immediate action to reduce costs and conserve cash. All units within the group were instructed to make cuts, including in those countries where such cuts are more difficult and social plans have to be executed. This aggressive approach to the flexing of the cost base, including a reduction in headcount of over 20% from last year (an annualised saving of labour costs of over £21 million), has given Dynacast greater protection to its profit from the steep decline in sales and resulted in a creditable return on sales of close to 10%. In addition, close attention to control of cash resulted in an excellent over 200% conversion of profit into cash in the period.

In Europe, the more formal nature of social plans and short-time working arrangements mean that implementation was slower than elsewhere and consequently the full benefits of this exercise will only come through in the second half of the year. This, together with some early signs that demand is slowly improving, leads us to expect a stronger second half of the year.

Demand in North America suffered more than in other regions, reflecting the dire conditions in the automotive sector. However, the business environment enabled management to implement cost reductions quickly and this has helped mitigate the impact of the sales decline on profit. Although demand has stabilised there is no clear sign of any tangible upturn in this market.

Although sales were down in Asia compared with the same period in 2008, they fell by less than in Europe and North America. Again, early and aggressive actions to reduce costs were key in limiting the impact of the fall in sales on profit. There have been recent signs of a revival in demand in the region, particularly in Singapore and China. Dynacast's new facility in Dongguan, South China was opened in July this year and we remain encouraged by the opportunities for growth in this region, particularly in the electronics industry.

On the back of a degree of stabilisation returning to its markets and the full benefit of cost saving measures coming through, Dynacast should report a stronger second half of the year than first half. What is clear is that as Dynacast's markets recover, having streamlined the cost base of the company, profitability will respond sharply.

Other Industrial

Period ended 30 June	2009 £m
Revenue	**106.6**
Headline operating profit	**6.1**

Truth

Revenue and operating profit were significantly lower in the six months ended 30 June 2009 compared with the comparable period in 2008, reflecting very weak conditions in the US housing market. Changes were made to senior management in the period and this has resulted in a renewed focus on driving the business forward.

While housing starts in North America continue to be very soft against historical norms, the repair and remodel market started to pick up in the second quarter of the year. A substantial cost reduction programme has been implemented, which has resulted in a decrease in headcount together with short-time working and lower overtime. This has resulted in annualised savings of approximately £7 million amounting to about 20% of Truth's payroll costs. In addition to restructuring, management is focused on exploiting opportunities from global outsourcing and product rationalisation.

With evidence that recovery is continuing in Truth's markets and the benefits of the cost reduction programme coming through, we are hopeful of a strong recovery in Truth's performance.

Harris

Harris performed creditably in the first half of 2009 achieving a return on sales of over 10% on slightly lower sales than in the comparable period in 2008. This was achieved as a result of focusing on both cost reduction, involving a headcount reduction of over 17%, and the more profitable aftermarket sector.

Although sales were relatively firm in the first half of the year, order intake was weak, reflecting the subdued state of the scrap metal, fibre and the other recyclable markets and the longer lead times in this industry. Given Harris' existing order book and the cost reductions implemented, we look forward to an acceptable outcome for the year.

Weber Knapp

Weber Knapp continues to be adversely affected by the weakness of the US economy. Although sales are down by 26% compared to the same period last year, good management actions to flex costs and reduce inventories have resulted in breakeven at the operating profit level and positive cash generation.

Brush Traction ('Traction')

Traction's results in the period were highly satisfactory with profit and cash significantly better than forecast. This performance was partially due to better product mix and improved operational efficiencies. Cash was better due to tight control of capital and higher deposits on contracts.

The outlook for the balance of the year is positive with some interesting contract developments in the pipeline.

MPC

As referred to in the Annual Report, after a highly profitable 2008 MPC entered the new year facing very difficult market conditions. As a result, sales for the period were substantially lower than in the comparable six months in 2008 and profit was at breakeven level. Faced with this, management responded by reducing costs wherever possible through a significant headcount reduction, changes in working practices, energy efficiency campaigns and delayed or curtailed investment.

Sales order trends for the second half of the year suggest an upturn in the markets that MPC serves. This, together with the actions taken by management to cut costs and conserve cash, gives us both confidence that trading in the balance of the year will be satisfactory and hope that market conditions are returning to more normal levels.

Chief Executive's review continued

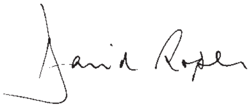
Group outlook

We are very pleased with these results, which have been achieved in the face of extremely challenging trading conditions. Following the announcement earlier this week of the sale of Logistex Europe, the early objectives set at the time of the acquisition of FKI have been largely met and we are confident that further actions will continue to generate value for shareholders.

In our Group we have a collection of companies with strong business franchises which operate in markets with good fundamental long term demand prospects. With some of these businesses being early cycle, and seeing signs of an upturn, and some being later cycle, as a Group our overall performance is protected to a degree from such cyclical volatility.

Having responded early and aggressively to the downturn in trading by reducing costs and generating cash, our businesses are extremely well positioned to benefit when the recovery arrives.

Having successfully completed the initial phase of the integration of FKI into the Melrose Group, in addition to continuing to improve and develop our businesses, we are now turning our attention to seeking out acquisition opportunities.



DAVID ROPER
28 August 2009

Finance Director's review

The six months to 30 June 2009 completed the first year of Melrose ownership of FKI plc. This increased the size of the Melrose Group by approximately six times and consequently the results for the six months to 30 June 2009 cannot be compared to the same period last year in a meaningful way.

Continuing and discontinued operations

All three businesses held for sale at 31 December 2008, namely Logistex US, Welland Forge and Rhombus, have been sold in the six months to 30 June 2009.

In addition on 24 August 2009 the sale of Logistex Europe was announced. This business has been moved out of continuing operations for the six months to June 2009 (previously included within the Other Industrial segment), and is shown within discontinued operations.

Trading results – continuing operations

To improve the understanding of the results, the term 'headline' has been used in this review. This refers to results that are calculated before exceptional costs, exceptional income and intangible asset amortisation because this is considered by the Melrose PLC Board to be the best illustration of performance.

For continuing operations, revenue for the six months ended 30 June 2009 was £664.1 million, headline operating profit was £70.0 million, headline profit before tax was £53.4 million, and headline earnings per share were 7.5p. After exceptional costs, exceptional income and intangible asset amortisation, operating profit was £55.4 million, profit before tax was £38.8 million and earnings per share were 5.7p.

Trading by division – continuing operations

A split of revenue and headline operating profit by division is shown in the table below. The performance of each of these trading divisions is discussed in the Chief Executive's review.

	Revenue £m	Headline operating profit £m	Return on revenue %	Headline operating profit before depreciation & amortisation £m	Return on revenue %
Energy	231.6	30.8	13.3	34.6	14.9
Lifting	230.2	31.7	13.8	36.6	15.9
Dynacast	95.7	9.0	9.4	13.5	14.1
Other Industrial	106.6	6.1	5.7	9.6	9.0
Central costs	–	(6.6)	n/a	(6.3)	n/a
Central LTIPs[1]	–	(1.0)	n/a	(1.0)	n/a
Group	**664.1**	**70.0**	**10.5**	**87.0**	**13.1**

(1) Long Term Incentive Plans.

Trading results – discontinued operations

Melrose sold Rhombus on 3 April 2009 for £1.7 million, Welland Forge on 10 June 2009 for £0.9 million, and Logistex US on 19 June 2009 for £24.6 million. The overall profit on disposal for these three businesses was £5.9 million.

In the six months to 30 June 2009, discontinued businesses also achieved a trading profit after tax of £5.9 million, the largest element being Logistex Europe which made £4.9 million including the benefit of a final payment of £3.0 million for late additions to a contract.

Cash generation and net debt

The first six months of 2009 have seen further excellent cash generation. At 30 June 2009 net debt was £416.4 million (31 December 2008: £543.1 million) representing a £126.7 million, 23%, reduction in the last six months. In total, after all costs including tax, Melrose has generated £61.8 million of cash from trading in the six months to 30 June 2009, and £152.3 million in the first twelve months of owning FKI plc.

Melrose has again achieved a cash generation significantly higher than the profit in the period through strong management of working capital. In the six months to 30 June 2009 the percentage of headline operating profit that has been generated into cash was 144%, meaning the long term Melrose average since 2003 is now 126%. Each of the three main divisions, Energy, Lifting and Dynacast contributed to the strong cash generation. Some seasonality in Truth and MPC lowered the first half cash generation for the Other Industrial division, as shown below:

£m	Energy	Lifting	Dynacast	Other Industrial	Central	Total continuing	Discontinued	Total
Headline operating profit	30.8	31.7	9.0	6.1	(7.6)	70.0	10.5	80.5
Headline operating cash generation (post capex)	44.4	44.2	18.9	2.0	(2.2)	107.3	9.0	116.3
Profit conversion to cash (%)								
Last six months	144%	139%	210%	33%	–	153%	86%	144%
Last twelve months	134%	118%	178%	75%	–	140%	692%	167%

A reconciliation for the Group of the movement in net debt and the analysis of cash generated from trading for the six months to 30 June 2009 and for the first year of owning FKI is shown below:

Movement in net debt	Six months to 30 June 2009 £m	Twelve months to 30 June 2009 £m
Opening net (debt)/cash	(543.1)	22.3
Acquired net debt	–	(471.7)
Net cash flow of acquisitions	–	(11.2)
Net cash flow from disposals	21.0	21.0
Cash flow from trading (after all costs including tax)	61.8	152.3
Amounts paid to shareholders (dividends and distribution)	(21.1)	(42.2)
Foreign exchange movement	66.0	(88.1)
Other non-cash movement	(1.0)	1.2
Closing net debt	**(416.4)**	**(416.4)**

Cash generated from trading	Six months to 30 June 2009 £m	Twelve months to 30 June 2009 £m
Headline operating profit(1)	80.5	159.3
Depreciation and computer software amortisation	19.4	38.4
Working capital movement	30.4	109.6
Net capital expenditure	(14.0)	(40.5)
Operating cash flow (post capex)	**116.3**	**266.8**
Profit conversion to cash %	**144%**	**167%**
Net interest and net tax paid	(11.7)	(52.8)
Pension contributions	(15.1)	(31.1)
Other (including restructuring costs)	(27.7)	(30.6)
Cash generated from trading	**61.8**	**152.3**

(1) Including discontinued businesses.

The cash generated from trading has been achieved largely through strong working capital management. This has reduced net working capital by £30.4 million in the first six months of 2009 and by £109.6 million in the first twelve months of owning FKI plc. This represents a 40% reduction in net working capital at constant exchange rates, which is three times faster than the comparable revenue reduction. Net working capital has now been reduced to approximately 11% of Group revenue.

Leverage

Net debt to headline operating profit before depreciation and amortisation (leverage) was 2.13x at 30 June 2009, a reduction from 2.65x at 31 December 2008, and 2.70x at the point of the FKI acquisition on 1 July 2008, all calculated using average exchange rates for headline operating profit before depreciation and amortisation and closing exchange rates for net debt.

In addition, for a nominal administration fee of £0.15 million the banking syndicate have agreed, from December 2009 onwards, to improve the formula for the leverage covenant so that net debt and headline operating profit before depreciation and amortisation are both calculated at average exchange rates, which removes a future exchange risk.

The covenant levels remain unchanged and are as laid out on page 22 of the 2008 Annual Report.

Finance Director's review continued

Cost reduction, exceptional costs and income

The businesses have reacted swiftly to the tougher trading conditions by reducing costs. Total annualised labour cost reductions implemented since 1 July 2008 amount to £67 million, representing 17% of total labour costs of which approximately £60 million benefits 2009. This is summarised below.

Energy and Dynacast have both been particularly successful at reducing their agency and sub contract workforce.

	Energy	Lifting	Dynacast	Other Industrial	Group
Cost					
Annualised labour cost savings achieved since 1 July 2008	£12.6m	£17.8m	£21.3m	£15.3m	£67.0m
Percentage of total labour costs	**11%**	**15%**	**34%**	**19%**	**17%**
Total cost to achieve savings	£1.3m	£0.5m	£1.4m	£1.4m	£4.6m
Headcount (full time equivalent)					
Full time equivalent headcount reduction since 1 July 2008	69	193	559	549	1,370
Percentage of total headcount	**2%**	**6%**	**22%**	**21%**	**12%**

Exchange

The Group has three main exchange risks: the translation risk of converting 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 of disposals are received in a foreign currency. A split of sales by currency, and the relevant exchange rates used for the Group were as follows for the six months to June 2009:

	US$	Euro	Sterling	Other	Total
Sales by currency	40%	26%	23%	11%	100%

Exchange rates used in the period

	Average rate	Closing rate
US dollar		
June 2009	1.49	1.65
December 2008 12 month average	1.86	1.46
December 2008 6 month average used for FKI acquired businesses	1.74	1.46
June 2008	1.97	1.99
Euro		
June 2009	1.12	1.17
December 2008 12 month average	1.26	1.05
December 2008 6 month average used for FKI acquired businesses	1.23	1.05
June 2008	1.29	1.26

This shows the exposure to foreign currencies within the Group, the main ones being the US dollar and the Euro. The translation gain included in the income statement in the period as a result of exchange rate movements was £4.1 million.

Tax

The Group income statement tax rate was 30% in the period. The ongoing management of tax remains a focus, in particular the cash tax rate and the tax on disposals. The cash tax rate in the period was 5% which was helped by receiving a £5.4 million repayment of US income tax. Without this, the cash tax rate would have been 16%. Over time we expect the cash tax rate to move toward the income tax rate.

Principal risks and uncertainties

Except for the risks highlighted separately in these interim results, the principal risks and uncertainties faced by the Group have not changed from 2008. In summary these risks include liquidity risk, finance cost risk, exchange rate risk, commodity cost risk, defined benefit pension obligations and environmental and intellectual property risks. These risks have the potential to affect the Group's results or financial position during the remainder of 2009. A more detailed explanation of these risks is set out in the Annual Report for the year ended 31 December 2008, a copy of which is available on the Company's website.

Post balance sheet event

On 24 August 2009, the Group exchanged contracts for the disposal of its interest in the FKI Logistex Europe division to the Beumer Group for a total consideration of €30 million, payable in cash on completion.

Geoffrey Martin

GEOFFREY MARTIN
28 August 2009

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

DAVID ROPER
Chief Executive
28 August 2009

GEOFFREY MARTIN
Group Finance Director
28 August 2009

FINANCIAL STATEMENTS & NOTES – CONTENTS

Condensed consolidated income statement

	Notes	6 months ended 30 June 2009 Unaudited £m	Restated[2] 6 months ended 30 June 2008 Unaudited £m	Restated[3] Year ended 31 December 2008 £m
Continuing operations				
Revenue	3	**664.1**	155.1	872.2
Cost of sales		**(502.6)**	(119.9)	(658.6)
Gross profit		**161.5**	35.2	213.6
Headline[1] operating expenses		**(91.6)**	(19.3)	(116.1)
Share of results of joint ventures		**0.1**	–	(0.1)
Intangible asset amortisation		**(13.6)**	(1.1)	(13.6)
Exceptional costs	5	**(5.9)**	–	(12.9)
Exceptional income	5	**4.9**	–	–
Total net operating expenses	4	**(106.1)**	(20.4)	(142.7)
Operating profit		**55.4**	14.8	70.9
Headline[1] operating profit	3	**70.0**	15.9	97.4
Headline[1] finance costs		**(19.7)**	(1.1)	(28.0)
Exceptional finance costs		**–**	–	(23.1)
Total finance costs		**(19.7)**	(1.1)	(51.1)
Finance income		**3.1**	1.5	4.9
Profit before tax		**38.8**	15.2	24.7
Headline[1] profit before tax		**53.4**	16.3	74.3
Headline[1] tax		**(16.0)**	(3.5)	(21.8)
Tax on exceptional items and intangible asset amortisation		**5.4**	0.3	11.7
Total tax	6	**(10.6)**	(3.2)	(10.1)
Profit for the period from continuing operations		**28.2**	12.0	14.6
Headline[1] profit for the period from continuing operations		**37.4**	12.8	52.5
Discontinued operations				
Profit/(loss) for the period from discontinued operations		**16.6**	(2.9)	(62.4)
Profit/(loss) for the period		**44.8**	9.1	(47.8)
Attributable to:				
Equity holders of the parent		**44.9**	9.1	(48.3)
Minority interests		**(0.1)**	–	0.5
		44.8	9.1	(47.8)
Earnings per share				
From continuing operations				
– Basic	8	**5.7p**	9.0p	4.5p
– Fully diluted	8	**5.7p**	9.0p	4.5p
Headline[1]	8	**7.5p**	9.6p	16.5p
From continuing and discontinued operations				
– Basic	8	**9.0p**	6.8p	(15.3p)
– Fully diluted	8	**9.0p**	6.8p	(15.3p)

(1) Before exceptional costs, exceptional income and intangible asset amortisation.
(2) Restated to include the results of the MVC segment within discontinued operations.
(3) Restated to include the results of Logistex Europe within discontinued operations.

Condensed consolidated statement of recognised income and expense

	6 months ended 30 June 2009 Unaudited £m	6 months ended 30 June 2008 Unaudited £m	Year ended 31 December 2008 £m
Currency translation on net investments	**(56.5)**	8.9	123.0
Gains/(losses) on cash flow hedges	**18.0**	(0.2)	(17.0)
Actuarial adjustments on net pension liabilities	**–**	–	(8.2)
Limit on pension scheme surplus	**–**	–	(14.1)
Net (expense)/income recognised directly in equity	**(38.5)**	8.7	83.7
Transfer to income statement on cash flow hedges	**0.7**	(0.5)	1.1
Transfer to income statement from equity of cumulative translation differences on discontinued operations	**(7.3)**	–	(8.9)
Profit/(loss) for the period	**44.8**	9.1	(47.8)
Total recognised income and expense for the period	**(0.3)**	17.3	28.1
Attributable to:			
Equity holders of the parent	**(0.2)**	17.3	27.6
Minority interests	**(0.1)**	–	0.5
	(0.3)	17.3	28.1

Condensed consolidated cash flow statement

	Notes	6 months ended 30 June 2009 Unaudited £m	Restated(1) 6 months ended 30 June 2008 Unaudited £m	Restated(2) Year ended 31 December 2008 £m
Net cash from operating activities from continuing operations	12	**69.5**	7.6	78.3
Net cash from/(used in) operating activities from discontinued operations	12	**4.4**	(5.1)	40.3
Net cash from operating activities		**73.9**	2.5	118.6
Investing activities:				
Disposal of businesses		**25.5**	–	(1.5)
Net cash disposed		**(4.5)**	–	–
Purchases of property, plant and equipment		**(13.0)**	(5.4)	(30.2)
Proceeds on disposal of property, plant and equipment		**0.2**	–	0.6
Purchase of computer software		**(0.1)**	–	(0.5)
Dividends received from joint ventures		**–**	–	0.2
Dividends paid to minority interests		**(0.1)**	–	(0.5)
Interest received		**2.3**	1.5	4.2
Acquisition of subsidiaries – FKI		**–**	(1.9)	(250.3)
Acquisition of subsidiaries – Fishercast		**–**	–	(6.7)
Cash acquired on acquisition of FKI		**–**	–	85.3
Net cash from/(used in) investing activities from continuing operations		**10.3**	(5.8)	(199.4)
Net cash used in investing activities from discontinued operations	12	**(1.3)**	(2.3)	(3.9)
Net cash from/(used in) investing activities		**9.0**	(8.1)	(203.3)
Financing activities:				
Net proceeds on issue of shares		**–**	–	279.5
Disposal of financial instruments		**–**	–	17.1
Net movement on borrowings		**(130.8)**	(0.2)	(19.4)
Costs of raising finance		**–**	–	(11.8)
Exceptional finance costs paid		**–**	–	(17.9)
Repayment of obligations under finance leases		**(0.1)**	(0.1)	(2.6)
Dividends paid	10	**(21.1)**	(5.7)	(19.4)
FKI dividend paid		**–**	–	(17.7)
Capital distribution		**–**	–	(7.4)
Net cash (used in)/from financing activities from continuing operations		**(152.0)**	(6.0)	200.4
Net cash used in financing activities from discontinued operations	12	**–**	(0.1)	(0.6)
Net cash (used in)/from financing activities		**(152.0)**	(6.1)	199.8
Net (decrease)/increase in cash and cash equivalents		**(69.1)**	(11.7)	115.1
Cash and cash equivalents at beginning of the year		**167.7**	46.4	46.4
Effect of foreign exchange rate changes		**(8.7)**	1.3	6.2
Cash and cash equivalents at end of the period		**89.9**	36.0	167.7
Cash classified as held for resale		**(0.6)**	–	(2.0)
Cash and cash equivalents in continuing Group at end of period		**89.3**	36.0	165.7

(1) Restated to include the results of the MVC segment within discontinued operations.
(2) Restated to include the results of Logistex Europe within discontinued operations.

As at 30 June 2009, the Group's net debt was £416.4 million (30 June 2008: net cash of £22.3 million, 31 December 2008: net debt of £543.1 million). A reconciliation of the movement in net debt is shown in note 12.

Condensed consolidated balance sheet

	Notes	**30 June 2009 Unaudited £m**	30 June 2008 Unaudited £m	31 December 2008 Restated[3] £m
Non-current assets				
Goodwill and other intangible assets		**1,173.5**	211.7	1,287.4
Property, plant and equipment		**252.3**	65.1	291.9
Investments		**–**	0.7	–
Interests in joint ventures		**0.2**	–	0.1
Deferred tax assets		**15.5**	3.2	29.8
		1,441.5	280.7	1,609.2
Current assets				
Inventories		**237.2**	29.7	327.9
Trade and other receivables		**214.3**	104.9	335.8
Derivative financial assets		**4.9**	–	3.1
Cash and cash equivalents		**89.3**	36.0	165.7
Assets held for sale[1]		**81.0**	–	92.9
		626.7	170.6	925.4
Total assets	3	**2,068.2**	451.3	2,534.6
Current liabilities				
Trade and other payables		**297.9**	107.2	443.7
Interest-bearing loans and borrowings		**0.8**	19.1	0.7
Derivative financial liabilities		**–**	0.3	25.3
Current tax liabilities		**33.4**	7.2	33.6
Provisions		**58.9**	5.5	62.4
Liabilities held for sale[2]		**60.6**	–	72.5
		451.6	139.3	638.2
Net current assets		**175.1**	31.3	287.2
Non-current liabilities				
Trade and other payables		**1.4**	–	3.1
Interest-bearing loans and borrowings		**505.5**	2.0	709.8
Deferred tax liabilities		**124.4**	8.0	136.2
Retirement benefit obligations		**113.9**	20.4	143.3
Provisions		**84.4**	2.0	96.5
		829.6	32.4	1,088.9
Total liabilities	3	**1,281.2**	171.7	1,727.1
Net assets		**787.0**	279.6	807.5
Equity				
Issued share capital		**1.1**	0.3	1.1
Share premium account		**279.1**	–	279.1
Merger reserve		**285.1**	37.0	285.1
Capital redemption reserve		**220.1**	220.1	220.1
Hedging and translation reserves		**55.6**	10.4	100.4
Retained earnings		**(55.8)**	10.6	(80.6)
Equity attributable to holders of the parent		**785.2**	278.4	805.2
Minority interest		**1.8**	1.2	2.3
Total equity		**787.0**	279.6	807.5

(1) Includes £0.6 million of cash (31 December 2008: £2.0 million).
(2) Liabilities directly associated with assets classified as held for sale.
(3) Restated to reflect the finalisation of the acquisition accounting of FKI plc.

Condensed consolidated statement of changes in equity

	Issued share capital £m	Share premium account £m	Merger reserve £m	Capital redemption reserve £m	Hedging and translation reserves £m	Retained earnings £m	Equity attributable to holders of the parent £m	Minority interest £m	Total equity £m
Balance at 1 January 2008	**58.3**	**–**	**37.0**	**154.6**	**2.2**	**14.2**	**266.3**	**1.2**	**267.5**
Dividend paid	–	–	–	–	–	(5.7)	(5.7)	–	(5.7)
Currency translation and cash flow hedge movements	–	–	–	–	8.2	–	8.2	–	8.2
Profit for the period	–	–	–	–	–	9.1	9.1	–	9.1
Credit to equity for equity-settled share based payments	–	–	–	–	–	0.4	0.4	–	0.4
Return of capital and redemption of C Shares	(58.0)	–	–	65.5	–	(7.4)	0.1	–	0.1
Balance at 30 June 2008 (unaudited)	**0.3**	**–**	**37.0**	**220.1**	**10.4**	**10.6**	**278.4**	**1.2**	**279.6**
Issue of 'offer and placement' Ordinary Shares	0.4	279.1	–	–	–	–	279.5	–	279.5
Acquisition of FKI plc	0.4	–	248.1	–	–	–	248.5	2.6	251.1
Dividend paid	–	–	–	–	–	(13.7)	(13.7)	(0.5)	(14.2)
Currency translation and cash flow hedge movements	–	–	–	–	96.1	–	96.1	0.6	96.7
Disposal of subsidiaries	–	–	–	–	(8.9)	–	(8.9)	(2.1)	(11.0)
(Loss)/profit for the period	–	–	–	–	–	(57.4)	(57.4)	0.5	(56.9)
Actuarial losses on net pension liabilities	–	–	–	–	–	(8.2)	(8.2)	–	(8.2)
Limit on pension scheme surplus	–	–	–	–	–	(14.1)	(14.1)	–	(14.1)
Taxation adjustments to equity	–	–	–	–	2.8	0.8	3.6	–	3.6
Credit to equity for equity-settled share based payments	–	–	–	–	–	1.4	1.4	–	1.4
Balance at 31 December 2008	**1.1**	**279.1**	**285.1**	**220.1**	**100.4**	**(80.6)**	**805.2**	**2.3**	**807.5**
Dividend paid	–	–	–	–	–	(21.1)	(21.1)	(0.1)	(21.2)
Currency translation and cash flow hedge movements	–	–	–	–	(35.0)	–	(35.0)	(0.3)	(35.3)
Disposal of subsidiaries	–	–	–	–	(7.3)	–	(7.3)	–	(7.3)
Profit/(loss) for the period	–	–	–	–	–	44.9	44.9	(0.1)	44.8
Taxation adjustments to equity	–	–	–	–	(2.5)	–	(2.5)	–	(2.5)
Credit to equity for equity-settled share based payments	–	–	–	–	–	1.0	1.0	–	1.0
Balance at 30 June 2009 (unaudited)	**1.1**	**279.1**	**285.1**	**220.1**	**55.6**	**(55.8)**	**785.2**	**1.8**	**787.0**

Notes to the condensed set of financial statements

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, Warwickshire, B49 6HN.

The interim financial information for the six months ended 30 June 2009 is unaudited and not reviewed. The results for the year ended 31 December 2008 shown in this report do not constitute the Company's statutory accounts for that period within the meaning of section 240 of the Companies Act 1985, but are derived from the statutory accounts for that year after re-presenting, in accordance with IFRS 5, Logistex Europe as a discontinued operation and, in accordance with IFRS 3, the finalisation of the acquisition accounting of FKI plc. A copy of the statutory accounts for that year has been filed with the Registrar of Companies. The auditors have reported on these accounts. Their report was unqualified, did not contain a statement under section 237 (2) or (3) of the Companies Act 1985 and did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report.

The comparative information for June 2008 has been restated to show MVC as a discontinued operation following its disposal on 26 November 2008.

2 Summary of significant accounting policies

The interim financial information for the six months ended 30 June 2009, which has been approved by a committee of the Board of Directors on 28 August 2009, has been prepared on the basis of the accounting policies set out in the Group's 2008 Annual Report and accounts on pages 46 to 52, with the exception of the adoption of IFRS 8 'Operating Segments' and IAS 1 (revised) 'Presentation of Financial Statements', 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 Statement should therefore be read in conjunction with the 2008 information. The accounting policies used in the preparation of the interim financial information have been consistently applied to all periods presented. This Interim Statement has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union.

IFRS 8 replaces IAS 14 'Segment Reporting' and requires the segment information presented in the financial statements to be that which management uses internally for evaluating segment performance and deciding how to allocate resources to operating segments. Segment information for 2008 has been re-presented on a comparable basis.

IAS 1 (revised) requires the presentation of a statement of changes in equity as a primary statement, separate from the income statement and statement of recognised income and expense. As a result, a condensed consolidated statement of changes in equity has been included in the primary statements, showing changes in each component of equity for each period presented.

2 Summary of significant accounting policies continued

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 discussed in the Finance Director's review and are set out in more detail in the Group's Annual Report for the year ended 31 December 2008.

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 the Interim Statement.

3 Segment information

In prior periods, the Group's segment information was reported by business segments and by geographical segments. However in accordance with IFRS 8, the segment information presented in the following tables is in line with the information reported to the Group's Board for the purpose of assessment and is more specifically focussed on business segment.

The Dynacast segment includes only the Dynacast business which is a supplier of die-cast parts and components to a range of industries. The Energy segment incorporates Turbogenerators, Transformers and Switchgear business units, all specialist suppliers of industrial energy products to the global market. The Lifting segment consists primarily of the businesses of Bridon and Crosby, serving lifting products to the oil and gas production, mining, petrochemical, alternative energy and general construction markets. Other Industrial incorporates all other operating businesses.

The Group has resolved to reclassify the Logistex Europe business, which was previously held within the Other Industrial segment, as a discontinued operation given its qualification as an asset held for resale and the subsequent exchange of contracts with the Beumer Group on 24 August 2009 (as described in note 13). As a result, the income statement and the cash flow statement have been restated to include the results of Logistex Europe within discontinued operations.

Transfer prices between operating segments are set on an arm's length basis in a manner similar to transactions with third parties. Inter segment sales are not material and have not been included in the analysis below.

Operating segments

The following tables present revenue and profit information and certain asset and liability information regarding the Group's operating segments for the period ended 30 June 2009 and comparative periods. Note 5 gives details of exceptional costs and exceptional income.

3 Segment information continued

	Segment revenue from external customers		
	6 months ended 30 June 2009 £m	Restated[1] 6 months ended 30 June 2008 £m	Restated[2] Year ended 31 December 2008 £m
Continuing operations			
Energy	**231.6**	–	229.4
Lifting	**230.2**	–	232.3
Dynacast	**95.7**	126.2	246.3
Other Industrial	**106.6**	28.9	164.2
Continuing operations total	**664.1**	155.1	872.2
Discontinued operations	**175.7**	22.6	216.6
Total revenue	**839.8**	177.7	1,088.8

(1) Restated to include the results of the MVC segment within discontinued operations.
(2) Restated to include the results of Logistex Europe within discontinued operations.

	Segment result		
	6 months ended 30 June 2009 £m	Restated[3] 6 months ended 30 June 2008 £m	Restated[4] Year ended 31 December 2008 £m
Continuing operations			
Energy	**30.8**	–	30.9
Lifting	**31.7**	–	35.7
Dynacast	**9.0**	18.0	33.4
Other Industrial	**6.1**	2.8	14.2
Central – corporate	**(6.6)**	(3.2)	(10.6)
Central – LTIPs[1]	**(1.0)**	(1.7)	(6.2)
Total headline[2] operating profit	**70.0**	15.9	97.4
Intangible asset amortisation	**(13.6)**	(1.1)	(13.6)
Exceptional costs (note 5)	**(5.9)**	–	(12.9)
Exceptional income (note 5)	**4.9**	–	–
Operating profit	**55.4**	14.8	70.9
Headline[2] finance costs	**(19.7)**	(1.1)	(28.0)
Exceptional finance costs	**–**	–	(23.1)
Finance income	**3.1**	1.5	4.9
Profit before tax	**38.8**	15.2	24.7
Tax	**(10.6)**	(3.2)	(10.1)
Profit/(loss) for the period from discontinued operations	**16.6**	(2.9)	(62.4)
Profit/(loss) for the period after tax and discontinued operations	**44.8**	9.1	(47.8)

(1) Long Term Incentive Plans.
(2) As defined on the income statement.
(3) Restated to include the results of the MVC segment within discontinued operations.
(4) Restated to include the results of Logistex Europe within discontinued operations.

3 Segment information continued

	Total assets			Total liabilities		
	6 months ended 30 June 2009 £m	Restated[2] 6 months ended 30 June 2008 £m	Restated[3] Year ended 31 December 2008 £m	**6 months ended 30 June 2009 £m**	Restated[2] 6 months ended 30 June 2008 £m	Restated[3] Year ended 31 December 2008 £m
Continuing operations						
Energy	**666.8**	–	761.5	**237.3**	–	302.6
Lifting	**723.0**	–	838.0	**152.0**	–	206.7
Dynacast	**299.2**	334.0	349.1	**63.9**	75.5	83.4
Other Industrial	**151.8**	35.2	172.0	**70.5**	12.9	95.8
Central – corporate	**146.4**	50.1	255.8	**696.7**	71.5	889.0
Central – LTIPs[1]	**–**	–	–	**0.2**	2.8	4.7
Continuing operations total	**1,987.2**	419.3	2,376.4	**1,220.6**	162.7	1,582.2
Discontinued operations	**81.0**	32.0	158.2	**60.6**	9.0	144.9
Total	**2,068.2**	451.3	2,534.6	**1,281.2**	171.7	1,727.1

(1) Long Term Incentive Plans.
(2) Restated to include the results of the MVC segment within discontinued operations.
(3) Restated to include the results of Logistex Europe within discontinued operations.

	Capital expenditure			Depreciation and computer software amortisation		
	6 months ended 30 June 2009 £m	Restated[1] 6 months ended 30 June 2008 £m	Restated[2] Year ended 31 December 2008 £m	**6 months ended 30 June 2009 £m**	Restated[1] 6 months ended 30 June 2008 £m	Restated[2] Year ended 31 December 2008 £m
Continuing operations						
Energy	**5.1**	–	8.5	**3.8**	–	3.8
Lifting	**3.6**	–	5.0	**4.9**	–	4.5
Dynacast	**1.8**	3.5	8.0	**4.5**	3.8	7.7
Other Industrial	**2.6**	2.2	7.8	**3.5**	0.9	3.9
Central – corporate	**–**	0.4	0.9	**0.3**	–	0.4
Continuing operations total	**13.1**	6.1	30.2	**17.0**	4.7	20.3
Discontinued operations	**1.2**	2.2	4.1	**2.4**	1.0	4.4
Total	**14.3**	8.3	34.3	**19.4**	5.7	24.7

(1) Restated to include the results of the MVC segment within discontinued operations.
(2) Restated to include the results of Logistex Europe within discontinued operations.

3 Segment information continued

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 revenue in the US is also considered to be material.

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

	Revenue from external customers[1]			Non-current assets		
	6 months ended 30 June 2009 £m	6 months ended 30 June 2008 £m	Year ended 31 December 2008 £m	**6 months ended 30 June 2009 £m**	6 months ended 30 June 2008 £m	Year ended 31 December 2008 £m
UK	**241.5**	25.3	251.3	**382.3**	13.5	389.2
US	**181.5**	20.9	235.0	**549.5**	150.5	622.0
Other	**241.1**	108.9	385.9	**494.0**	112.8	568.1
Total	**664.1**	155.1	872.2	**1,425.8**	276.8	1,579.3

(1) From continuing businesses.

4 Net operating expenses

Net operating expenses comprise:

	6 months ended 30 June 2009 £m	Restated[1] 6 months ended 30 June 2008 £m	Restated[2] Year ended 31 December 2008 £m
Continuing operations			
Selling and distribution costs	**(42.1)**	(7.1)	(52.1)
Administration expenses	**(63.1)**	(13.3)	(77.6)
Share of joint ventures operating profits/(losses)	**0.1**	–	(0.1)
Other operating costs – exceptional (note 5)	**(5.9)**	–	(12.9)
Other operating income – exceptional (note 5)	**4.9**	–	–
Total net operating expenses from continuing operations	**(106.1)**	(20.4)	(142.7)
Discontinued operations			
Selling and distribution costs	**(11.4)**	(0.3)	(18.7)
Administration expenses	**(14.2)**	(1.6)	(17.8)
Other operating costs – reorganisation expenses	**(3.5)**	–	(23.1)
Other operating income – medical scheme closure	**4.8**	–	–
Total net operating expenses from discontinued operations	**(24.3)**	(1.9)	(59.6)
Total net operating expenses	**(130.4)**	(22.3)	(202.3)

(1) Restated to include the results of the MVC segment within discontinued operations.
(2) Restated to include the results of Logistex Europe within discontinued operations.

5 Exceptional costs and income

Exceptional costs	**6 months ended 30 June 2009 £m**	6 months ended 30 June 2008 £m	Year ended 31 December 2008 £m
Continuing operations			
Reorganisation costs	**(5.9)**	–	–
FKI head office closure	**–**	–	(8.0)
Fishercast reorganisation	**–**	–	(2.4)
Realisation of losses on captive insurance investments	**–**	–	(1.7)
Loss on disposal of subsidiaries and joint ventures	**–**	–	(0.8)
Total continuing exceptional costs	**(5.9)**	–	(12.9)

During the period, reorganisation programmes have been implemented in certain businesses within the Group resulting in an overall cost of £5.9 million.

Following the acquisition of FKI plc in 2008, the Company made the decision to close the FKI head office structure resulting in a cost of £8.0 million in the year ended 31 December 2008.

In the year ended 31 December 2008, reorganisation costs were incurred during the integration of Fishercast with the Dynacast business totalling £2.4 million.

During 2008, Group management made the decision to realise the losses on underperforming assets held within the captive insurance company which resulted in a loss of £1.7 million.

During 2008, certain assets and liabilities were disposed of within the Bridon and MPC businesses resulting in a loss of £0.8 million.

Exceptional income	**6 months ended 30 June 2009 £m**	6 months ended 30 June 2008 £m	Year ended 31 December 2008 £m
Continuing operations			
Medical scheme closure	**4.9**	–	–
Total continuing exceptional income	**4.9**	–	–

During the period, certain US retirement medical benefit schemes have been closed resulting in a release in the retirement benefit obligation relating to continuing operations of £4.9 million.

6 Tax

Analysis of the charge in the period:

	6 months ended 30 June 2009 £m	6 months ended 30 June 2008 £m	Year ended 31 December 2008 £m
Continuing operations			
Current tax	**12.0**	3.5	21.1
Deferred tax	**(1.4)**	(0.3)	(11.0)
Tax charge from continuing operations	**10.6**	3.2	10.1
Discontinued operations			
Current tax	**0.5**	–	(0.2)
Deferred tax	**1.3**	–	(7.2)
Tax charge/(credit) from discontinued operations	**1.8**	–	(7.4)
Total tax charge	**12.4**	3.2	2.7

The effective rate in respect of headline profit before tax on continuing activities for the period is 30%. The tax charge on continuing activities has been calculated by applying this rate to the headline profit before tax of £53.4 million, giving £16.0 million. This is higher than the statutory rate due to the mix of, and the tax rates in, foreign jurisdictions.

In addition, the tax charge has been reduced by a credit of £5.4 million. This relates to tax on amortisation of intangible assets and the benefit of other exceptional costs giving a total tax charge for the period on continuing activities of £10.6 million.

7 Discontinued operations

During the interim period ended 30 June 2009, the Group disposed of three trading businesses, acquired as part of the FKI acquisition, previously classified as held for sale and shown within discontinued businesses – Logistex US, Rhombus and Welland Forge.

Operating profit before reorganisation costs and income from medical scheme closures of £2.9 million was achieved from these businesses, prior to their disposal. A net gain of £5.9 million also arose on the disposals of these businesses, being the proceeds of disposal, less the carrying amount of the subsidiaries' net assets, less costs to sell.

Assets held for sale

As at the balance sheet date, management had resolved to dispose of Logistex Europe and negotiations were advanced with one party. On 24 August 2009, the Group exchanged contracts with the Beumer Group to dispose of Logistex Europe for €30 million (£26.1 million). As a result, Logistex Europe has been classified as held for sale and is presented separately in the balance sheet. It is included within discontinued businesses in the segmental analysis in note 3.

8 Earnings per share

	6 months ended 30 June 2009 £m	Restated[2] 6 months ended 30 June 2008 £m	Restated[3] Year ended 31 December 2008 £m
Profit/(loss) for the purposes of basic earnings per share	**44.9**	9.1	(48.3)
Less (profit)/loss for the period from discontinued operations	**(16.6)**	2.9	62.4
Earnings for basis of earnings per share from continuing operations	**28.3**	12.0	14.1
Exceptional costs – operating	**5.9**	–	12.9
Exceptional costs – finance	**–**	–	23.1
Exceptional income	**(4.9)**	–	–
Intangible asset amortisation	**13.6**	1.1	13.6
Tax on both exceptional items and intangible asset amortisation	**(5.4)**	(0.3)	(11.7)
Earnings for basis of headline[1] earnings per share from continuing operations	**37.5**	12.8	52.0

(1) As defined in the income statement.
(2) Restated to include the results of the MVC segment within discontinued operations.
(3) Restated to include the results of Logistex Europe within discontinued operations.

	6 months ended 30 June 2009 Number	6 months ended 30 June 2008 Number	Year ended 31 December 2008 Number
Weighted average number of Ordinary Shares for the purposes of basic earnings per share (million)	**497.6**	133.7	315.6
Further shares for the purposes of fully diluted earnings per share (million)	**–**	–	–

8 Earnings per share continued

	6 months ended 30 June 2009 pence	Restated[2] 6 months ended 30 June 2008 pence	Restated[3] Year ended 31 December 2008 pence
Basic earnings per share			
From continuing and discontinued operations	**9.0**	6.8	(15.3)
From continuing operations	**5.7**	9.0	4.5
From discontinued operations	**3.3**	(2.2)	(19.8)
Fully diluted earnings per share			
From continuing and discontinued operations	**9.0**	6.8	(15.3)
From continuing operations	**5.7**	9.0	4.5
From discontinued operations	**3.3**	(2.2)	(19.8)
Headline[1] earnings per share			
From continuing operations	**7.5**	9.6	16.5
Fully diluted headline[1] earnings per share			
From continuing operations	**7.5**	9.6	16.5

(1) As defined in the income statement.
(2) Restated to include the results of the MVC segment within discontinued operations.
(3) Restated to include the results of Logistex Europe within discontinued operations.

9 Goodwill and other intangible assets

During the period, the Group has recorded adjustments to the opening balance sheet of FKI plc, acquired on 1 July 2008. These adjustments are principally in relation to the reduction of fixed asset and inventory values and some additional provisions, which reduce net assets by £7.9 million and increase goodwill by the same amount.

10 Dividends

	6 months ended 30 June 2009 £m	6 months ended 30 June 2008 £m	Year ended 31 December 2008 £m
Final dividend for the year ended 31 December 2007 paid of 4.25p	**–**	5.7	5.7
Interim dividend for the year ended 31 December 2008 paid of 2.75p	**–**	–	13.7
Final dividend for the year ended 31 December 2008 paid of 4.25p	**21.1**	–	–
Dividends paid	**21.1**	5.7	19.4

A proposed 2009 interim dividend of 2.9p was approved by the Board on 28 August 2009 and, in accordance with IAS 10, has not been included as a liability as at 30 June 2009.

11 Retirement benefit obligations

The defined benefit obligation at 30 June 2009 is estimated based on the latest actuarial valuation at 31 December 2005 for the UK schemes and at 31 December 2007 for the US schemes. These valuations were updated at 31 December 2008 to reflect market conditions at that time where appropriate. The defined benefit scheme assets and liabilities have been updated to reflect the £15.1 million contributions made to the defined benefit plans and services earned during the period to 30 June 2009. In addition, certain US retirement medical benefit schemes have been closed in the period to 30 June 2009 resulting in the liability decreasing by £9.7 million of which £4.9 million relates to continuing operations.

12 Cash flow

	6 months ended 30 June 2009 £m	Restated(2) 6 months ended 30 June 2008 £m	Restated(3) Year ended 31 December 2008 £m
Reconciliation of operating profit to cash generated by continuing operations			
Headline(1) operating profit from continuing operations	**70.0**	15.9	97.4
Adjustments for:			
Depreciation of property, plant and equipment	**16.6**	4.7	19.8
Amortisation of computer software	**0.4**	–	0.5
Restructuring costs paid and movement in other provisions	**(17.7)**	0.9	4.1
Operating cash flows before movements in working capital	**69.3**	21.5	121.8
Decrease/(increase) in inventories	**56.6**	1.7	(22.2)
Decrease/(increase) in receivables	**42.2**	(1.9)	29.0
(Decrease)/increase in payables	**(65.6)**	(4.8)	20.5
Cash generated by operations	**102.5**	16.5	149.1
Net tax paid	**(2.9)**	(4.0)	(16.1)
Interest paid	**(10.7)**	(0.9)	(32.6)
Pension contributions paid	**(15.0)**	(4.0)	(19.8)
Incentive scheme payments	**(4.4)**	–	(2.3)
Net cash from operating activities for continuing operations	**69.5**	7.6	78.3

(1) As defined in the income statement.
(2) Restated to include the results of the MVC segment within discontinued operations.
(3) Restated to include the results of Logistex Europe within discontinued operations.

12 Cash flow continued

	6 months ended 30 June 2009 £m	Restated[1] 6 months ended 30 June 2008 £m	Restated[2] Year ended 31 December 2008 £m
Cash flow from discontinued operations			
Cash generated from discontinued operations	**4.9**	(4.8)	41.0
Tax paid	**(0.4)**	–	(0.1)
Interest paid	**–**	(0.3)	(0.4)
Pension contributions paid	**(0.1)**	–	(0.2)
Net cash from/(used in) operating activities from discontinued operations	**4.4**	(5.1)	40.3
Interest received	**–**	–	0.2
Investment in associates	**(0.2)**	–	–
Purchase of property, plant and equipment	**(1.3)**	(2.3)	(4.1)
Proceeds from disposal of property, plant or equipment	**0.2**	–	–
Net cash used in investing activities from discontinued operations	**(1.3)**	(2.3)	(3.9)
Repayments of obligations under finance leases	**–**	(0.1)	(0.6)
Net cash used in financing activities from discontinued operations	**–**	(0.1)	(0.6)

[1] Restated to include the results of the MVC segment within discontinued operations.
[2] Restated to include the results of Logistex Europe within discontinued operations.

Net debt reconciliation

	At 31 December 2008 £m	Cash flow £m	Foreign exchange difference £m	Disposals (excluding cash and overdrafts) £m	Other non-cash changes £m	New leases £m	**At 30 June 2009 £m**
Cash	167.7	(94.6)	(8.7)	25.5	–	–	**89.9**
Debt due within one year	(0.5)	0.3	–	–	(0.3)	–	**(0.5)**
Debt due after one year	(709.1)	130.5	74.6	–	(0.8)	–	**(504.8)**
Leases	(1.2)	–	0.1	–	–	0.1	**(1.0)**
Net funds	(543.1)	36.2	66.0	25.5	(1.1)	0.1	**(416.4)**

13 Subsequent events

On 24 August 2009, the Group exchanged contracts for the disposal of its interest in the Logistex Europe division to the Beumer Group for a total consideration of €30 million (£26.1 million) cash before disposal costs.

Notes

Company and shareholder information

Financial calendar 2009

Record date of interim dividend	16 October 2009
Payment of interim dividend	12 November 2009
Preliminary announcement of 2009 results	March 2010

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