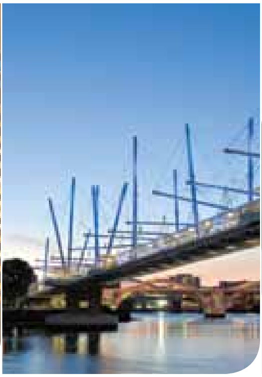
Melrose PLC
Interim Statement 2010

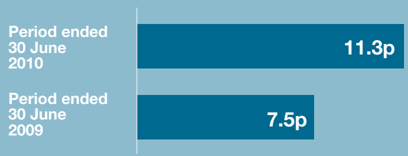
Making acquisitions
Driving performance
Realising value

Contents

Revenue

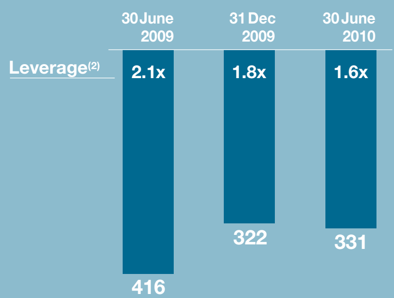
Headline[1] operating profit

Headline[1] basic earnings per share



Net debt

(£m)



All information presented above relates to the Group's continuing businesses.

(1) Before exceptional costs, exceptional income and intangible asset amortisation

(2) The ratio of net debt to headline operating profit before depreciation and amortisation

Highlights

How we performed

"Given the continued improvement in the acquired FKI businesses and the strong recovery at Dynacast, the Group has again substantially increased its profits, earnings per share and operating margins. Since the FKI acquisition the Group has generated over £500 million in headline operating cash[4] (post capex). We have exceeded our acquisition assumptions in difficult economic times and are very well positioned for further improvements in performance.

Although it remains difficult to gauge the eventual impact of government debt reduction measures, particularly in Western economies, we are confident that our businesses will see further progress in the remainder of this year and into 2011."

Christopher Miller
Chairman

Financial highlights[1]

- Headline[2] profit before tax for the period was £78.1 million (2009: £53.0 million). Profit before tax was £60.4 million (2009: £38.4 million)
- Headline[2] earnings per share for the period increased by 51% to 11.3p (2009: 7.5p). Earnings per share for the period increased by 55% to 8.7p (2009: 5.6p)
- Interim dividend increased by 38% to 4.0p per share (2009: 2.9p)
- Headline[2] operating margins increased to 13.6% (2009: 10.2%)
- Headline[2] operating cash[4] generation of over £500 million (post capex) in the last two years since the acquisition of FKI
- Net debt of £331 million, 1.6x Ebitda[3] – down from 1.8x at 31 December 2009 and 2.7x at the time of the FKI acquisition in July 2008

(1) Continuing operations only unless otherwise stated
(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 2010
(4) Headline operating profit plus depreciation and net trade working capital movements minus capital expenditure

Chairman's statement

I am pleased to report Melrose's interim results for the six months to 30 June 2010.

Results for the Group

FKI joined the Group on 1 July 2008 and so these results have meaningful comparatives for the equivalent period last year for the first time since the acquisition.

Revenue for the period was £675.7 million (2009: £684.7 million).

Headline profit before tax (before exceptional costs, exceptional income and intangible asset amortisation) was £78.1 million (2009: £53.0 million) and headline basic earnings per share were 11.3p (2009: 7.5p). Profit before tax was £60.4 million (2009: £38.4 million) and basic earnings per share were 8.7p (2009: 5.6p).

Further details of these results are contained in the Finance Director's review.

Dividend

As a result of the strong performance of your Group the Board has declared an increased interim dividend of 4.0p per share (2009: 2.9p), an increase of 38%. The dividend will be paid on 1 October 2010 to shareholders on the register at close of business on 10 September 2010.

Trading

The first six months of this year have seen revenues from our businesses continue the recovery which began towards the end of last year. Compared with the first half of 2009 however, revenues are essentially flat. So it is particularly pleasing to report a substantially improved headline operating profit performance, up 32%, resulting from an equally substantial increase in headline operating margins from 10.2% to 13.6%. Our management teams' continued emphasis on improving their businesses is bearing fruit and as a result these margins are being achieved despite the fact that, where justified by demand, increased labour and other costs have been incurred. In geographical terms, demand has been somewhat stronger in South East Asia and Europe than in North America.

The Group continues to be highly cash generative with a further £107 million of headline operating cash generation (after capital expenditure) in the first six months, giving a total of over £500 million since the acquisition of FKI in July 2008. Capital expenditure, which has been on a relatively tight rein for 18 months, is intended to return to our normal levels (in excess of depreciation) over the coming periods. Your Board believes that there are still significant opportunities for further improvement from this investment.

Further detail on current trading is contained in the Chief Executive's review.

Strategy

Since flotation in 2003, it has been Melrose's strategy to acquire businesses where we believe we can increase shareholder value with a view to subsequent and timely disposal at an appropriate point in the cycle of improvement, normally within three to five years, and with the stated aim of returning significant amounts of capital to shareholders in the process. This remains our strategy. We are actively seeking acquisitions whilst at the same time being aware that there are signs that the market for disposals is gradually returning. We remain opportunistic in our approach to acquisitions and disposals.

Outlook

The recovery in sales and order books in the majority of our businesses, which have a wide geographical spread, has been established now for some months and has continued through the summer. Although it remains difficult to gauge the eventual impact of government debt reduction measures, particularly in Western economies, we are confident that our businesses will see further progress in the remainder of this year and into 2011.

Christopher Miller

Christopher Miller
Chairman
27 August 2010

Chief Executive's review

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

Energy business review

Period ended 30 June	**2010 £m**	2009 £m
Revenue	204.2	231.6
Headline operating profit	33.8	30.8

Brush Turbogenerators ("Generators")

Generators performed well in the half year, building on the progress made in 2009. This is as a direct result of management's consistent strategy of focusing on operational efficiencies and increasing sales to the higher margin aftermarket sector. In addition, tight control of working capital resulted in excellent cash generation of 110% of headline operating profit.

Although sales at Generators are 14% lower than in the first half of 2009, they are significantly higher than in the second half of 2009. This is a reflection of the pattern of the order book and the delivery lead times. Demand for our product within the global power generation market bottomed out towards the end of 2009, and 2010 has seen a recovery in market activity, with Generators' underlying overall order intake up by 15% over the first half of 2009.

As reported in the Annual Report in March this year, Generators acquired Generator and Motor Services ("GMS"), a US $10 million sales aftermarket business based in Pittsburgh, USA, earlier in 2010. GMS has performed ahead of expectations since acquisition and allied to a strengthened dedicated Brush presence in the region, is leading an aggressive drive to exploit better the large Brush installed base in North America.

On the back of an order book at 30 June 2010 which virtually covers projected sales in the second half, together with the ongoing operational efficiency gains and advances in the aftermarket business, Generators should end the year strongly.

In order to benefit from market and operational synergies it was announced in July that Brush Transformers would be integrated into the Brush Turbogenerators' business, which operates from the same site at Loughborough. This will give the Brush Transformers' product access to Generators' wider global new-build market and its more extensive aftermarket network.

As expected, UK demand for power transformers was lower in the period as the new Ofgem five year review period commenced in April, where year one Distribution Network Operator ("DNO") capital expenditure is traditionally low. UK DNO activity is expected to improve in the second half of the year, during which time the integration benefits of bringing the two businesses together will start to materialise.

Marelli

Marelli performed creditably in the six months ended 30 June 2010 taking into account the low order book at the start of the year and the difficult market conditions, particularly in the marine sector in Europe.

Marelli has embarked on a project to establish a manufacturing base in Malaysia to supplement its existing sales and distribution operation in the region. Initially, the objective is to serve directly the Asia Pacific market and then to transfer production of its smaller, more standard generators from Italy in order to compete more effectively with low cost countries in this product sector.

Marelli is looking forward to an improvement in trading in the second half of the year on the back of an improving order book and progress in its aftermarket business.

Hawker Siddeley Switchgear ("Switchgear")

Switchgear reported an excellent set of results for the six months to 30 June 2010, with profit significantly higher than in the same period in 2009 on a strong growth in sales, resulting in a creditable return on sales. In addition, tight control of working capital has resulted in cash generation exceeding operating profit in the period.

Circuit breaker manufacture in its China facility in Shanghai is now ramping up and supplying into the UK operation. This plant will be developed further over the next year and is set to play a pivotal role as the company seeks to develop its presence in China.

With continued strong demand for switchgear in both the power distribution and mass transit markets, underpinned by a healthy order book, the outlook for the business remains very positive for the balance of 2010 and beyond.

Lifting business review

Period ended 30 June	**2010 £m**	2009 £m
Revenue	212.2	230.2
Headline operating profit	34.7	31.7

Bridon

Bridon performed satisfactorily in the six months ended 30 June 2010. Although sales were 10% down on the comparable prior year period, primarily due to weakness in the offshore oil and gas market, as a result of close attention to cost control, profit was nearly the same, resulting in a pleasing improvement in operating margin. In addition, focus on cash management yielded an impressive profit conversion to cash of 135%.

Bridon began the year with a weaker order book than at the outset of 2009 (a record profit year), and order intake has remained sluggish. While most of Bridon's markets are recovering slowly, the weak conditions in the offshore oil and gas sector, exacerbated by the moratorium on drilling following the Horizon oil spill in the Gulf of Mexico, have resulted in lower order intake than in the comparative period last year following the hurricane season in 2008. However, there has been increased demand for onshore oil and gas ropes, particularly in North America and notably for the tar sands in Canada. In the longer term, Bridon's ability to supply high quality, reliable and safe rope solutions in demanding conditions will be key in winning business to help oil companies meet the exacting standards which are increasingly required for demanding conditions such as deep-water exploration and production.

The mining market has continued to improve for both deep-shaft and surface mining, as a result of an upturn in demand for commodities. Bridon has seen increased orders from Russia, China, South Africa and North America. The postponement of the Australian "super tax" bodes well for a recovery in demand from that region.

Bridon's general industrial and high-performance crane business, having been the hardest hit in 2009 by the global downturn, remains somewhat subdued. Many industrial crane companies are cautious about placing orders; however, in China and other parts of Asia activity continues at reasonable levels. Activity in the structures market (mostly stadia and bridges) continues to be relatively buoyant.

It is unlikely that Bridon's performance in 2010 will match that of the record year in 2009. Bridon is a high quality business and longer term is well positioned to show good profitable growth, as it occupies leading market positions in sectors with favourable prospects, such as oil and gas.

Crosby

After a very difficult year in 2009, particularly in the second half, when sales fell by approximately 25% as a result of the global slowdown in the oil and gas and construction sectors, Crosby is recovering well with first half order intake up more than 30% on the same period last year. Compared to the first half last year, sales are marginally down as 2009 benefited from a high opening order book. The operational improvements coupled with less destocking has contributed to a significant improvement in margins this year and the order book at June is on an upward trend. In addition, continuing close attention to working capital control yielded a creditable profit conversion to cash of 116% in the period.

Crosby's sales started to pick up in the first quarter of 2010 as distributors started rebuilding their inventories. It is encouraging that this demand has continued, providing evidence that the pick-up in business is being driven by end-user demand rather than temporary restocking.

Crosby's increased focus since acquisition on Latin American, Asian and Chinese markets has continued to show improved results. In Latin America, Crosby has benefited from strong growth in the mining and energy markets, with Brazil being a particularly bright spot. Having been less affected by the downturn, Crosby's Asian business has shown a more modest improvement. The focus on the development of the block and sheave centre in Hangzhou is a key support to Crosby's growth strategy in China.

Crosby Europe continues to show modest growth with the crane block and sheave manufacturing centres that were opened in Belgium last year performing well. This has enabled Crosby to reduce lead times and provide better customer service.

Capital investment has been committed to upgrade CNC equipment at National Swage (Arkansas) and McKissick (Oklahoma), dies and tooling equipment at Lebus (Texas) and painting facilities at our Canadian and Tulsa operations, from which benefits will accrue in the second half of the year and into 2011.

With the recent improvement in sales and order intake at Crosby, and on the back of a much more efficient cost base as a result of early management actions taken in the face of the recent downturn, we are optimistic about trading for the balance of the year.

Dynacast business review

Period ended 30 June	**2010 £m**	2009 £m
Revenue	139.4	95.7
Headline operating profit	19.6	9.0

It is very pleasing to report that the improvement in demand first seen towards the end of 2009 has continued and has resulted in an exceptionally strong set of figures for the period. After a very challenging 2009, which saw underlying sales fall by about 25% compared with 2008, underlying sales in the first half of 2010 rose by 30% over the comparable prior year period, resulting in a very creditable return on sales of over 14%. It is encouraging that this margin has been achieved despite the reintroduction of costs necessitated by the higher demand.

The price of zinc, Dynacast's primary raw material, rose in the period to an average LME cost of US $2,154 per tonne compared to US $1,321 per tonne for the first half of 2009. The net effect of these raw material price increases, which are fully passed through to the customer, was to increase sales in the period by approximately £12 million when compared to the first half of 2009.

Europe saw the most dramatic improvement in demand, with underlying revenue up about 40% over the prior period, with the strongest growth in Austria and Germany. The recovery of the European automotive sector played a large part in this growth, helped by government-sponsored consumer incentives and short-time working subsidies. Notwithstanding the withdrawal of these incentives in most markets, demand in the second half is expected to remain robust.

Demand in North America suffered more than the other regions in 2009 as a result of the very difficult conditions in the automotive and construction sectors; and although market conditions continue to improve, there has been a much slower recovery than in Europe and Asia, with underlying sales up by 12% over the prior period. As referred to in the 2009 Annual Report, as a result of excess capacity in the region, the die-casting facility in Montreal was closed in June 2010 and its business was transferred to other Dynacast plants.

Having experienced the smallest sales drop in 2009 of the three regions, underlying sales in Asia grew by approximately 35% over the prior period. Dynacast continues to invest heavily in the region, with a new satellite plant for Dynacast Singapore in Batam, Indonesia, due to come on-stream later in the year. This comes on the back of the new Dongguan plant in South China, which opened in 2009 and which, although still very much in its ramp-up phase, is seeing some very exciting prospects in the electronics industry, including, for example, a part for the docking station for the Apple iPad.

Dynacast is continuing to perform strongly and we look forward to a highly successful outcome for the year.

Other Industrial business review

Period ended 30 June	**2010 £m**	2009 £m
Revenue	**119.9**	127.2
Headline operating profit	**13.5**	5.9

Taken as a whole, we are very pleased with the results of this division. Although sales are down over last year, profit has more than doubled, resulting in a creditable operating margin of 11.3%. It should be noted that the results now include Logistex UK, which has been focused on more productive activities following the sale of the rest of Logistex last year; and this accounts for a drop in sales of about £10 million from the first half of 2009 to the first half of 2010.

Truth

Truth has staged a very strong recovery in profit terms from the first half of 2009. This recovery, which became evident in the second half of 2009, has continued into 2010.

Whilst new home starts in the US are seeing a modest improvement over 2009, the repair and remodel market has been stronger; and Truth has benefited from this – the ability of Truth to operate in both of these sectors as economic conditions change is a significant advantage. On the other hand, Canadian housing starts remain strong, a region where Truth has significant market share.

The major strategic initiative launched last year to outsource the manufacturing of lower margin double hung products to China is progressing well, with significant cost savings expected to feed through to profit. This move will have the additional effect of freeing up capacity in Truth’s Minnesota plant, enabling it to focus on the production of higher margin casement product.

This will be supported by an acceleration of new product development initiatives based on value-added engineering and design solutions allied to first class customer service.

Based on the progress to date and the actions in hand, we are confident that the outcome for the year will be highly satisfactory.

Harris

As a capital intensive, later cycle business Harris performed well in the first half of 2010. Although sales were lower than in the first half of 2009, reflecting the nearly 60% decline in its order book in 2009 over 2008, profit was only marginally lower. The focus in the period was to continue to drive costs lower and to invest in product development.

Although order intake in the first half is substantially up on the previous year and scrap metal, fibre and other recyclable product prices are at a reasonably healthy level, customers are still nevertheless cautious about committing to significant capital outlays given the continuing economic uncertainty.

The current order book, supported by increasing sales of higher margin aftermarket parts and services, gives confidence that Harris will continue to perform well for the rest of the year.

MPC

The strong recovery in MPC's business in the second half of 2009 has continued into 2010. After a breakeven performance in the first half of 2009, sales in the first half of 2010 were up by some 50% and the operating margin was a creditable 8.8%. This improved performance reflects not only a general upturn in MPC's main markets, but also the broadening of the order intake spectrum as a result of an unremitting focus on developing new products with state-of-the-art moulding technologies.

MPC currently has its largest ever new business order book, with the vast majority of programmes going live in 2011 and many others confirmed for 2012 and 2013. We continue to look forward with confidence to a successful 2010 and are most encouraged by MPC's prospects beyond then.

David Roper
Chief Executive
27 August 2010

Finance Director's review

The six months to 30 June 2010 is the first set of results since the FKI acquisition for which the prior year performance is a meaningful comparative. This is because it is the first time that FKI has been owned for the full reporting period in both years.

Continuing and discontinued operations

All of the businesses owned in the six months to 30 June 2010 are shown as continuing businesses. The comparative results for the six months to 30 June 2009 include the results of the Logistex Europe business within discontinued operations, subsequently sold in August 2009. Logistex UK, a small part of Logistex Europe, was retained in the Group and this is now shown in continuing operations in all periods.

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 2010 was £675.7 million (2009: £684.7 million) down 1% on last year, headline operating profit was £91.9 million (2009: £69.8 million) up 32% on last year, headline profit before tax was £78.1 million (2009: £53.0 million) up 47% on last year, and headline basic earnings per share were 11.3p (2009: 7.5p) up 51% on last year. After exceptional costs, exceptional income and intangible asset amortisation, operating profit was £74.2 million (2009: £55.2 million), profit before tax was £60.4 million (2009: £38.4 million) and basic earnings per share were 8.7p (2009: 5.6p).

The improvement in headline operating profit was driven by a further increase in the Group headline operating margin (defined as headline operating profit as a percentage of revenue) to 13.6%, up 3.4 percentage points on the same period last year.

Trading by division – continuing operations

A split of revenue and headline operating profit by division is shown in the table below. Each of the four divisions has increased its headline operating profit and margin compared to last year. The performance of these trading divisions is discussed in the Chief Executive's review.

	2010			2009		
	Revenue £m	**Headline operating profit £m**	**Headline operating margin %**	Revenue £m	Headline operating profit £m	Headline operating margin %
Energy	204.2	33.8	16.6	231.6	30.8	13.3
Lifting	212.2	34.7	16.4	230.2	31.7	13.8
Dynacast	139.4	19.6	14.1	95.7	9.0	9.4
Other Industrial	119.9	13.5	11.3	127.2	5.9	4.6
Central – corporate	–	(6.2)	–	–	(6.6)	–
Central – LTIPs(1)	–	(3.5)	–	–	(1.0)	–
Group	675.7	91.9	13.6	684.7	69.8	10.2

(1) Long term incentive plans

Acquisition during the period

On 12 February 2010, the Group acquired 100% of the issued share capital of Generator & Motor Services of Pennsylvania, LLC ("GMS"), a company operating in North America supplying aftermarket services. The consideration for GMS was £8.0 million, of which £0.3 million was deferred. In addition acquisition costs of £0.2 million were incurred and expensed in the Income Statement in accordance with IFRS 3 (2008).

Cash generation and net debt

The first six months of 2010 has seen further strong cash generation. The Group has again generated more cash than profit in the period through continued management of working capital. As shown in the table below, in the six months to 30 June 2010 the percentage of headline operating profit that was generated into cash was 117%, meaning the long term Melrose average since 2003 is now 129%.

Each of the four divisions, Energy, Lifting, Dynacast and Other Industrial achieved more than 100% conversion. It is pleasing to note that working capital actually fell and, as a percentage of revenue, reduced from 8.8% at 31 December 2009 to 8.7% at 30 June 2010. This is particularly encouraging because revenue rose in the period compared to the previous six months and this would ordinarily involve cash outflows due to increased working capital requirements.

A reconciliation of the movement in net debt for the Group and the analysis of cash generated from trading for the six months to 30 June 2010 and for the two years since owning FKI are shown in the tables on the following page. Due primarily to the strengthening of the US Dollar over the six months to June 2010 an adverse exchange movement on net debt was incurred of £28.1 million.

It is particularly pleasing to see that over £500 million of headline operating cash (post capex) has been generated by the Group since the acquisition of FKI only two years ago. This represents 1.5x headline operating profit over the same period. Capital expenditure was below depreciation in the six months to June 2010, as it was in 2009. However investment is expected to rise to more normal levels over the coming periods.

£m	Energy	Lifting	Dynacast	Other Industrial	Central	Total continuing	Discontinued	Total
Headline operating profit	33.8	34.7	19.6	13.5	(9.7)	91.9	–	91.9
Headline operating cash[1] generation (post capex)	40.6	43.6	21.2	14.1	(12.1)	107.4	–	107.4
Headline operating profit conversion to cash (%)								
Last six months	120%	126%	108%	104%	(125%)	117%	–	117%
Last two years (since FKI)	136%	129%	150%	123%	(73%)	141%	371%	150%

(1) Headline operating profit plus depreciation and net trade working capital movements minus capital expenditure

Reconciliation of the movement in net debt	Six months to 30 June 2010 £m	Two years to 30 June 2010 £m
Opening net (debt)/cash	(321.7)	22.3
Acquired net debt	–	(471.7)
Net cash flow of acquisitions	(7.8)	(19.0)
Net cash flow from disposals	(0.1)	48.5
Cash generated from trading (post tax and restructuring)	51.7	296.7
Dividends paid	(23.9)	(80.6)
Foreign exchange movement	(28.1)	(126.2)
Other non-cash movements	(1.2)	(1.1)
Closing net debt	(331.1)	(331.1)

Cash generated from trading	Six months to 30 June 2010 £m	Two years to 30 June 2010 £m
Headline operating profit[1]	91.9	335.6
Depreciation and computer software amortisation	17.1	72.1
Net trade working capital movement	8.4	156.7
Net capital expenditure	(10.0)	(60.4)
Headline operating cash flow (post capex)	107.4	504.0
Headline operating profit conversion to cash %	117%	150%
Net interest and net tax paid	(27.8)	(81.8)
Defined benefit pension contributions	(15.4)	(63.5)
Other (including restructuring costs)	(12.5)	(62.0)
Cash generated from trading	51.7	296.7

(1) Including discontinued businesses

Leverage

Net debt to headline operating profit before depreciation and amortisation (leverage) was 1.6x at 30 June 2010, a reduction from 1.8x at 31 December 2009, and 2.7x 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.

Using the formula for the leverage bank covenant (net debt and headline operating profit before depreciation and amortisation both being calculated at average exchange rates) shows an even lower leverage of 1.5x at 30 June 2010. This gives comfortable headroom against the leverage covenant of 3.0x at 30 June 2010. Similarly the interest cover (headline operating profit as a multiple of net finance costs before net finance costs of pensions) at 30 June 2010 was 8.8x and is therefore comfortable against the interest cover covenant of 3.5x.

Foreign exchange

A split of revenue by currency and the relevant exchange rates used for the Group for the six months to June 2010 is shown on the following page.

This shows the exposure to foreign currencies within the Group, the main ones being the US Dollar and the Euro. The net translation gain included in the headline operating profit in the period as a result of exchange rate movements was £0.5 million.

	US $	Euro	Sterling	Other	Total
Revenue by currency	40%	27%	23%	10%	100%

Exchange rates used in the period	Average rate	Closing rate
US Dollar:		
Six months to June 2010	1.53	1.49
Twelve months to December 2009	1.57	1.62
Six months to June 2009	1.49	1.65
Euro:		
Six months to June 2010	1.15	1.22
Twelve months to December 2009	1.12	1.13
Six months to June 2009	1.12	1.17

Pensions

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

The FKI UK defined benefit plan IAS 19 deficit represents 74% of the overall deficit of the Group and has been revalued at 30 June 2010 to reflect current market values of assets and liabilities. At 30 June 2010 the net accounting deficit on the Group's plans was £191.3 million (31 Dec 2009: £169.1 million). These plans had assets of £866.1 million (31 Dec 2009: £864.4 million) and liabilities of £1,057.4 million (31 Dec 2009: £1,033.5 million). The rise in liabilities is mainly due to a decrease in the discount rate used on the FKI UK defined benefit plan from 5.75% at 31 December 2009 to 5.40% at 30 June 2010.

In addition, on 5 March 2010 the Group sold the assets (£17.7 million) and liabilities (£19.0 million) of the Bridon Group Senior Executive Plan to Aegon Trustee Solutions at a premium of £3.9 million which is shown in exceptional costs. The trustees are in the process of winding up this plan.

Tax

The Group Income Statement headline tax rate was 28% (2009: 30%) in the period. The ongoing management of tax remains a focus, in particular the cash tax rate and the tax on disposals. The headline cash tax rate in the period was 17% (2009: 5%) helped by the use of trading losses around the Group. Last year's rate benefited from US tax refunds. Over time we expect the gap between the corporation tax rate and the cash tax rate to narrow substantially.

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 2009. In summary these risks include liquidity risk, finance cost risk, exchange rate risk and commodity cost risk. These risks have the potential to affect the Group's results or financial position during the remainder of 2010. A more detailed explanation of these risks is set out on pages 24 and 25 of the Annual Report for the year ended 31 December 2009, a copy of which is available on the Company's website.

Geoffrey Martin

Geoffrey Martin
Group Finance Director
27 August 2010

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
27 August 2010

Geoffrey Martin
Group Finance Director
27 August 2010

Financial contents

Condensed financial statements

Notes to the condensed set of financial statements

Condensed Consolidated Income Statement

	Notes	6 months ended 30 June 2010 Unaudited £m	Restated[1] 6 months ended 30 June 2009 Unaudited £m	Year ended 31 December 2009 £m
Continuing operations				
Revenue	3	675.7	684.7	1,298.5
Cost of sales		(482.2)	(520.6)	(970.3)
Gross profit		193.5	164.1	328.2
Headline[2] operating expenses		(101.2)	(94.4)	(178.9)
Share of results of joint ventures		(0.4)	0.1	0.4
Intangible asset amortisation		(13.4)	(13.6)	(26.7)
Exceptional costs	5	(4.3)	(5.9)	(23.9)
Exceptional income	5	–	4.9	14.0
Total net operating expenses	4	(119.3)	(108.9)	(215.1)
Operating profit		74.2	55.2	113.1
Headline[2] operating profit	3	91.9	69.8	149.7
Finance costs		(17.3)	(19.9)	(36.2)
Finance income		3.5	3.1	5.1
Profit before tax		60.4	38.4	82.0
Headline[2] profit before tax		78.1	53.0	118.6
Headline[2] tax		(21.9)	(16.0)	(36.1)
Tax on exceptional items and intangible asset amortisation		5.0	5.4	8.8
Total tax	6	(16.9)	(10.6)	(27.3)
Profit for the period from continuing operations		43.5	27.8	54.7
Headline[2] profit for the period from continuing operations		56.2	37.0	82.5
Discontinued operations				
Profit for the period from discontinued operations		–	17.0	24.6
Profit for the period		43.5	44.8	79.3
Attributable to:				
Equity holders of the parent		43.4	44.9	79.5
Minority interests		0.1	(0.1)	(0.2)
		43.5	44.8	79.3
Earnings per share				
From continuing operations				
– Basic	7	8.7p	5.6p	11.0p
– Fully diluted	7	8.4p	5.6p	10.8p
– Headline[2] basic	7	11.3p	7.5p	16.6p
– Headline[2] fully diluted	7	10.9p	7.5p	16.3p
From continuing and discontinued operations				
– Basic	7	8.7p	9.0p	16.0p
– Fully diluted	7	8.4p	9.0p	15.6p

(1) Restated to include the results of Logistex UK within continuing operations
(2) Before exceptional costs, exceptional income and intangible asset amortisation

Condensed Consolidated Statement of Comprehensive Income

	6 months ended 30 June 2010 Unaudited £m	6 months ended 30 June 2009 Unaudited £m	Year ended 31 December 2009 £m
Profit for the period	43.5	44.8	79.3
Currency translation on net investments	(13.4)	(56.5)	(32.8)
Currency translation adjustments on minority interests	–	–	(0.2)
Transfer to Income Statement from equity of cumulative translation differences on disposal of foreign operations	(0.1)	(7.3)	(11.4)
(Losses)/gains on cash flow hedges	(7.9)	18.0	5.9
Transfer to Income Statement on cash flow hedges	(3.0)	0.7	11.8
Actuarial loss on net pension liabilities	(31.8)	–	(89.9)
Limit on pension plan surplus	–	–	14.1
Other comprehensive income before tax	(56.2)	(45.1)	(102.5)
Tax relating to components of other comprehensive income	–	–	13.0
Other comprehensive income after tax	(56.2)	(45.1)	(89.5)
Total comprehensive income for the period	(12.7)	(0.3)	(10.2)
Attributable to:			
Equity holders of the parent	(12.8)	0.1	(9.8)
Minority interests	0.1	(0.4)	(0.4)
	(12.7)	(0.3)	(10.2)

Condensed Consolidated Statement of Cash Flows

	Notes	**6 months ended 30 June 2010 Unaudited £m**	Restated(1) 6 months ended 30 June 2009 Unaudited £m	Year ended 31 December 2009 £m
Net cash from operating activities from continuing operations	11	**58.1**	72.5	176.8
Net cash from/(used in) operating activities from discontinued operations	11	**–**	1.4	(2.0)
Net cash from operating activities		**58.1**	73.9	174.8
Investing activities				
Disposal of businesses		**(0.1)**	25.5	49.2
Net cash disposed		**–**	(4.5)	(0.6)
Acquisition of subsidiaries		**(7.8)**	–	–
Purchase of property, plant and equipment		**(9.9)**	(13.1)	(22.9)
Proceeds on disposal of property, plant and equipment		**0.2**	0.2	1.0
Purchase of computer software		**(0.3)**	(0.1)	(0.9)
Dividends received from joint ventures		**0.1**	–	0.2
Dividends paid to minority interests		**–**	(0.1)	(0.2)
Interest received		**3.5**	2.3	3.8
Net cash (used in)/from investing activities from continuing operations		**(14.3)**	10.2	29.6
Net cash used in investing activities from discontinued operations	11	**–**	(1.2)	(1.3)
Net cash (used in)/from investing activities		**(14.3)**	9.0	28.3
Financing activities				
Net movement on borrowings		**(0.3)**	(130.8)	(185.8)
Repayment of obligations under finance leases		**–**	(0.1)	(0.1)
Dividends paid	8	**(23.9)**	(21.1)	(35.6)
Net cash used in financing activities from continuing operations		**(24.2)**	(152.0)	(221.5)
Net cash used in financing activities from discontinued operations	11	**–**	–	–
Net cash used in financing activities		**(24.2)**	(152.0)	(221.5)
Net increase/(decrease) in cash and cash equivalents		**19.6**	(69.1)	(18.4)
Cash and cash equivalents at beginning of the year		**147.5**	167.7	167.7
Effect of foreign exchange rate movements		**0.6**	(8.7)	(1.8)
Cash and cash equivalents at end of the period		**167.7**	89.9	147.5
Cash classified as held for sale		**–**	(0.6)	–
Cash and cash equivalents in continuing Group at end of the period		**167.7**	89.3	147.5

(1) Restated to include the results of Logistex UK within continuing operations

As at 30 June 2010, the Group's net debt was £331.1 million (30 June 2009: £416.4 million; 31 December 2009: £321.7 million). A reconciliation of the movement in net debt is shown in note 11.

Condensed Consolidated Balance Sheet

	Notes	**30 June 2010 Unaudited £m**	30 June 2009 Unaudited £m	31 December 2009 £m
Non-current assets				
Goodwill and other intangible assets		**1,201.4**	1,173.5	1,184.3
Property, plant and equipment		**244.9**	252.3	252.3
Interests in joint ventures		**–**	0.2	0.3
Derivative financial assets		**–**	–	0.6
Deferred tax assets		**18.5**	15.5	22.1
Trade and other receivables		**4.0**	–	–
		1,468.8	1,441.5	1,459.6
Current assets				
Inventories		**225.7**	237.2	222.6
Trade and other receivables		**232.1**	214.3	213.0
Derivative financial assets		**0.4**	4.9	2.0
Cash and cash equivalents		**167.7**	89.3	147.5
Assets held for sale(1)		**–**	81.0	–
		625.9	626.7	585.1
Total assets	3	**2,094.7**	2,068.2	2,044.7
Current liabilities				
Trade and other payables		**345.1**	297.9	319.5
Interest-bearing loans and borrowings		**1.4**	0.8	1.3
Derivative financial liabilities		**3.3**	–	2.8
Current tax liabilities		**54.5**	33.4	49.3
Provisions		**31.0**	58.9	44.6
Liabilities held for sale(2)		**–**	60.6	–
		435.3	451.6	417.5
Net current assets		**190.6**	175.1	167.6
Non-current liabilities				
Trade and other payables		**4.9**	1.4	1.8
Interest-bearing loans and borrowings		**497.4**	505.5	467.9
Derivative financial liabilities		**9.5**	–	0.2
Deferred tax liabilities		**125.0**	124.4	125.3
Retirement benefit obligations		**191.3**	113.9	169.1
Provisions		**103.7**	84.4	99.6
		931.8	829.6	863.9
Total liabilities	3	**1,367.1**	1,281.2	1,281.4
Net assets		**727.6**	787.0	763.3
Equity				
Issued share capital		**1.1**	1.1	1.1
Share premium account		**279.1**	279.1	279.1
Merger reserve		**285.1**	285.1	285.1
Capital redemption reserve		**220.1**	220.1	220.1
Hedging and translation reserves		**47.2**	55.6	71.6
Retained earnings		**(106.8)**	(55.8)	(95.4)
Equity attributable to holders of the parent		**725.8**	785.2	761.6
Minority interests		**1.8**	1.8	1.7
Total equity		**727.6**	787.0	763.3

(1) Includes £nil of cash (30 June 2009: £0.6 million, 31 December 2009: £nil)
(2) Liabilities directly associated with assets classified as held for sale

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 interests £m	Total equity £m
At 1 January 2009	1.1	279.1	285.1	220.1	100.4	(80.6)	805.2	2.3	807.5
Profit/(loss) for the period	–	–	–	–	–	44.9	44.9	(0.1)	44.8
Other comprehensive income	–	–	–	–	(44.8)	–	(44.8)	(0.3)	(45.1)
Total comprehensive income	–	–	–	–	(44.8)	44.9	0.1	(0.4)	(0.3)
Dividend paid	–	–	–	–	–	(21.1)	(21.1)	(0.1)	(21.2)
Credit to equity for equity-settled share-based payments	–	–	–	–	–	1.0	1.0	–	1.0
At 30 June 2009 (unaudited)	1.1	279.1	285.1	220.1	55.6	(55.8)	785.2	1.8	787.0
Profit/(loss) for the period	–	–	–	–	–	34.6	34.6	(0.1)	34.5
Other comprehensive income	–	–	–	–	16.0	(60.5)	(44.5)	0.1	(44.4)
Total comprehensive income	–	–	–	–	16.0	(25.9)	(9.9)	–	(9.9)
Dividend paid	–	–	–	–	–	(14.5)	(14.5)	(0.1)	(14.6)
Credit to equity for equity-settled share-based payments	–	–	–	–	–	0.8	0.8	–	0.8
At 31 December 2009	1.1	279.1	285.1	220.1	71.6	(95.4)	761.6	1.7	763.3
Profit for the period	–	–	–	–	–	43.4	43.4	0.1	43.5
Other comprehensive income	–	–	–	–	(24.4)	(31.8)	(56.2)	–	(56.2)
Total comprehensive income	–	–	–	–	(24.4)	11.6	(12.8)	0.1	(12.7)
Dividend paid	–	–	–	–	–	(23.9)	(23.9)	–	(23.9)
Credit to equity for equity-settled share-based payments	–	–	–	–	–	0.9	0.9	–	0.9
At 30 June 2010 (unaudited)	1.1	279.1	285.1	220.1	47.2	(106.8)	725.8	1.8	727.6

Notes to the condensed set of financial statements

1 Corporate information
The interim financial information for the six months ended 30 June 2010 is unaudited and not reviewed. The results for the year ended 31 December 2009 shown in this report do not constitute the Company's statutory accounts for that period as defined in section 435 of the Companies Act 2006. 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 draw attention to any matters by way of emphasis and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The comparative information for June 2009 in these interim financial statements has been restated to show Logistex UK as a continuing operation. Logistex UK was previously classified as held for sale in June 2009 as part of the Logistex Europe business. Logistex Europe was disposed of in August 2009 but control of Logistex UK was retained within the Group.

2 Summary of significant accounting policies
The interim financial information for the six months ended 30 June 2010, which has been approved by a committee of the Board of Directors on 27 August 2010, has been prepared on the basis of the accounting policies set out in the Group's 2009 Annual Report and accounts on pages 52 to 58 and can be found on the Group's website www.melroseplc.net. This Interim Statement should therefore be read in conjunction with the 2009 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.

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 on pages 24 and 25 in the Group's Annual Report for the year ended 31 December 2009.

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 this Interim Statement.

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

- Energy
- Lifting
- Dynacast
- Other Industrial

The Energy segment incorporates the Turbogenerators, Marelli, Transformers and Switchgear business units, all specialist suppliers of industrial energy products to the global market.

3 Segment information (continued)

The Lifting segment consists primarily of the businesses of Bridon and Crosby, providing lifting products to the oil and gas production, mining, petrochemical, alternative energy and general construction markets. The Dynacast segment only includes the Dynacast business which is a supplier of die-cast parts and components to a range of industries. Other Industrial incorporates all other operating businesses.

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

- Central – corporate
- Central – LTIPs[1]

[1] Long term incentive plans

The Central corporate cost centre contains the Melrose Group head office costs whilst the Central LTIPs cost centre contains the costs associated with the 2009 Melrose Incentive Scheme and the divisional management LTIP schemes that are in operation across the Group.

The Group reclassified the Logistex UK business as a continuing operation following the disposal of the Logistex Europe business in August 2009. Logistex UK was previously held within discontinued operations in the six month period ended 30 June 2009. As a result, the comparative information has been restated to include the results of Logistex UK within continuing operations in the six month period ended 30 June 2009.

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.

The Group's geographical segments are determined by the location of the Group's assets and operations.

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 2010 and comparative periods.

Segment revenues and results

	Segment revenue from external customers		
	6 months ended 30 June 2010 £m	Restated[1] 6 months ended 30 June 2009 £m	Year ended 31 December 2009 £m
Continuing operations			
Energy	**204.2**	231.6	418.3
Lifting	**212.2**	230.2	419.0
Dynacast	**139.4**	95.7	208.7
Other Industrial	**119.9**	127.2	252.5
Total continuing operations	**675.7**	684.7	1,298.5
Discontinued operations	**–**	155.1	185.6
Total revenue	**675.7**	839.8	1,484.1

[1] Restated to include the results of Logistex UK within continuing operations

	Segment result		
	6 months ended 30 June 2010 £m	Restated[1] 6 months ended 30 June 2009 £m	Year ended 31 December 2009 £m
Continuing operations			
Energy	**33.8**	30.8	61.0
Lifting	**34.7**	31.7	62.5
Dynacast	**19.6**	9.0	21.3
Other Industrial	**13.5**	5.9	20.6
Central – corporate	**(6.2)**	(6.6)	(8.9)
Central – LTIPs[2]	**(3.5)**	(1.0)	(6.8)
Total headline[3] operating profit	**91.9**	69.8	149.7
Intangible asset amortisation	**(13.4)**	(13.6)	(26.7)
Exceptional costs (note 5)	**(4.3)**	(5.9)	(23.9)
Exceptional income (note 5)	**–**	4.9	14.0
Operating profit	**74.2**	55.2	113.1
Finance costs	**(17.3)**	(19.9)	(36.2)
Finance income	**3.5**	3.1	5.1
Profit before tax	**60.4**	38.4	82.0
Tax	**(16.9)**	(10.6)	(27.3)
Profit for the period from discontinued operations	**–**	17.0	24.6
Profit for the period after tax and discontinued operations	**43.5**	44.8	79.3

(1) Restated to include the results of Logistex UK within continuing operations
(2) Long term incentive plans
(3) As defined on the Income Statement

	Total assets			Total liabilities		
	30 June 2010 £m	Restated[1] 30 June 2009 £m	31 December 2009 £m	**30 June 2010 £m**	Restated[1] 30 June 2009 £m	31 December 2009 £m
Continuing operations						
Energy	**621.6**	666.8	649.7	**238.5**	237.3	242.1
Lifting	**761.1**	723.0	730.2	**213.2**	152.0	175.5
Dynacast	**347.2**	299.2	329.1	**109.6**	63.9	87.3
Other Industrial	**164.7**	188.8	149.3	**94.0**	96.2	89.3
Central – corporate	**200.1**	146.4	186.4	**701.5**	696.7	679.5
Central – LTIPs[2]	**–**	–	–	**10.3**	0.2	7.7
Total continuing operations	**2,094.7**	2,024.2	2,044.7	**1,367.1**	1,246.3	1,281.4
Discontinued operations	**–**	44.0	–	**–**	34.9	–
Total	**2,094.7**	2,068.2	2,044.7	**1,367.1**	1,281.2	1,281.4

(1) Restated to include the results of Logistex UK within continuing operations
(2) Long term incentive plans

3 Segment information (continued)

	Capital expenditure			Depreciation and computer software amortisation		
	6 months ended 30 June 2010 £m	Restated[1] 6 months ended 30 June 2009 £m	Year ended 31 December 2009 £m	**6 months ended 30 June 2010 £m**	Restated[1] 6 months ended 30 June 2009 £m	Year ended 31 December 2009 £m
Continuing operations						
Energy	**3.6**	5.1	9.6	**4.1**	3.8	7.5
Lifting	**2.8**	3.6	6.3	**4.9**	4.9	9.2
Dynacast	**1.9**	1.8	3.7	**4.1**	4.5	8.8
Other Industrial	**1.8**	2.7	4.1	**3.7**	3.8	7.4
Central – corporate	**0.1**	–	0.1	**0.3**	0.3	0.7
Total continuing operations	**10.2**	13.2	23.8	**17.1**	17.3	33.6
Discontinued operations	**–**	1.1	1.3	**–**	2.1	2.4
Total	**10.2**	14.3	25.1	**17.1**	19.4	36.0

(1) Restated to include the results of Logistex UK within continuing operations

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 USA is also considered to be material.

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

	Revenue from external customers[1]			Non-current assets		
	6 months ended 30 June 2010 £m	Restated[2] 6 months ended 30 June 2009 £m	Year ended 31 December 2009 £m	**30 June 2010 £m**	30 June 2009 £m	31 December 2009 £m
UK	**217.8**	262.1	473.8	**372.9**	382.3	377.8
USA	**187.7**	181.5	343.3	**580.0**	549.5	531.9
Other	**270.2**	241.1	481.4	**493.4**	494.0	526.9
Total	**675.7**	684.7	1,298.5	**1,446.3**	1,425.8	1,436.6

(1) From continuing businesses
(2) Restated to include the results of Logistex UK within continuing operations

4 Net operating expenses

Net operating expenses comprise:

	6 months ended 30 June 2010 £m	Restated[1] 6 months ended 30 June 2009 £m	Year ended 31 December 2009 £m
Continuing operations			
Selling and distribution costs	(44.1)	(42.5)	(78.1)
Administration expenses	(70.5)	(65.5)	(127.5)
Share of results of joint ventures	(0.4)	0.1	0.4
Other operating costs – exceptional (note 5)	(4.3)	(5.9)	(23.9)
Other operating income – exceptional (note 5)	–	4.9	14.0
Total net operating expenses from continuing operations	(119.3)	(108.9)	(215.1)
Total net operating expenses from discontinued operations	–	(21.5)	(16.3)
Total net operating expenses	(119.3)	(130.4)	(231.4)

(1) Restated to include the results of Logistex UK within continuing operations

5 Exceptional costs and income

Exceptional costs	6 months ended 30 June 2010 £m	6 months ended 30 June 2009 £m	Year ended 31 December 2009 £m
Disposal of businesses	(0.2)	–	–
Acquisition costs	(0.2)	–	–
Defined benefit pension plan closure	(3.9)	–	–
Labour related one-off costs	–	(5.4)	(15.4)
Restructuring costs	–	(0.5)	(8.5)
Total exceptional costs	(4.3)	(5.9)	(23.9)

During the period, the Prelok France business, previously shown within the “Other Industrial” division, was disposed of. A net loss of £0.2 million was incurred which included disposal expenses of £0.1 million and a recycled cumulative exchange gain of £0.1 million.

On 12 February 2010, the Group acquired 100% of the share capital of Generator & Motor Services of Pennsylvania, LLC (see note 9) and, in accordance with IFRS 3 (revised 2008), the £0.2 million of costs incurred on acquisition have been recognised in the Income Statement.

During the period, the Group entered into a buyout arrangement to dispose of the liabilities of the Bridon Group Senior Executive Plan. The overall cost incurred in excess of the carrying value of plan net liabilities was £3.9 million.

In the year ended 31 December 2009, the Group incurred a total of £15.4 million of labour related one-off costs, relating primarily to headcount reductions, in response to the economic downturn.

During 2009, the Group also incurred £8.5 million of costs relating to restructuring programmes which included plant closures and relocations.

5 Exceptional costs and income (continued)

Exceptional income	**6 months ended 30 June 2010 £m**	6 months ended 30 June 2009 £m	Year ended 31 December 2009 £m
US retiree benefit plan closures	–	4.9	9.0
Release of fair value provisions	–	–	5.0
Total exceptional income	–	4.9	14.0

In the year ended 31 December 2009, certain US retiree benefit plans were closed resulting in a release of the future retirement benefit obligations relating to continuing operations totalling £9.0 million.

A review of fair value provisions at 31 December 2009 identified £5.0 million of liabilities in excess of the amount deemed required.

6 Tax

Analysis of the charge/(credit) in the period:

	6 months ended 30 June 2010 £m	6 months ended 30 June 2009 £m	Year ended 31 December 2009 £m
Continuing operations			
Current tax	15.7	12.0	26.2
Deferred tax	1.2	(1.4)	1.1
Income tax charge from continuing operations	16.9	10.6	27.3
Discontinued operations			
Current tax	–	0.5	1.6
Deferred tax	–	1.3	4.1
Income tax charge from discontinued operations	–	1.8	5.7
Total income tax charge	16.9	12.4	33.0

The effective rate in respect of headline profit before tax on continuing activities for the year is expected to be 28%. The tax charge on continuing activities has been calculated by applying this rate to the headline profit before tax of £78.1 million, giving £21.9 million.

In addition, the tax charge has been reduced by a credit of £5.0 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 £16.9 million.

7 Earnings per share

Earnings	6 months ended 30 June 2010 £m	Restated[1] 6 months ended 30 June 2009 £m	Year ended 31 December 2009 £m
Profit for the purposes of basic earnings per share	43.4	44.9	79.5
Less profit for the period from discontinued operations	–	(17.0)	(24.6)
Earnings for basis of earnings per share from continuing operations	43.4	27.9	54.9
Exceptional costs	4.3	5.9	23.9
Exceptional income	–	(4.9)	(14.0)
Intangible asset amortisation	13.4	13.6	26.7
Tax on both exceptional items and intangible asset amortisation	(5.0)	(5.4)	(8.8)
Earnings for basis of headline[2] earnings per share from continuing operations	56.1	37.1	82.7

(1) Restated to include the results of Logistex UK within continuing operations
(2) As defined on the Income Statement

	6 months ended 30 June 2010 Number	6 months ended 30 June 2009 Number	Year ended 31 December 2009 Number
Weighted average number of Ordinary Shares for the purposes of basic earnings per share (million)	497.6	497.6	497.6
Further shares for the purposes of fully diluted earnings per share (million)[1]	17.6	–	10.4

(1) Relating to the 2009 Melrose Incentive Scheme

Earnings per share	6 months ended 30 June 2010 pence	Restated[1] 6 months ended 30 June 2009 pence	Year ended 31 December 2009 pence
Basic earnings per share			
From continuing and discontinued operations	8.7	9.0	16.0
From continuing operations	8.7	5.6	11.0
From discontinued operations	–	3.4	5.0
Fully diluted earnings per share			
From continuing and discontinued operations	8.4	9.0	15.6
From continuing operations	8.4	5.6	10.8
From discontinued operations	–	3.4	4.8
Headline[2] basic earnings per share			
From continuing operations	11.3	7.5	16.6
Headline[2] fully diluted earnings per share			
From continuing operations	10.9	7.5	16.3

(1) Restated to include the results of Logistex UK within continuing operations
(2) As defined on the Income Statement

8 Dividends

	6 months ended 30 June 2010 £m	6 months ended 30 June 2009 £m	Year ended 31 December 2009 £m
Final dividend for the year ended 31 December 2008 paid of 4.25p	–	21.1	21.1
Interim dividend for the year ended 31 December 2009 paid of 2.90p	–	–	14.5
Second interim dividend for the year ended 31 December 2009 paid of 4.80p	23.9	–	–
Dividends paid	23.9	21.1	35.6

A proposed 2010 interim dividend of 4.0p per Ordinary Share was approved by the Board on 27 August 2010 and, in accordance with IAS 10, has not been included as a liability as at 30 June 2010.

9 Acquisition of subsidiary

On 12 February 2010, the Group acquired 100% of the issued share capital of Generator & Motor Services of Pennsylvania, LLC ("GMS"), a company operating in North America. GMS is a supplier of aftermarket services to the turbogenerator industry.

The following assets and liabilities were acquired:

	Acquiree's carrying amount £m	Fair value adjustments £m	Fair value £m
Property, plant and equipment	0.4	(0.1)	0.3
Intangible assets	–	0.7	0.7
Trade and other receivables	1.0	(0.6)	0.4
Trade and other payables	(0.2)	(0.4)	(0.6)
Provisions	–	(0.3)	(0.3)
Deferred tax liabilities	–	(0.3)	(0.3)
Total identifiable assets	1.2	(1.0)	0.2
Goodwill			7.8
Total consideration			8.0
Satisfied by:			
Cash consideration			7.7
Deferred consideration			0.3

The adjustments to the carrying values on the acquisition above have been included to represent the fair value of the assets and liabilities acquired.

The GMS business contributed £3.5 million revenue and £0.8 million headline operating profit during the period since acquisition.

Acquisition costs of £0.2 million have been incurred, of which £0.1 million are accrued, and these have been expensed as exceptional costs in the Income Statement.

The goodwill arising on the GMS acquisition is attributable to the anticipated profitability of the incremental distribution of the company's products and expected synergies.

10 Retirement benefit obligations

The defined benefit obligation at 30 June 2010 is estimated based on the latest full actuarial valuations at 31 December 2008 for the UK plans and at 1 January 2009 for the US plans. Material pension plan valuations have been updated at 30 June 2010 to reflect market conditions at that time where appropriate. In addition, the defined benefit plan assets and liabilities have been updated to reflect the £15.4 million of contributions made to the defined benefit plans and the services earned during the period to 30 June 2010.

During the period, the Group entered into a buyout arrangement to dispose of the liabilities of the Bridon Group Senior Executive Plan, resulting in a loss of £3.9 million (see note 5).

11 Notes to the Cash Flow Statement

	6 months ended 30 June 2010 £m	Restated[1] 6 months ended 30 June 2009 £m	Year ended 31 December 2009 £m
Reconciliation of operating profit to cash generated by continuing operations			
Headline[2] operating profit from continuing operations	91.9	69.8	149.7
Adjustments for:			
Depreciation of property, plant and equipment	16.7	16.9	32.7
Amortisation of computer software	0.4	0.4	0.9
Restructuring costs paid and movement in other provisions	(12.6)	(16.3)	(33.4)
Operating cash flows before movements in working capital	96.4	70.8	149.9
(Increase)/decrease in inventories	(1.4)	56.1	79.8
(Increase)/decrease in receivables	(22.4)	48.4	66.1
Increase/(decrease) in payables	32.2	(69.8)	(65.8)
Cash generated by operations	104.8	105.5	230.0
Tax paid	(13.0)	(2.9)	(3.4)
Interest paid	(18.3)	(10.7)	(13.4)
Defined benefit pension contributions paid	(15.4)	(15.0)	(32.0)
Incentive scheme payments	–	(4.4)	(4.4)
Net cash from operating activities from continuing operations	58.1	72.5	176.8

(1) Restated to include the results of Logistex UK within continuing operations
(2) As defined on the Income Statement

11 Notes to the Cash Flow Statement (continued)

	6 months ended 30 June 2010 £m	Restated[1] 6 months ended 30 June 2009 £m	Year ended 31 December 2009 £m
Cash flow from discontinued operations			
Cash generated from discontinued operations	–	1.9	(2.0)
Tax (paid)/received	–	(0.4)	0.1
Defined benefit pension contributions paid	–	(0.1)	(0.1)
Net cash from/(used in) operating activities from discontinued operations	–	1.4	(2.0)
Investment in joint ventures	–	(0.2)	(0.2)
Purchase of property, plant and equipment	–	(1.2)	(1.3)
Proceeds on disposal of property, plant or equipment	–	0.2	0.2
Net cash used in investing activities from discontinued operations	–	(1.2)	(1.3)
Net cash used in financing activities from discontinued operations	–	–	–

(1) Restated to include the results of Logistex UK within continuing operations

Net debt reconciliation

	At 31 December 2009 £m	Cash flow £m	Foreign exchange movements £m	Acquisitions £m	Disposals £m	Other non-cash movements £m	**At 30 June 2010 £m**
Cash	147.5	27.5	0.6	(7.8)	(0.1)	–	**167.7**
Debt due within one year	(0.3)	0.3	–	–	–	(0.5)	**(0.5)**
Debt due after one year	(467.9)	–	(28.8)	–	–	(0.7)	**(497.4)**
Leases	(1.0)	–	0.1	–	–	–	**(0.9)**
Net debt	(321.7)	27.8	(28.1)	(7.8)	(0.1)	(1.2)	**(331.1)**

Company and shareholder information

Financial calendar 2010

Record date of interim dividend	10 September 2010
Payment of interim dividend	1 October 2010
Preliminary announcement of 2010 results	March 2011

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Shareholders can view up to date information about their shareholding and register to receive future electronic communications from the Company by visiting the shareholders' website at www.shareview.co.uk

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